

Decision No. 38840

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
H. C. Cantelow, Agent, Marine Terminal
Association of Central California, to
increase rates and charges for the
services of loading and unloading cars
and trucks at marine terminals of En-
cinal Terminals, Golden Gate Terminals,
Howard Terminal, Parr-Richmond Terminal,
Corporation and State Terminal Company,
Ltd.

ORIGINAL

Application No. 27142

Appearances

- Arron H. Glickman, for applicant.
- Edson Abel and J. J. Deuel, for California Farm Bureau Federation.
- Walter A. Rohde, for San Francisco Chamber of Commerce.
- E. A. Read, for Oakland Chamber of Commerce.
- W. Reginald Jones, for Board of Port Commissioners of the City of Oakland.
- John B. Harman and C. O. Burgin, for Office of War Mobilization and Reconversion, and Office of Price Administration.
- John B. Jago, for United States Maritime Commission.
- F. P. Kensinger, for M. J. B. Company, Western Can Company, and Pacific Coast Coffee Association.
- James A. Keller, for Pacific Coast Cement Institute.
- Richard F. McCarthy, for United States Department of Agriculture.
- Russell Bevans, for Draymen's Association of San Francisco.
- Donn W. Wilson, for Fibreboard Products Corporation.
- Leonard R. Keith and P. Steele Labagh, for California Packing Corporation.
- E. L. Hiatt, for Union Oil Company of California.

O P I N I O N

H. C. Cantelow is manager and tariff publishing agent for the Marine Terminal Association of Central California. The members of this Association are operators of public utility marine terminals located on San Francisco Bays Encinal, Howard and Parr-Richmond Terminals are situated at Alameda, Oakland and Richmond, respectively.

Golden Gate and State Terminals are located at San Francisco. They request authority to increase their rates for loading and unloading cars and trucks approximately 20 per cent.

A public hearing was had at San Francisco before Examiner Mulgrew.

The manager of the terminal association presented a cost and rate study of loading and unloading operations based on applicants' experience in the three-month period August through October, 1941. The study shows labor expense (wages plus compensation insurance and pay roll taxes) for the loading of 16 and the unloading of 23 commodities. It reflects expenditures for labor in connection with the handling of approximately 100,000 tons. This tonnage was said to amount to more than 75 per cent of all loading and unloading, except that involving softwood lumber and petroleum products. The manager testified that he had excluded all cargo moved under unusual circumstances and conditions and commodities handled in aggregate quantities of less than 150 tons, as well as military cargo and other freight not ordinarily handled by the terminals. This was done, he said, so that the study would be representative of "normal commercial operations."

The witness stated that since 1941 applicants had been engaged, for the most part, in the handling of wartime cargoes. These cargoes, he said, were entirely dissimilar from those moving in peacetime and were handled under entirely different circumstances and conditions. Similarly, the witness claimed, applicants' experience since the cessation of hostilities would not be representative of their usual activities because the flow of traffic via normal trade routes had not yet been sufficiently restored.

During the 1941 period covered by the study, the basic wage rate was 90 cents per hour. It was subsequently raised to \$1.02 $\frac{1}{2}$, an increase of 13.9 per cent. The labor costs experienced in the 1941 operations studied were increased accordingly. With respect to other expenses, the manager testified that the relationship between those costs and labor expense had been established in a comprehensive report submitted by members of the Commission's staff in Case No. 4090, a general investigation of marine terminal problems in the San Francisco Bay area (Decision No. 29171, 40 C.R.C. 107). He pointed out that this report showed labor expense as ranging from 50 to 70 per cent of total cost and as accounting for 62 per cent of such cost on an over-all basis. Since this report was submitted, the witness said, labor and other expenses had increased materially. He also stated that, based on his general familiarity with terminal operations, he had concluded that the present cost relationship would not be materially different from that disclosed by the staff report and that a detailed investigation to develop the precise relationship between labor and other expenses under prevailing conditions was not warranted.

Having determined labor expense under the increased basic wage rate and having accepted the relationship of this expense to total cost as not in excess of 70 per cent, the manager proceeded to determine so-called "full cost" by expanding labor expense as if it were uniformly 70 per cent of "full cost." Labor expense and "full cost" as shown in applicants' study, together with existing and proposed rates for the commodities covered, are shown in the following

tabulation (Costs and rates are stated in cents per ton of 2,000 pounds):

<u>Commodities</u>	<u>Costs</u>		<u>Rates</u>	
	<u>Labor</u>	<u>"Full"</u>	<u>Existing</u>	<u>Proposed</u>
<u>Loading Operations</u>				
Asbestos fibre	55	79	59	71
Canned goods	54	77	62	75
Clay (in bags)	55	79	59	71
Copra	94	134	59	71
Crude rubber	61	87	71	85
Dessert preparations	107	153	89	106
Fencing wire	106	151	101	121
Fish meal	64	92	74	89
Hemp	92	131	94	113
Insulators	80	114	71	85
Paper bags	64	92	65	79
Rosin	48	69	53	64
Steel wire (in coils)	52	74	53	64
Tapioca flour	58	83	59	71
Tea	171	244	135	160
Toilet preparations	91	130	89	106
<u>Unloading Operations</u>				
Brick	54	77	53	64
Cascara bark	96	137	89	106
Canned goods	49	70	59	71
Celite	80	114	59	71
Cocconut oil	53	76	59	71
Copper tubing	97	139	89	106
Cotton waste	108	154	89	106
Dried fruit (in cases)	53	76	59	71
Dry goods	89	127	89	106
Empty bottles	125	177	77	92
Fibreboard boxes (knocked down)	61	87	53	64
Furniture	130	186	89	106
Hardwood lumber	123	176	89	106
Magazines and news- papers (old)	71	101	48	57
Manganese	45	64	48	57
Merchandise (not otherwise specified)	91	130	89	106
Powdered Milk	57	81	59	71
Rags	81	116	59	71
Rubber packing	81	116	89	106
Seeds (in sacks)	47	67	48	57
Sheet steel	91	130	53	64
Sugar	43	61	48	57
Sulphur	59	84	59	71

