Decision No. 31929

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SERVICE TANK LINES for authority to charge less than minimum rates prescribed in Decision No. 31469, in the transportation of crude petroleum.

Application No. 22396

ORIGINAL

BY THE COMMISSION:

Appearances

Arlo D. Poe, for applicant.
Wallace L. Ware, for California Tank Truck Operators Association, protestant.
Don Petty, for Oil Haulers Association, protestant.
A. E. Patton, for Richfield Oil Corporation, interested party.
W. E. Paul, for Union Oil Company of California, interested party.

OPINION

By this application, as amended, Service Tank Lines, a corporation engaged in the transportation of property as a highway contract carrier, seeks authority under Section 11 of the Highway Carriers' Act to transport petroleum crude oil in tank trucks and tank trailers for Caminol Company from a tank farm situated near Kettleman Hills to a refinery located in the city of Hanford, at a rate less than that recently established as minimum for such transportation by this Commission.[1]

A public hearing was held before Examiner Bryant at Los Angeles.

From the testimony of C. G. Allen, president and sole

---

1 The minimum rates were established, effective December 7, 1938, by Decision No. 31469 of November 10, 1938, as amended, in Case No. 4249, 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.

stockholder of Service Tank Lines, it appears that applicant operates 18 tank trucks and 17 tank trailers, and is engaged solely in the transportation of petroleum crude oil and refined products between points in California. The service involved in this application is that of transporting crude oil for Caminol Company from the tank farm of Superior Oil Company situated some 37 miles by highway west of Hanford, near Kettleman Hills, to the Caminol Company refinery located in the city of Hanford. Four designated truck-and-trailer units transport substantially all of this tonnage, although to a limited extent applicant interchanges equipment between this haul and others. The movement is entirely over paved highways, upon which traffic is light, no grades are encountered, and there are few boulevard stops or railroad crossings. The oil is pumped into and out of the vehicles by shipper and consignee without expense to the carrier, and loading and unloading facilities are such that truck and trailer may be handled simultaneously, requiring about 30 minutes to either load or unload. The loaded vehicles are always filled to their marked carrying capacity. Points of origin and destination are open 24 hours a day, and the vehicles may be operated day and night without interruption.

Allen testified that Service Tank Lines has transported all of this traffic for Caminol Company for approximately six years. Prior to the establishment of minimum rates under Decision No. 31469, supra (effective December 7, 1938), the shipper paid applicant 8 cents per barrel for this transportation.[2] The minimum rate now established on a statewide basis for such transportation is 5½ cents

---

2 Crude oil in bulk is commonly sold and shipped in terms of "barrels" of 42 gallons each. The minimum rates established by Decision No. 31469, supra, are stated in cents per 100 pounds, with the provision that charges are to be computed upon the basis of 7.75 pounds per gallon.

per 100 pounds, or slightly less than 18 cents per barrel. The rate herein proposed by applicant is 10 cents per barrel. The witness stated that based upon information he had received from the shipper, and upon his own experience in connection with this haul, he was definitely convinced that if the established rate of $5\frac{1}{2}$ cents per 100 pounds remains in effect for this particular movement the traffic will be diverted to proprietary vehicles or to a pipe line. He was satisfied that the proposed rate of 10 cents per barrel would in the immediate future return the cost of operation, plus some profit.

The vice president and manager of Caminol Company, testifying in applicant's behalf, stated that his company considered the proposed rate of 10 cents per barrel to be fair and equitable, but testified unequivocally that if the established rate of $5\frac{1}{2}$ cents per 100 pounds remains in effect for this traffic the Caminol Company will discontinue applicant's services entirely and substitute a pipe line. He testified that his company had definitely ascertained that the ultimate cost of laying and operating a pipe line would in this case be considerably less than that of trucking under the established minimum rate. According to his calculations, the full cost of transporting the oil by pipe would be approximately 5 cents per barrel.[3] He explained that his company would prefer to use applicant's services at what it considered a reasonable rate, even though a saving could be effected by laying a pipe line, but that under no circumstances could the traffic be held to for-hire carriers at the established rate.

