

Decision No. 31531

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Investigation
by the Commission on its own motion
into the rates, rules, regulations
and practices of Carriers engaged in
the transportation of petroleum and
petroleum products within this State.)

Case No. 4249.

ORIGINAL

Additional Appearances

E. V. Macon, for The Texas Company.

W. E. Paul, for Union Oil Company.

Stuart Russel, for The Motor Truck Association
of Southern California.

Dexter L. Lewis, for International Brotherhood
of Teamsters.

BY THE COMMISSION:

FIRST SUPPLEMENTAL ORDER

By Decision No. 31469 of November 10, 1938, in this proceeding, the Commission established minimum rates to become effective December 7, 1938, for the transportation of "black oils" (petroleum crude oil, petroleum fuel oil, petroleum gas oil, petroleum road oil and asphalt) in tank truck equipment, between points in California, by highway common carriers, radial highway common carriers, highway contract carriers and city carriers. By petition filed November 25, 1938, the Oil Haulers Association, a non-profit corporation whose members are engaged primarily in the transportation of these commodities in and around Signal Hill (Los Angeles County), requested amendment or rehearing, alleging that the rates established by said decision for transportation within a radius of thirty miles of Signal Hill exceed the cost of performing the service and will cause a diversion of the traffic to proprietary carriage or to other forms of distribution, and that the charge established

for pumping service performed incident to such transportation will tend to cause a similar diversion of traffic. Responsive to this petition the proceeding was reopened for further hearing, which was had at Los Angeles before Examiner Hunter on November 29 and November 30, 1938, and before Examiner Bryant on December 1, 1938.

By Decision No. 31469, supra, the Commission provided a minimum rate of 2 cents per 100 pounds for the transportation of crude oil within the City of Signal Hill and for distances of five miles or less from or to Signal Hill, based upon a cost study introduced by the Oil Haulers Association (hereinafter called the Association) and upon testimony of carriers and shippers to the effect that competitive conditions peculiar to that area necessitated subnormal rates for this transportation; the minimum rate established by the same decision for other incorporated cities and for comparable distances elsewhere in California, as well as for transportation between all points situated within a single group¹, was 2½ cents per 100 pounds.

The Association proposal now involved is generally to the effect that for the local transportation of black oils, particularly crude oil, Group 6 be divided into seven sub-groups, and that rates within and between such sub-groups, as well as between such sub-groups on the one hand and Group 13 points on the other hand, be established upon a mileage basis, distances to be computed between basing points to be named for each group. Two scales of rates are sought, the applicable basis to be determined according to whether or not consignee's facilities permit delivery over a 24-hour period each day.²

1 Decision No. 31469, supra, establishes 13 producing groups for the purpose of applying the minimum rates provided therein. Group 6 is roughly coextensive with the area involved in the instant phase of this proceeding.

2 The original petition sought a single scale of mileage rates for use within a radius of 30 miles of Signal Hill, the rates to be identical to those now proposed for "24-hour service." The subsequent modification to the proposal now involved was largely the result of informal conferences between interested parties, held subsequent to the first session of the rehearing.

The proposed rate bases, subject to certain maxima for intra-group and inter-group movement, are as follows:

Rates in Cents Per 100 Pounds

	<u>Regular Service</u>	<u>24-Hour Service</u>
Not over 5 miles	2	1½
Over 5 miles but not over 10 miles	2½	1-¾
Over 10 miles but not over 15 miles	3	2
Over 15 miles but not over 20 miles	3½	2½
Over 20 miles but not over 25 miles	4	3
Over 25 miles but not over 30 miles	4½	3½

At the rehearing witnesses for several highway carriers and independent refineries testified that the rates provided by Decision No. 31469, supra, in so far as they apply to the transportation of crude oil within the area here involved, are not sufficiently low to meet existing competitive conditions; and that unless rates of approximately the volume of those now proposed are authorized, substantially all of the crude oil now being transported within the area by motor truck, amounting to more than one million barrels per month, will be diverted from for-hire carriers to proprietary trucks and pipe lines. The highway-carrier witnesses testified that rates charged by them at the present time for the transportation of crude oil are in general the same as, or lower than, those now proposed for a so-called "24-hour" operation, and that they have operated profitably at such rates in the past. The shipper witnesses testified to the effect that if the rates provided by said Decision 31469 become effective they will discontinue the use of for-hire trucks and will resort to proprietary trucking equipment or to pipe lines. All of this testimony was directed to the transportation of crude oil only, and generally only under conditions where the carrier develops relatively low costs by operating continuously over the 24-hour period.

