

Decision No. 32608.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment of)
maximum or minimum, or maximum and)
minimum rates, rules and regulations)
of all common carriers as defined in)
the Public Utilities Act of the State)
of California, as amended, and all)
highway carriers as defined in Chapter 223,)
Statutes of 1935, as amended, for the)
transportation for compensation or hire)
of any and all commodities.)

ORIGINAL

Case No. 4246

BAKER, Commissioner:

SUPPLEMENTAL OPINION

Decision No. 32608 of December 5, 1939, as amended, in this proceeding, requires common carrier railroads to maintain rates no lower than those designated therein for the transportation of refined petroleum products in tank cars. By petition filed January 23, 1941, The Atchison, Topeka & Santa Fe Railway Company, Southern Pacific Company, Pacific Electric Railway Company, Union Pacific Railroad Company and The Western Pacific Railroad Company seek permission to deviate from the prescribed minimum rates by establishing, on five days' notice, a nonintermediate rate of 31 cents per 100 pounds between San Francisco, Oakland and points grouped therewith on the one hand and Los Angeles Basin points on the other. ¹ The rates maintained by petitioners under the require-

¹ Richmond, Oleum, Martinez and Avon, northern California refinery points, are grouped with Oakland. Los Angeles Basin territory includes Compton, Signal Hill, Watson, El Segundo, Long Beach and a large portion of the City of Los Angeles. A full description of the group arrangements will be found in Decision No. 32608, supra.

ments of outstanding orders are 44 cents per 100 pounds from and to the San Francisco group and 43 cents per 100 pounds from and to the Oakland group. Evidence relating to the petition was received at a public hearing had at San Francisco on February 6, 1941.

Petitioners represented that the Shell Oil Company ships in excess of two million gallons (200 10,000-gallon tank cars) of refined petroleum products annually from its Martinez refinery to Watson; that a study made by the Oil company shows that it can transport these products with its own truck equipment at a cost of 30½ cents per 100 pounds; and that the company contemplates doing so unless the sought rate is established.² The Shell Oil Company engages in proprietary truck operations between other points, and is financially able to carry out its plan. Unless the proposed rate is published, petitioners fear the business will be lost irretrievably.

A cost engineer employed by petitioner Southern Pacific Company introduced a study designed to show the compensatory nature of the proposed rate. According to the study, direct costs of hauling gasoline in tank carloads of 66,000 pounds (10,000 gallons) between Martinez and Watson are 10.13 cents per 100 pounds and the contribution which the proposed rate would make to indirect expense would be 20.87 cents per 100 pounds. Based on system averages, the study indicates the pro rata operating cost including taxes amounts to 14.60 cents per 100 pounds. Between other points involved the costs are said to be substantially the same.

In support of the request that the sought rate be made nonintermediate in application it was explained that refined petroleum products move from the San Francisco Bay and Los Angeles Basin refineries to intermediate points at rates higher than the rate sought, and that if the proposed rate were made applicable to that traffic petitioners' revenues would be substantially and need-

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It was pointed out that on return trips the shipper planned to utilize its equipment to transport products of the Watson refinery to various points en route to Martinez.

lessly reduced.

Shell Oil Company's traffic manager testifying in support of the proposed rate, corroborated petitioners' representations regarding the position of his company. It was prepared, he said, to purchase proper and sufficient tank truck equipment to handle all of the refined petroleum products moving from its Martinez refinery to southern California and would act on the study made by its transportation engineers if the sought rate were not authorized.

The traffic manager for Tide Water Associated Oil Company likewise testified in support of the petition. He explained that his company operates two refineries, one in the San Francisco Bay district and the other in southern California, and that because the separate refineries manufacture different products his company "cross-ships" between refineries. He said that in meeting the competition of southern California refineries his company absorbs the entire freight rate on lubricating oil and solvents produced in northern California and marketed in Los Angeles Basin territory.

No one opposed the granting of the petition.

It was not contended that the proposed rate is a maximum reasonable rate. This is an instance in which common carriers are seeking authority to establish and maintain a rate on a low level for the purpose of meeting the cost which might be incurred through other means of transportation. On this record it is not disputed that the cost of proprietary carriage of the traffic here involved would amount to 30½ cents per 100 pounds, 1/2 cent less than the proposed rate. Furthermore, the record is persuasive that substantial tonnage will be diverted from for-hire to proprietary carriage unless the proposed rate is established. Nor is it disputed that the proposed rate returns to the carriers substantially more than the pro rata operating costs. Under these circumstances I am of the opinion and find that the granting of the petition is justified.

O R D E R

An adjourned public hearing having been held in the above entitled proceeding and based upon the evidence received at the hearing and upon the conclusions and findings contained in the preceding opinion,

IT IS HEREBY ORDERED that Decision No. 32608 of December 5, 1939, as amended, in the above entitled proceeding, be and it is hereby further amended by adding the following rate to those contained in Item No. 80 of Appendix "A" thereof:

Between Groups 1 and 2 on the one hand, and Group 6 on the other hand, 31 cents per 100 pounds.

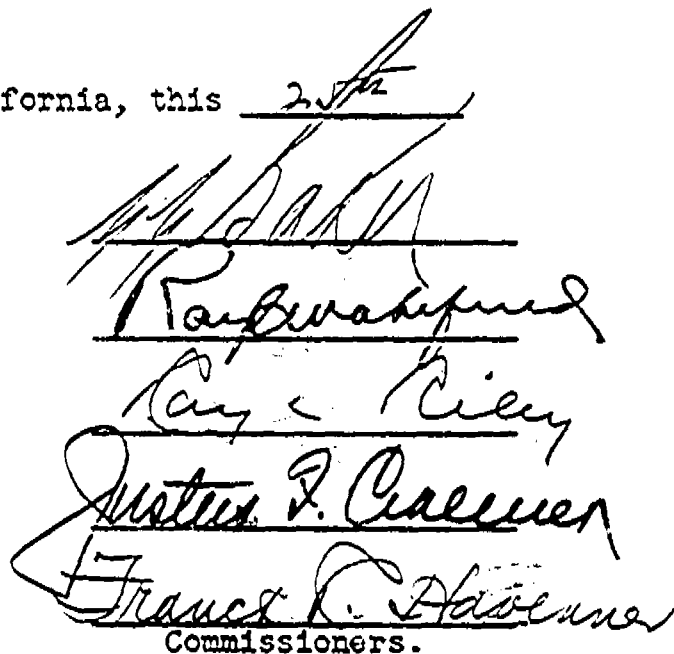
IT IS HEREBY FURTHER ORDERED that rates published pursuant to this order may be made effective on not less than five (5) days' notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that in all other respects said Decision No. 32608, as amended, shall remain in full force and effect.

The effective date of this order shall be ten (10) days after the date hereof.

The foregoing opinion and order are hereby adopted and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at Los Angeles, California, this 25th day of February, 1941.


Commissioners.