

Decision No. 30377

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
R. G. KNOLL, INC. LTD., a corpora-  
tion, for authority to charge less  
than minimum rates, under the pro-  
visions of the Highway Carriers'  
Act. )

Application No. 21539

ORIGINAL

Edward M. Berol, for applicant.  
Elmer Westlake and J. G. Breslin, for California-  
Hawaiian Sugar Refining Corporation, Ltd.  
E. J. Bischoff, for Southern California Freight  
Lines.  
E. C. Renwick and W. E. Love, for Union Pacific  
Railroad Company.  
F. F. Willey, for Pacific Electric Railway Company.  
Stuart Russel, for Motor Truck Assn. of Southern California.  
J. W. Kendall, for Bekins Van Lines, Inc.  
J. E. Lyons and F. C. Nelson, for Southern Pacific Company,  
Pacific Motor Transport Company and Pacific Motor Truck-  
ing Company.  
G. E. Duffy and F. P. Hurst, by F. P. Hurst, for The  
Atchison, Topeka and Santa Fe Railway Company.  
Geo. S. Schneider, for Western Warehouse and Transfer Com-  
pany, Western Sugar Refinery and Spreckels Sugar Company.

BY THE COMMISSION:

O P I N I O N

In this proceeding, the applicant, a highway contract car-  
rier, seeks authority under Section 11 of the Highway Carriers' Act, to  
observe rates lower than the minimum rates established for the trans-  
portation of sugar from Los Angeles and Long Beach Harbors on the one  
hand to Los Angeles, Glendale, Pasadena and Santa Ana on the other.<sup>1</sup>

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<sup>1</sup> The established minimum rates from which applicant is here seek-  
ing relief are those prescribed in and by Decision No. 30210 of Oc-  
tober 11, 1937, in Part "M" of Case No. 4088.

The matter was submitted at a public hearing had at Los Angeles on November 3, 1937, before Examiner Mulgrew.

The tabulation which follows shows the sought rates, the established rates, the rates charged prior to the establishment of minimum rates and summarizes the data contained in applicant's cost studies submitted at the hearing:

FROM Los Angeles and Long Beach Harbors	Costs and Rates in cents per 100 Pounds, except as otherwise indicated											
	Minimum weight in Pounds											
	7,500				10,000				20,000			
TO	(1)	(2)#	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)#	(3)	(4)
Los Angeles	11	14*	7.5	10.48	8.5	14*	6.5	7.86	7.5	21*	6.	5.325
Glendale	14.8	14	9.5	14.52	11.3	14	8	10.89	8.1	21	7	7.37
Pasadena	14.8	14	11.5	15.26	11.8	14	10	11.45	8.1	21	8	7.755
Santa Ana	13.5	14	8	13.25	10.8	14	7	9.94	8.1	21	6.5	6.735

Column 1 - Sought rates. Subject to a minimum annual tonnage of 12,000 tons from the points of origin specified to points of destination within the territory embraced by Part "M" of Case No. 4088, supra, and to rules and regulations set forth in the order in Decision No. 29480 and 25 modified in that proceeding.<sup>2</sup>

Column 2 - Established minimum rates.

Column 3 - Contract rates superseded by the establishment of minimum rates in and by Decision No. 30210.

Column 4 - Applicant's costs.<sup>3</sup>

# - Rates in dollars per shipment.

\* - Rates shown apply from Los Angeles Harbor. From Long Beach Harbor rates are as follows:

Minimum Weight	Rate
7,500 pounds	\$13 per shipment
10,000 pounds	13 cents per 100 pounds
20,000 pounds	\$19.50 per shipment

<sup>2</sup> The territory referred to is bounded by San Fernando and Burbank on the north, San Diego and San Ysidro on the south, the Pacific Ocean on the west, and Redlands, Yucaipa, Hemet Valley and Escondido on the east.

<sup>3</sup> Its cost studies embrace operations during the months of May, June and July, 1937. They were said to reflect actual figures for invest-

Witnesses for the applicant testified that it had been performing the transportation services in issue under contract with the California-Hawaiian Sugar Refining Corporation, Ltd., continuously for the past three years; that for the year ending September 1937 it had handled 26,998 tons of sugar within the territory embraced by Part "M" of Case No. 4088, supra; that 23,034 tons of this total tonnage were moved between the points where relief is here sought; that such tonnages are representative of movements in preceding years; that there are no shipments of less than 7,500 pounds transported, the normal movement being in lots of 7,500, 10,000 and 20,000 pounds; that the size of the shipments precludes the necessity of a movement through carrier's terminals, affording the applicant the opportunity of transporting the property directly from point of origin to destination; that although there is some fluctuation in the volume of the tonnage transported per month, the movement is not seasonal in char-

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3 (concluded)

ment, taxes and licenses, insurance, rent, fuel, lubricants, repairs, and overhead. Wages of drivers and helpers were represented as having been adjusted so as to include wage increases subsequently experienced. Certain items of expense, however, were estimated, based upon applicant's judgment. These include return on investment (calculated at 50% of 8% of cost) and depreciation (computed on a 6-year basis after deducting tire cost and salvage value). Other items of expense, namely, tire cost and miles operated were estimated by use of figures contained in the cost study of Senior Engineer Chesnut, of the Commission's Transportation Department (Exhibit UV-2 in Case No. 4088, supra). Costs thus computed were contrasted with those calculated by use of the figures and bases contained in said Exhibit UV-2. On shipments subject to 7,500 and 10,000 pounds minima applicant's costs were shown as exceeding those based on the Chesnut study. While for shipments subject to a 20,000 pound minimum, costs predicated upon Chesnut's study exceed the applicant's. However, the sought rates at the latter minimum are in excess of the costs based on the Chesnut study.

acter; that the property is received at and delivered to points readily accessible to applicant's equipment; and that the applicant is convinced that it cannot retain this traffic under the established rates. Counsel for applicant stressed his client's reliance on this traffic in the past and his need to retain it for the future. He argued that the proposed rates will return costs and a reasonable profit.