No new detailed cost exhibits were offered, but a Senior Engineer in the Commission's Transportation Department introduced a study of the cost of transporting crude oil for lengths of haul up to ten miles in the Signal Hill area. This study, based in part upon estimates introduced by the Association at a previous hearing in this proceeding and in part upon a personal investigation of use factors, load factors and certain other elements encountered in this specialized local operation, developed costs of 1.42 cents per 100 pounds for a five mile haul and 1.96 cents per 100 pounds for a ten mile haul.

A witness for the Tank Truck Operators Association, Inc., testified that although he did not particularly urge the suggested rate revisions, he was not opposed to them in their final form. It was this witness who introduced the proposed modifications and explained that they had been agreed upon in informal conference. He further stated that in his opinion the charge of $\frac{3}{4}$ of one cent per 100 pounds for pumping service, rendered with carrier's equipment, is considerably in excess of the cost of performing such service, and said that he believed a proper charge would be $\frac{1}{2}$ cent per 100 pounds or possibly somewhat less.

Witnesses for several of the major oil refineries stated that they were opposed to the suggested subdivision of Group 6 and the establishment of rates which varied according to the number of hours that consignee's facilities were available for receipt of shipments, in so far as these changes would apply to the transportation of any commodity other than crude oil. They pointed out that in the case of a consignee requiring one or two truck loads of fuel oil, for example, the number of hours during which the plant was in operation would under ordinary circumstances have no bearing upon the cost of transportation. These witnesses took no position with respect to the proposals as applied to crude oil only.

It is reasonably clear upon this record that there exists within the Los Angeles Basin an exceptional transportation condition brought about by the fact that there are within the area some thirty refining companies which receive a substantial part of their crude oil by motor truck over a twenty-four hour period. This circumstance permits the for-hire carriers to engage in a practically continuous operation, with consequently increased load and use factors and reduced over-all transportation costs. Moreover, these refineries are highly competitive with each other and with other refineries, and consequently are disposed to seek the lowest possible transportation expense. At the same time, some of the refineries do not elect to receive crude oil during the twenty-four hour period, and as to these the carriers' transportation costs are naturally somewhat greater.

It appears that modifications should be made in the crude oil rates in order to meet the special condition existing within the Los Angeles Basin, and the several cost studies introduced in this proceeding, collectively considered, indicate that rates substantially the same as those proposed will be reasonable and compensatory. It is clear that the conditions which justify the rate modifications are restricted to the transportation of crude oil, and are not applicable to the other black oils involved in this proceeding; and although the requested modifications, applied to crude oil only, will result in charges on that commodity which will be in some instances lower and in other instances higher than the charges for similar transportation of the other black oils, it is believed that under the circumstances here before us such differences are justified. It does not appear that crude oil is in active competition with the other commodities involved.

The evidence offered with respect to the proposed reduction in the pumping charge consisted of (a) a statement to the

effect that the established charge is unduly high and will tend to divert traffic from for-hire carriers, and (b) the testimony introduced by the witness for Tank Truck Operators Association, Inc., and hereinbefore described. No shipper testified with respect to the charge and no figures relative to the cost of rendering the services were offered. No reason appears why the pumping charge in the Los Angeles Basin should differ from that in force elsewhere, and in the absence of conclusive evidence no change will be made in the charge at this time.

One witness suggested that a portion of the City of Los Angeles be eliminated from Group 6 entirely; however, this proposal involves matters outside the scope of the present phase of the proceeding.

The Commission has carefully considered the aforesaid petition and each and every allegation therein contained, and is of the opinion that Decision No. 31469, supra, should be amended to the extent set forth in the order herein and that in all other respects said petition should be denied.

Therefore, good cause appearing,

IT IS HEREBY ORDERED that Appendix "A" to Decision No. 31469 of November 10, 1938, in this proceeding, be and it is hereby amended as provided in Appendix A-1 of this order, which is attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that in all other respects the petition of Oil Haulers Association, filed November 25, 1938, in this proceeding, be and it is hereby denied.

In all other respects said Decision No. 31469 shall remain in full force and effect.

The effective date of this order shall be December 7, 1938.

Dated at *Los Angeles*, California, this 5th day of December, 1938.

Raymond A. ...
Frank ...
Ray L. ...
COMMISSIONERS.

APPENDIX A-1

Changes and Additions in Appendix "A" to Decision No. 31469

1. Item No. 80, paragraph (c), sub-paragraph 2: Change words "See Exception" to read "See Item No. 130 for Exceptions," and eliminate the exception now provided.

