

Decision No. 32510.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
AMERICAN PRODUCTS, INC., a corpora-
tion, for authority to charge less
than minimum rates under the pro-
visions of the Highway Carriers' Act
and the City Carriers' Act.

Application No. 22563

E. J. Bischoff, for applicant

Harold W. Dill, for The Truck and
Warehouse Association of San
Diego and Imperial Counties, as
its interests may appear.

BY THE COMMISSION:

O P I N I O N

By this application, as amended, American Products, Inc., a corporation engaged, among other things, in the transportation of property as a highway contract carrier and city carrier, seeks authority to transport lumber and other forest products from points of origin in San Diego, Chula Vista, Coronado and National City to points of destination located within 15 highway miles from point of origin, at rates less than those heretofore established as minimum by this Commission.

A public hearing was had at San Diego before Examiner Bryant.

From the record developed at the public hearing it appears that the lumber sold in the territory involved in this proceeding is first brought into the San Diego area by vessel or by rail, and is then transported by motor vehicle from the

wharves or rail unloading points to various local lumber yards. American Products, Inc. is engaged in the business of buying and selling lumber and other forest products, but also undertakes to perform the local inbound transportation for other lumber companies. It does this with four self-propelled motor vehicles of a special type sometimes known as "straddle trucks," which it uses also to move its own lumber.¹ The president of applicant corporation testified that his company has, for at least the last two years, transported all of this inbound lumber for all of the lumber yards in the San Diego area, excepting only such shipments as the yards may pick up with their own trucks. He stated that his company operates the only straddle trucks engaged in for-hire transportation service in this area.

The rates which applicant here seeks authority to charge for this service are of two classes, according to the commodity involved. Upon certain designated forest products which are ordinarily sold upon a board-foot basis, the proposed charge is 60 cents per thousand board feet, plus 10 cents per thousand board feet per mile. Upon other forest products the proposed charge is 60 cents per ton, plus 10 cents per ton per mile.² The rates would be subject to minima of 4,000 board feet

1

As described by applicant's president, these vehicles have a clear space between the wheels of about six feet in height and some five or six feet in width. The lumber is carried under the vehicle rather than upon it, and the vehicle literally straddles the load. The lumber is raised or lowered by means of "shoes" which slide under the pile; it may be picked up or dropped almost instantaneously.

2

It is proposed that distances be figured to the nearest tenth of a mile, making the mileage charges actually one cent for each tenth. Distances of 5/100 of a mile, or less are to be disregarded.

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and 12,000 pounds, respectively. These rates may not be readily compared with those heretofore established as minimum by this Commission for transportation within and between the cities of San Diego, Chula Vista, Coronado and National City, as the latter are zoned class rates which are not directly related to distance, and vary according to the classification of the commodity, the weight of the shipment and the number of zones involved.³

The established minimum rates, according to applicant's president, are excessive for the transportation of lumber and forest products under the conditions encountered and the methods employed by his company, particularly for distances of less than 7 miles. He said that for transportation of large loads over short distances the vehicles operated by his company permit substantial economies which are not possible where conventional trucks are used, due primarily to the fact that the straddle trucks eliminate the expense of loading and unloading, and also the delays to driver and equipment usually attendant upon these operations. These savings diminish in importance as the distance increases. Beyond 15 miles the relative economy of the straddle truck is largely or wholly overcome by the fact that it runs somewhat more slowly than other trucks. The witness stated that for distances between 7 and 15 miles the established rates in some cases result in charges less than those which would accrue under the rates proposed, and he asked that in such instances his company be permitted to apply the lower basis.

³ The minimum rates were established by Decision No. 30021 of August 9, 1937, as amended, in Cases Nos. 4088, Part "K" and 4135.

The witness further explained that the quantity of lumber offered at one time for transportation by his company is usually quite large, ordinarily consisting of a carload or more. His company furnishes wooden blocks upon which the shippers are expected to stack the lumber at point of origin in piles suitable for handling by the straddle trucks, but other than supplying the blocks applicant performs no service in addition to the actual transportation.