The position of the shipper, California-Hawaiian Sugar Refining Corporation Ltd., as expressed by its manager of traffic and distribution is that the established rates are so high that it is practically impossible to pay them in the consuming area involved. He stated that several alternatives to the existing method of distribution are now receiving consideration, among them the sale of sugar F.O.B. plant Crockett or F.O.B. San Francisco and the purchase or lease of equipment for proprietary truck operation. Although conceding that his studies in this regard had not progressed to the point where he could form any opinion as to what changed method of distribution might be pursued in the event this application is denied he indicated that there was little if any likelihood of a continuation of the present system of distribution unless the sought relief is granted.

Another factor which the Commission was urged to consider was the effect of disruption of the present method of distribution upon intrastate coastwise vessel operation and upon public utility warehouse storage of this property. It was represented that the revenue losses which these utilities would suffer in the event of the loss of this business would seriously impair, if not destroy, their ability to continue to serve the public in their respective

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capacities.

Western Warehouse and Transfer Company, a highway contract carrier, opposed the granting of the application unless comparable rates were extended to it concurrently with applicant for similar transportation services it renders for Western Sugar Refinery and Spreckels Sugar Co. If the protestant's operations are substantially the same as those of the applicant here and the same relief is desired, an appropriate application should be filed.

It seems clear that applicant's costs are predicated upon the availability of a large volume of sugar traffic and that any substantial reduction in the tonnage to be transported would result in higher operating costs. It follows that applicant has not justified the sought rates at an annual minimum tonnage of 12,000 tons within the territory embraced by Part "M" of Case No. 4088, supra. Neither has it been conclusively shown that the minimum annual tonnage in connection with movements from Los Angeles and Long Beach Harbors to the four specific points of destination involved should be related to the annual tonnage transported within Part "M" territory. The record shows that for the year ending September 1937, 23,034 tons were moved between the points where relief is here sought and that this tonnage is representative of previous years. Although it would appear that this tonnage might be reasonably reduced without materially affecting costs it seems evident that a reduction to the proposed minimum basis of 12,000 tons per year would seriously impair

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Witnesses testifying with regard to these phases of the matter were of the opinion that discontinuance of the present system of distribution would cause a serious inroad upon what little coast-wise vessel traffic remained, which might necessitate abandonment of service by the two steamship lines now operating; and that such discontinuance would preclude any possibility of profitable warehouse operation at Los Angeles or Long Beach Harbors by the warehouseman dependent upon this traffic.

applicant's ability to perform the service under the proposed rates. On this record the minimum annual tonnage requirement should not be less than 18,000 tons. With this modification and a slight upward adjustment of the suggested rates applicant's proposal appears to be well supported by the evidence and should be approved. However, these findings are necessarily predicated upon existing conditions. The possibility of changed conditions which might require modification of the rates found justified herein leads to the conclusion that the relief to be authorized should be limited to a definite period. Accordingly the application will be granted for a period of one year. If upon its expiration the carrier is of the opinion that an extension is justified an appropriate application requesting such action should be filed.

#### O R D E R

The matter having been duly heard and submitted,

IT IS HEREBY ORDERED that applicant R. G. Knoll, Inc. Ltd. be and it is hereby authorized to assess and collect rates less than those established in Decision No. 29480 and as modified in Case No. 4088, Part "M", but not less than the rates set forth in Appendix "A" attached hereto and by this reference made a part hereof, for the transportation of sugar between the points specified in said Appendix "A".

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire one year from the effective date of this order.

IT IS HEREBY FURTHER ORDERED that in all other respects the application be and it is hereby denied.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 6<sup>th</sup> day of December, 1937.

William H. ...  
Leon ...  
Frank ...  
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\_\_\_\_\_  
Commissioners

APPENDIX "A"

APPLICATION OF APPENDIX

The rates named in this appendix are subject to:

(a) The rules and regulations contained in Appendix "A" of Decision No. 29480, and as modified, in Case No. 4088, Part "M".

(b) A minimum annual tonnage of 18,000 tons. In the event less than 18,000 tons are transported from and to the points named and at rates no lower than those specified in this appendix, the minimum charge for the property transported shall be no lower than the charges applicable at the rates provided in this appendix for the property transported plus a sum determined by multiplying the difference between the aggregate weight of the sugar transported and 18,000 tons by \$1.50 per ton unless a lower charge would accrue by restating charges for the entire year at the minimum rates otherwise applicable, in which event such lower aggregate charge shall apply.

Rates in cents per 100 pounds

FROM	Minimum Weight in Pounds		
	7,500	10,000	20,000
Los Angeles Harbor			
Long Beach Harbor			
TO			
Los Angeles	11	8½	7½
Glendale	15	11½	8½
Pasadena	15½	12	8½
Santa Ana	13½	11	8½