Applicants rely on the study to show that the proposed rates would not exceed "reasonably compensatory" rates. Their

witness stressed the fact that he had determined the indicated costs by developing them from labor expenses incurred in the handling of a substantial quantity of cargo. He emphasized that he had treated "full cost" as being composed of 70 per cent labor and 30 per cent other expenses, and that by so treating costs he had made allocations to other expenses on the lowest basis disclosed by the staff report in Case No. 4090, supra. He also called attention to his use of a basic wage rate of \$1.02½ per hour. The Regional War Labor Board, the witness said, had granted an increase in the wage rate to \$1.07½, retroactive to October 1, 1944. He testified that the employers had filed an appeal on the retroactive feature of the Board's award and that the matter was in the hands of the Director of Stabilization for confirmation, modification, or rejection. Demands for a still higher wage rate, he said, were under negotiation.

On commodities not covered by the study, the same rate increase, approximately 20 per cent, is proposed. The proposed rate structure corresponds with that filed with the Interstate Commerce Commission by the War Shipping Administration for carloading and unloading service in connection with its operations in intercoastal vessel service under a temporary certificate of public convenience and necessity issued by that Commission. Various San Francisco carloaders, the manager testified, were seeking United States Maritime Commission approval of an agreement under section 15 of the Shipping Act, 1916, providing for like rates (Docket No. 639 - Status of Carloaders and Unloaders). Counsel for the Board of Port Commissioners of the City of Oakland said that the Board intended to establish similar rates. -

The scale of rates initiated by the War Shipping Administration and intended to be adopted by the other carloaders, not applicants' cost estimates, were said to be the basis of the 20 per cent increase here proposed. The manager pointed out that cost is not necessarily the controlling consideration in rate making. He explained that, for example, competition affecting operations through the San Francisco Bay terminals had exerted a strong influence on the carloading rates for many years. In such circumstances, the witness said, it was inevitable that some rates would be closer to indicated costs than others. He refused to concede, however, that these variations showed that under the proposed rate structure some of the commodities would bear more and others less than a fair share of total costs. This, he said, could be determined only after extensive further investigation and consideration of circumstances and conditions surrounding the operations. The Association intends to make additional studies along these lines and to propose further rate adjustments based on those studies.

Pacific Coast Cement Institute objected to any increase being made in cement rates. On cross-examination of applicants' witness, the Institute's representative brought out that there had been no movement of cement through applicants' terminals during the 1941 period covered by the cost and rate study and, that, therefore, specific figures on the cost of handling this commodity had not been submitted. The witness said that applicants did not ordinarily enjoy the handling of cement and that as in the case of other com-

modities not specifically covered by the study the percentage increase proposed was necessary to reflect higher expenses and to bring their rates up to the contemplated uniform level. The Institute's representative argued that, in any event, further investigation was necessary to determine whether rates should be increased in proportion to handling costs and in order to ascertain applicants' over-all financial condition for use in determining what rate adjustments might be warranted in the light of their aggregate earnings. With respect to the War Shipping Administration's filing of rates with the Interstate Commerce Commission, he pointed out that the tariff had been made effective on short notice and, he contended, interested parties thus had no opportunity to oppose the establishment of these rates.

Other parties participated in the cross-examination of applicants' witness. However, they neither supported nor opposed the sought rate increases.

Questions relating to jurisdiction over carloaders and carunloaders were raised. We have carefully considered these questions and resolve them in favor of the jurisdiction of this Commission.

It is reasonably clear from the record made that the level of applicants' existing rates is not high enough to produce revenues which will defray the cost of providing loading and unloading service. Indeed, it appears that even with the proposed 20 per cent increase their revenues would still fall short of meeting all expenses attributable to the operations involved. Competitive influences have

apparently held the loading and unloading rates at relatively low levels. It is evident that the force of this competition will continue to require substantial rate uniformity in the San Francisco Bay area and that the sought increase in applicants' rates is but one of the steps necessary in achieving rate uniformity at a level more closely reflecting current costs and other changed conditions. The proposed rates do not appear to be unreasonably high. Applicants admit, however, that further consideration of individual rates is desirable. They have indicated that they will undertake the necessary studies and subsequently initiate such rate adjustments as may be required. We are of the opinion and find that the sought increases have been justified. The application will, therefore, be granted.

Should competition with carloaders and carunloaders not parties to this proceeding prevent applicants from establishing rates as high as those authorized, they will be permitted to establish the lesser increases which may be required by the competitive situation thus encountered.

O R D E R

A 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 set forth in the preceding opinion;

IT IS HEREBY ORDERED that applicants be and they are hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, increased car and truck loading and unloading rates, which shall not exceed those set forth in Exhibit No. 4, as amended, in this proceeding and to depart from Rule 2(d) of Tariff Circular No. 2 in publishing said increased rates.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void unless exercised within one hundred eighty (180) days from the effective date of the order herein.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 9th day of April, 1946.

Harold Anderson
Justin F. Carrigan
Francisco Brown
Irving L. Russell
Harold P. Hule
Commissioners