A certified public accountant, called as a witness for applicant, testified that he had been engaged to prepare from the available facts a study that would show the cost of performing the transportation service here involved. The study, introduced as an

---

3 His calculations included interest on investment, lease expenses, taxes, annual franchise costs, depreciation as allowed by the government, and labor for maintenance and operation of the pipe line.

exhibit in this proceeding, consisted of an analysis of applicant's cost records supplemented by data furnished by the management, together with analysis of a time study made on the specific haul under consideration. This exhibit indicates that the cost to applicant of performing the service is 8.9 cents per barrel, including an allowance for interest at the rate of 8 per cent per annum on the investment, but without taking general overhead into consideration.[4] The overhead expense normally experienced by Service Tank Lines was shown to be 10 per cent of its gross revenue. The exhibit is based upon data for the period from January to October, inclusive, 1938, and upon the operations of four specified truck units which, according to the witness, transported approximately 90 per cent of the oil moved during the ten months' period. The witness pointed out that depreciation and return on investment were allowed on but two of the vehicles under consideration, the others having been fully depreciated, but he offered for comparison a schedule of these and other fixed charges based upon the assumption of new equipment.[5]

---

[4] The original study developed a cost of 8.1 cents per barrel. However, upon the filing of public weighmaster's certificates in accordance with an understanding had at the hearing, it was found that the vehicles had been loaded in excess of the maximum lawful gross weight limit. The cost was increased to 8.9 cents per barrel by elimination of the excess tonnage from the study.

[5] Applicant's record of revenues and expenses for the ten months' period, as shown in the cost exhibit, may be summarized as follows:

Gross Revenue - 383,808 barrels of crude oil hauled at applicant's proposed rate of 10 cents per barrel	$38,380.80
Operating Expense	
Running Expense 194,620 miles at $.087 . . .	16,931.94
Drivers' Wages and related expenses	10,321.38
Gross Revenue Expenses	1,719,45
Fixed Charges	2,219.44
TOTAL	$31,192.21
The Difference	$ 7,188.59

If the tonnage transported in excess of the maximum lawful gross weight limit is deducted, and the figures revised to allow depreciation and return on investment on the usual basis of new equipment,

(Continued)

The California Tank Truck Operators Association and the Oil Haulers Association appeared as protestants in this proceeding and participated in the cross-examination of witnesses, but did not introduce any testimony of their own nor specifically state the basis of their objections to the granting of the application.

The record is convincing that applicant experiences many economies in this operation which could not be expected under average or ordinary circumstances, and that a rate somewhat less than that heretofore established as minimum would be reasonable and proper for the specialized transportation service here involved. Moreover, the shipper's testimony leaves little doubt that if the established rate remains in effect for this particular movement, the traffic will be irretrievably lost not only to applicant but to all for-hire carriers. Nevertheless, from applicant's cost showing just summarized, it is apparent that the proposed rate of 10 cents per barrel is not sufficient to return the actual cost of rendering the service plus a proportionate share of the general overhead expenses, and under the circumstances the Commission may not make a finding that it is a "reasonable" rate within the meaning of Section 11 of the Highway Carriers' Act. However, if the rate were advanced to 3½ cents per 100 pounds (approximately 11.39 cents per barrel) a profitable operation could reasonably be expected.

---

5 (Concluded)

the estimates of revenues and expenses then become:

Gross Revenue - 350,398 barrels of crude oil hauled at applicant's proposed rate of 10 cents per barrel	$35,039.80
Operating Expense	
Running Expense 194,620 miles at $.087 . . .	16,931.94
Drivers' Wages and related expense	10,321.38
Gross Revenue Expense	1,719,45
Fixed Charges	4,524.10
TOTAL	$33.496.87
The Difference	$ 1,542.93
Requirement for Overhead Expense	$ 3,503.98

Upon this record it is concluded that a rate of $3\frac{1}{2}$ cents per 100 pounds would be a reasonable rate for the transportation service involved in this proceeding, and to that extent the application will be granted. This finding being based upon existing conditions, the authority will be limited to a temporary period expiring one year from the effective date hereof, unless sooner cancelled, changed or extended by appropriate order of the Commission.

O R D E R

This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that applicant, Service Tank Lines, be and it is hereby authorized to transport petroleum crude oil for Caminol Company between the points involved in this application, as amended, at a rate less than that heretofore established as minimum for such transportation by Decision No. 31469 of November 10, 1938, as amended, in Case No. 4249, but not less than three and one-half ($3\frac{1}{2}$) cents per 100 pounds.

IT IS HEREBY FURTHER ORDERED that in all other respects the transportation involved in this application, as amended, shall be subject to the provisions of said Decision No. 31469, as amended.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire one (1) year from the effective date of this order unless sooner changed, cancelled or extended by appropriate order of this Commission.

This order shall become effective five (5) days from the date hereof.

Dated at San Francisco, California, this 17th day of April, 1939.

Commissioners.