2. Item No. 120: Eliminate reference to Note 2 from head of rate column; eliminate Notes 1 and 2 and substitute the following note:

"Note 1. The rate for transportation between points within incorporated cities by carriers as defined in the City Carriers' Act shall be 2½ cents per 100 pounds, except as otherwise provided in Item No. 130."

3. Add the following new item:

ITEM NO. 130- RATES IN THIS ITEM APPLY ONLY FOR
TRANSPORTATION OF CRUDE OIL WITHIN
GROUP 6 AND BETWEEN GROUP 6 AND GROUP
13

(a) Description of sub-groups:

Group 6-A. Bounded on the north by Sunset Boulevard, on the east by La Brea Boulevard, on the south by Imperial Highway, and on the west by Pacific Ocean.

Group 6-B. Bounded on the north by Imperial Highway, on the east by Avalon Boulevard, on the south by Compton Boulevard, Redondo Beach Boulevard, Hawthorne and Torrance Boulevards, and on the west by the Pacific Ocean.

Group 6-C. Bounded on the north by Compton Boulevard, on the east by Los Alamitos Boulevard, on the south by Pacific Ocean, and on the west by the Los Angeles River.

Group 6-D. Bounded on the north by Garden Grove Boulevard, on the east by Huntington Beach Boulevard, and on the south and west by the Pacific Ocean.

Group 6-E. Bounded on the north by Montebello Hills, on the east by eastern city limits, due south to southern boundary, on the south by Artesia Boulevard west to Los Alamitos Boulevard, north to Rosecrans, and on the west by Los Angeles River including Montebello, West Montebello and St. Helens.

Group 6-F. Bounded by Washington Boulevard and by Groups 6-A, 6-B, 6-E and 6-G.

Group 6-G. Bounded on the north by Compton Boulevard, on the east by the Los Angeles River, and on the south and west by the Pacific Ocean.

(b) Rates in Cents Per 100 Pounds:

Between and Group	Group 6A Column		Group 6B Column		Group 6C Column		Group 6D Column		Group 6E Column		Group 6F Column		Group 6G Column	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
6B	2½	1-3/4	-	-	-	-	-	-	-	-	-	-	-	-
6C	3½	3	3½	3	-	-	-	-	-	-	-	-	-	-
6D	3½	3	3½	3	3	2	-	-	-	-	-	-	-	-
6E	3½	3	3½	3	3½	2½	3½	3	-	-	-	-	-	-
6F	3½	2½	3½	2½	3½	3	3½	3	2	2	-	-	-	-
6G	3½	3	3½	2½	2½	1-3/4	3½	2½	3	2	3½	3	-	-
13	4	4	4	4	4	3	4	3	3	2	4	3	4	3½

(c) Explanation of and Exceptions to Rates:

1. For transportation between points situated in the same sub-group the rate shall be 2 cents per 100 pounds for column A service, and 1½ cents per 100 pounds for Column B service.

2. For transportation within Group 6, when point of origin or point of destination is not within any of the sub-groups described in paragraph (a) hereof, the rate shall be 2½ cents per 100 pounds, except that between points situated within the City of Los Angeles northerly of the following line, on the one hand, and points situated within the City of Los Angeles lying southerly of said line and all other points in Group 6 on the other hand, the minimum rate shall be that provided for the distance from point of origin to point of destination or 3½ cents per 100 pounds, whichever is the lower.

'Beginning at the intersection of Sunset Boulevard and U.S. Highway No. 101-A; thence northeasterly along Sunset Boulevard to Fairfax Avenue; northerly along Fairfax Avenue to Hollywood Boulevard; easterly along Hollywood Boulevard to Sierra Bonita Avenue; northerly along Sierra Bonita Avenue to Franklin Avenue; easterly along Franklin Avenue to Vermont Avenue; southerly along Vermont Avenue to Hollywood Boulevard; southeasterly along Hollywood Boulevard and Sunset Boulevard to Lilac Terrace; easterly along Lilac Terrace to Bernard Street; easterly along Bernard Street to North Broadway; northerly and easterly along North Broadway to Mission Road; northeasterly along Mission Road to Huntington Drive; northeasterly along Huntington Drive to its intersection with the Los Angeles-Alhambra corporate boundary.'

3. For transportation between Group 13 and Group 6 points not embraced within any of the sub-groups described in paragraph (a) hereof, the rate shall be 4 cents per 100 pounds.

4. Column B rates apply only for transportation where consignee's facilities permit delivery over a 24-hour period each day. Column A rates apply for transportation under all other conditions.

(End of Appendix A-1)