As evidence that the proposed rates would be fully compensatory, the witness introduced an exhibit reflecting transportation services performed and actual expenses incurred in connection therewith by American Products, Inc., during its fiscal year ending November 30, 1938. The exhibit lists all of the transportation jobs undertaken during the year, showing the number of board feet of lumber in each job, the actual distance involved, and the revenue which would have accrued at the proposed rates.⁴ According to the witness, income was estimated by crediting the trucking operation with revenue at the proposed rates, whether the property transported was applicant's own or that of other yards. For rehandling lumber within the yard - a service not performed for other companies - the trucking operation was credited at the rate of 15 cents per thousand board feet. According to the exhibit

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From the exhibit it appears that in excess of 38 million board feet of lumber was transported during the year, of which about 13 million feet was the property of American Products, Inc. In addition to this transportation the vehicles rehandled nearly 9 million feet of lumber within American Products' yard.

the total revenue developed for the year upon these bases would have been \$33,827.84, and the total cost of operating the vehicles for the period was \$26,659.24.

No one protested the granting of this application.

Aside from the statement of applicant's president that they are excessive, the record contains nothing to indicate what effect the established minimum rates have had in the past or would have in the future upon applicant's traffic. The record does not show to what extent, if at all, the rates are excessive; if they are otherwise onerous, it does not show in what respects. It does not tell us what necessity there may be for stating rates upon the proposed basis rather than upon the basis which uniformly governs local and statewide minimum rates for such transportation. It does not show for what reasons, if any, it may be necessary or desirable that applicant reject the established zones and mileage blocks and substitute therefor the proposed distance rates which vary for each tenth of a mile, and which require the measurement of distances as short as one twentieth of a mile.⁵

Applicant's cost exhibit leaves room for considerable question as to the amount of revenue which should be expected to accrue under the proposed rates. It is apparent that revenue shown on the statement was not in all cases computed at those rates, for, as an example, shipments transported distances of 8.9 miles, 11.3 miles and 11.8 miles are all rated at \$1.48

⁵
In Decision No. 29480 of January 25, 1937, in Cases Nos. 4088 and 4145, in establishing minimum rates for the transportation of general commodities between points in Southern California, the Commission said, "That there is a difference in the cost per 100 pounds of transporting a 4,000 and a 6,000 pound shipment or of hauling the same shipment five or ten miles is not disputed, but there is likewise a difference between 4,000 and 4,001 pounds and

per thousand board feet. Although applicant seeks the approval of both board-foot rates and weight rates, the exhibit states all rates and charges upon the former basis only, and does not indicate the weight of any of the shipments involved. The true effect of applicant's proposal is thus not disclosed.

Upon this record it seems probable that the special type of vehicles used by applicant permits certain reductions in the cost of transporting substantial loads over short distances, and that rates somewhat less than the established minimum rates might be justified. However, it cannot be overlooked that applicant has failed in this proceeding to sustain the burden of showing that the rates proposed are either necessary or "reasonable" within the meaning of Section 10 of the City Carriers' Act and Section 11 of the Highway Carriers' Act. Unless applicant can show that the proposed rates are reasonable, authority to depart from the established rates cannot be granted.

Therefore, and for reasons hereinbefore indicated, the application must be denied. If and when applicant assures the Commission that it is prepared to justify the proposal, a further hearing may be had.

5 (Continued)

between five and six miles, or even fractions thereof. It is all a matter of degree. The groupings herein prescribed are less complicated and less objectionable to shippers, and create as great a refinement as can properly be made at this time.

O R D E R

This application having been duly heard and submitted, full consideration of the matters and things involved having been had, and the Commission now being fully advised,

IT IS HEREBY ORDERED that this application be and it is hereby denied without prejudice.

Dated at San Francisco, California, this 31st
day of October, 1939.

R. B. ...
Frank ...
W. L. ...
M. ...
Justus J. ...
Commissioners