

ORIGINALDecision No. 39722

BEFORE THE PUBLIC UTILITIES 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 wharfage)
rates and service charges at marine) Application No. 27677
terminals of Encinal Terminals,)
Golden Gate Terminals, Howard Ter-)
minal, Parr-Richmond Terminal)
Corporation and State Terminal)
Company, Ltd.)

Appearances

Joseph J. Geary, Allan P. Matthew and Gerald H. Trautman, for applicant.
John B. Harman, Myron D. Alexander, and C. O. Burgin, for Office of Price Administration.
John S. Griffin, for U. S. Department of Agriculture.
Robert K. Hunter, for Board of State Harbor Commissioners.
J. H. Anderson, Zack T. George, and C. R. Nickerson, for carriers and carrier associations.
James A. Keller, Walter A. Rohde, Eugene A. Reed, William H. Morley, A. E. Carleton, H. L. Gunnison, Robert Hutcherson, G. C. Sears, E. L. Hiatt, S. A. Moore, J. J. Deuel and Edson Abel for shippers and shippers' organizations.

O P I N I O N

The Marine Terminal Association of Central California, of which H. C. Cantelow is Agent, consists of five public utility marine terminal operators located on San Francisco Bay. Encinal Terminals, Howard Terminal and Parr-Richmond Terminal Corporation are located at Alameda, Oakland and Richmond, respectively. Golden Gate Terminals and State Terminal Company, Ltd. are located at San Francisco. These terminals, through their agent, request authority to increase their service charges by 45 per cent. In addition the East Bay terminals seek an increase of 10 cents per ton in their wharfage rates for merchandise not otherwise specified,

except in connection with inland waterway traffic where the increase proposed is 5 cents.¹ Various increases, generally comparable with the adjustments proposed in the merchandise rates, are sought on other cargo. For most of the traffic, the proposed increase in wharfage rates amounts to 40 per cent.

Public hearings were had at San Francisco on September 3, 26 and 27, 1946, before Examiner Mulgrew.

The manager and tariff publishing agent for Marine Terminal Association explained that the increase request was limited to service charges and wharfage rates because they represent the chief sources of terminal revenue. He stated that under formulas developed by Ford K. Edwards and T. G. Differding, former members of the Commission's staff, after comprehensive study of San Francisco Bay marine terminal operations, from 80 to 86 per cent of the terminal companies' income should be secured from service charges and dockage and wharfage rates.² He stated further that 75 per cent of the cost of performing dockage is carried in service charges and that, therefore, he determined that the proper place to secure increased revenues for dockage was from those charges.

All the evidence of record was limited to Encinal, Howard and Parr. These terminals introduced exhibits showing the results of their wharfing operations for the six months' period ended June, 1946 based on the figures shown in their books of account. The studies disclose that Encinal, Howard and Parr experienced

¹ Golden Gate and State Terminal conduct their operations on property of the State of California. Wharfage charges at these locations are those assessed by the Board of State Harbor Commissioners.

² Their studies and recommendations were submitted in Case No. 4090, a general investigation of marine terminal matters and are embodied in Decision No. 29171 (40 C.R.C. 107) in that proceeding.

operating losses of \$115,214, \$14,583 and \$30,062, respectively, for that period. The terminals' witnesses testified, however, that operations had not yet returned to normal due to the fact that the movement of intercoastal traffic had not been fully resumed and that foreign movements were still largely of a military and relief nature. They expected that considerable time would elapse before customary peace-time traffic would again be handled.

On the other hand, the witnesses said, the year 1940 was the last representative peace-time year from the standpoint of cargo handling. They stated that that year was almost entirely free from strikes, that the volume of traffic handled "approximated the capacity of the facilities for the class of business and character of service rendered", and that the capacity of these facilities had not been increased since 1940. Under the circumstances, they said, 1940 was used as a basis for testing their revenue requirements.

Exhibits were submitted by the terminals in which they adjusted 1940 revenues and expenses so as to reflect 1946 rates and operating expenses. In these exhibits they followed the accounting formulas used by Edwards and Differding. The studies show that with these adjustments Encinal and Howard would have experienced losses of \$122,063 and \$51,694, respectively, and Parr a profit of \$10,017.

