

ORIGINAL

Decision No. 41027

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment of)
rates, rules and regulations for the)
transportation of property by common)
carriers as defined in the Public) Case No. 4246
Utilities Act and highway carriers)
as defined in the Highway Carriers')
Act.)

In the Matter of the Establishment of)
rates, rules and regulations for the) Case No. 4434
transportation of property by carriers)
as defined in the City Carriers' Act.)

Appearances

Berol and Handler, by Edward M. Berol, and C. G. Anthony, for Tank Truck Operators Association, petitioner.
J. L. Amos, Jr., John E. Hennessy, George T. Hurst, and J. M. Souby, Jr., for various rail lines.
W. H. Adams, William E. Morley, E. L. Hiatt, J. D. Rearden, H. L. Gunnison, A. D. Carleton and Robert Hutcherson, for interested shippers.

SUPPLEMENTAL OPINION

The Tank Truck Operators Association seeks an increase of 10 per cent in the minimum rates and charges heretofore established for the transportation of bulk petroleum products by highway and city carriers.¹

A public hearing was had before Commissioner Craemer and Examiner Lake on November 13, 1947, at San Francisco.

The minimum rates in question were last adjusted by Decision No. 39855 of January 13, 1947, which authorized a general

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It asks that this increase be made in the form of a surcharge in the same manner as a like increase established by the rail lines pursuant to Decision No. 40892 of November 12, 1947, in Application No. 28744.

increase of 20 per cent, subject to a maximum increase of 6 cents per 100 pounds.² Petitioner alleges that since that time operating costs have increased substantially, with the result that the minimum rates are now unreasonably low and inadequate.

A consulting engineer employed by the association presented an exhibit showing the cost of transporting bulk petroleum products. He stated that his study included 12 carriers whose operations were representative of the majority of carriers engaged in this transportation.³ The study includes development of fixed costs per vehicle unit, running costs per vehicle mile and a detailed depreciation table. Based upon a use factor of 3,463 hours per year, the cost per 100 pounds is calculated for transportation for various distances.

The engineer expressed the opinion that his study is conservative in all cases. He explained that the costs developed would have been greater had the study included all increased expenses incurred. For example, no allowance was made for higher insurance costs nor for increased state weight and registration fees on truck equipment which have been established effective January 1, 1948. Full costs for the group (including a profit based on an operating ratio of 93, before provision for income taxes) as

² Highway Carriers' Tariff No. 6 - City Carriers' Tariff No. 5 contains these rates.

³ The operations of 45 carriers were examined by the consultant. However, many of them were eliminated because their tank truck operations were either relatively insignificant, or were so intermingled with transportation of dry freight or other operations as to distort the bulk petroleum products costs.

developed by the consultant exceed the present minimum rates in all cases and are generally higher than the rates here sought.⁴

The engineer also submitted an income statement for the first 8 months of 1947 showing the actual revenues and expenses of the 12 operators studied. After adjustment for increased wages and fuel costs experienced during that period, he developed an operating ratio of 98.83, after income taxes, for the group. The witness calculated that with a 10 per cent increase in revenue the corresponding operating ratio would be 93.58. For short hauls, the carriers have been assessing rates somewhat higher than the minimum rates. The operating ratio under minimum rates exclusively was not developed. It would, of course, be less favorable to the carriers than the 93.58 figure. Provision for increased costs mentioned by the engineer as not included in his calculations would also increase the operating ratio.

Representatives of substantial shippers of bulk petroleum products stated that it is desirable for competitive reasons and from a sales standpoint to have transportation service available at minimum rates, rather than at varying higher levels.

No one opposed the proposed minimum rate increases.

The evidence shows that the existing minimum rates for the transportation of bulk petroleum and petroleum products in tank vehicles are insufficient to meet the carriers' revenue requirements in the face of higher operating costs and other changed conditions. Upon consideration of all the facts and circumstances of record, we are of the opinion and hereby find that the proposed increase is justified. The petition will be granted.

4

For distances from 130 to 180 and from 220 to 270 miles, the proposed rates are slightly above the consultant's costs. For all other distances, the developed costs exceed the proposed rates. The indicated deficiencies in the present minimum rates range upward to 63 per cent.

O R D E R

Based upon the evidence of record and the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Decision No. 32608, as amended, in the above entitled proceedings, be and it is hereby further amended by supplementing City Carriers' Tariff No. 5 - Highway Carriers' Tariff No. 6 (Appendix "C" of said Decision No. 32608, as amended), to become effective January 15, 1948, ^{by} the supplement attached hereto and by this reference made a part hereof, which supplement is numbered as follows:

Supplement No. 1
to
City Carriers' Tariff No. 5
Highway Carriers' Tariff No. 6

In all other respects the aforesaid Decision No. 32608, as amended, shall remain in full force and effect.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 17th day of December, 1947.

Harold H. Hule
Justus F. Garner
W. H. L. L. L. L.
R. F. L. L. L.

Commissioners

SPECIAL INCREASE SUPPLEMENT

SUPPLEMENT NO. 1

to

CITY CARRIERS' TARIFF NO. 5
HIGHWAY CARRIERS' TARIFF NO. 6

Naming

MINIMUM RATES, RULES AND REGULATIONS
For the
Transportation of
PETROLEUM AND PETROLEUM PRODUCTS
(As described herein)

When Transported in Bulk in Tank Trucks,
Tank Trailers or Tank Semi-Trailers
Over the Public Highways Within the
State of California

By

RADIAL HIGHWAY COMMON CARRIERS
HIGHWAY CONTRACT CARRIERS
and
CITY CARRIERS

A P P L I C A T I O N O F S U R C H A R G E

§ (a) Compute the amount of the charges in accordance with the rates, rules and regulations of the tariff, other than the provisions of Items Nos. 110 and 120 series. Increase the amount so computed by ten (10) per cent, disposing of fractions as provided in paragraph (b) below.

(b) Fractions of less than one-half cent shall be dropped; fractions of one-half cent or greater will be increased to one cent.

§ Increase, Decision No. 4.10.2.7

EFFECTIVE JANUARY 15, 1948

Issued by the
Public Utilities Commission of the State of California
State Building, Civic Center,
San Francisco, California