On the basis of the 1940 tonnage handled, the terminals estimated that the proposed wharfage and service charges would produce net operating revenues of \$71,845 for Howard and \$81,157 for Encinal. Assuming that all of Parr's revenue from service charges would be subject to a 45 per cent increase and that its wharfage revenue would be subject to a 40 per cent increase its net revenue would be \$56,623. It appears, however, that an important volume

of Parr's traffic will not be increased under the rate proposal because it is subject to lease arrangements on file with this Commission. The foregoing estimated earnings from the proposed rates would produce rates of return of 5.3 per cent for the Howard, 3.5 per cent for Encinal and 3.8 per cent for Parr.

The rate bases upon which the respective returns are predicated follow those used by the Commission staff members in Case 4090, supra. The rate bases and their composition follow:

	<u>Parr</u>	<u>Howard</u>	<u>Encinal</u>
Land	\$ 201,265	\$ 526,351	\$ 923,841
Structures-Equipment	1,261,380	806,077	1,362,893
Working Capital	15,514	20,000	37,225
Rate Base	1,478,159	1,352,428	2,323,959

The Office of Price Administration, as well as other parties, participated in the cross-examination of applicants' witnesses. However, with the exception of Pacific Coast Cement Institute, they neither supported nor opposed the sought rate increases.

Opposition of the Cement Institute was directed to proposed increases in rates on cement. Its secretary-manager introduced exhibits showing, among other things, the importance of cement production in California and the United States, the value of cement exports and the relative position of California and other ports with respect to the Latin American trade. He pointed out that cement prices are controlled by the Office of Price Administration and that any increases in freight rates must be absorbed. He also stressed the fact that increases in shipping costs would further disadvantage California cement shippers. Testimony of terminal witnesses indicates that very little, if any, cement is handled through their terminals.

Questions relating to jurisdiction over the marine

terminals involved were raised by the United States Department of Agriculture at the hearing and in its brief on that subject. This brief was answered by applicants. On similar questions of jurisdiction raised in Application No. 27142, Increased Carloading Rates - Encinal Terminals et al the Commission resolved them in favor of its jurisdiction (Decision No. 38840 of April 9, 1946). Nothing has been raised in the Department's brief which warrants a different conclusion here.

According to the record, Golden Gate Terminals and State Terminal Company, Ltd., both Association members, are not presently operating. The Association's agent testified that these terminals have relinquished their San Francisco pier assignments and so far as he knew have made no plans to resume their operations. Moreover, the record does not show that they intend to resume operations. As hereinbefore indicated, no financial showing was made on behalf of Golden Gate Terminals and State Terminal Company, Limited. The record does not show to what extent, if at all, they would require increased rates should their operations be resumed.

The request for increased rates for these terminals will not be granted. They should take immediate steps to cancel their rates or, if they intend to resume operations, make appropriate tariff filings to show that their operations are presently suspended.

The record shows that Parr, Howard and Encinal are operating at an out-of-pocket loss under existing rates and under the abnormal conditions now prevailing. It also shows that the present rates would prove to be insufficient upon the restoration of traffic to its accustomed channels. The proposed increases appear justified on the showing made and will be granted.

In the past, competitive influences which have been recognized by the Commission have limited the amount of increases which

may be taken when both public and private bodies do not act in concert and it is evident that the force of competition will continue to require substantial rate uniformity in the San Francisco Bay area. For this reason applicants have requested that they be given authority to establish the sought increases to the extent that competition will permit.

We are of the opinion that the increases sought have been justified and they will, therefore, be granted. Should competition prevent applicants establishing the full increases sought they will be authorized to establish such lesser increases as the competitive situation may require subject, of course, to the statutory prohibition against undue discrimination.

O R D E R

Public hearings having been had in the above entitled proceeding and based upon the evidence received at the hearings and upon the conclusions and findings set forth in the preceding opinions,

IT IS HEREBY ORDERED that Encinal Terminals, Howard Terminal and Parr-Richmond Terminal Corporation be and they are hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, increased service charges and wharfage rates which shall not exceed those set forth in Exhibit "A", as amended, attached to the application and to depart from Rule 2(d) of Tariff Circular No. 2 in publishing said increased rates; and that in all other respects the application be *and it is hereby denied.*

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 16th day of December, 1946.

Harold P. Kula
Justice F. O'Connell
William B. ...
Earl ...
R. J. ...
Commissioners