

ORIGINAL

Decision No. 41430

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 service)
charges, wharfage rates, wharf)
demurrage, monthly storage, re-)
ceiving and delivery rates, and)
rates for loading and unloading)
cars and trucks, minimum charges)
at marine terminals of ENCINAL)
TERMINALS, HOWARD TERMINAL and)
PARR-RICHMOND TERMINAL CORPORATION)

Application No. 28843

(List of Appearances is contained in
Appendix "A" hereof)

O P I N I O N

By this application, as amended, authority is sought to establish substantial increases in virtually all of the rates and charges maintained by Encinal Terminals, Howard Terminal and Parr-
1
Richmond Terminal Corporation.

Public hearings were had before Examiner Edwin Lake.
2
Briefs have been filed. The matter is ready for decision.

The proposed increases are based upon applicants' studies which purport to show current costs experienced in conducting the

1
Encinal, Howard and Parr-Richmond are located at Alameda, Oakland and Richmond, respectively. There are two other members of the Marine Terminal Association, Golden Gate Terminal and State Terminal Company, Ltd. They formerly operated at San Francisco, but have suspended operations.

2
At the hearing a request was made by those opposing the sought increases for the issuance of an Examiner's proposed report. In view of the order which follows the request will be denied.

various utility services.³ In determining these costs, carrying charges were readjusted and allocated to the various services. Allegedly, the methods used generally followed the pattern developed in a study of cost finding for terminal operations prepared for the United States Maritime Commission in Docket 640, Terminal Rate Structures - California Ports.

Applicants' studies developed carrying charges, dock operating costs and administrative expenses. The carrying charges consist of return on land, structures and facilities, depreciation, taxes, maintenance and related items. By far the largest items of the carrying charges cover the adjusted return on investment in land, structures and facilities.⁴ On the land, the return was based on what was said to be current appraised values. The return on the structures and facilities was based upon values which were represented as the undepreciated original costs. The rate of return used was 7 per cent. Depreciation was computed on the sinking fund method. Provision for maintenance covered average experience adjusted to reflect present cost levels. Other carrying charges represented actual expenses.

Dock operating costs and administrative expenses were based on the terminals' expenditures for these purposes during the year 1946. They were adjusted to reflect cost levels of June 30, 1947. They were further adjusted for subsequent wage increases.

³ These services include dockage, vessel services, wharfage, wharf demurrage, car loading and unloading and accessorial services.

⁴ Of the aggregate carrying charges for the utility operations of the three terminals amounting to \$768,712, \$462,836 represents the return on these values.

Assertedly, by following methods of allocation outlined in the cost finding plan hereinbefore referred to, full costs were developed for each of the utility services involved. Applicants' claimed revenue deficiencies were determined by comparing revenues for each of the services with developed full costs. As in the case of costs, revenues were based upon 1946 operations. They were adjusted to reflect subsequent changes in rates. The claimed percentages of revenue deficiencies for utility services, exclusive of car loading and unloading, range upward to greater than 80 per cent.

Increases are also sought for car loading and unloading and for services not accorded specific rates. They provide for direct costs, overhead, income taxes and a profit of 10 per cent. These proposals involve increases of as much as 190 per cent.

With respect to the profit factor, the operators claimed that these rates "should be fully compensatory to the extent of 10 per cent profit after provision for income taxes."

Steamship carrier associations represented at the hearings claimed that the increases would disadvantage West Coast vessel lines in competition with land carriers and Gulf and East Coast steamer lines. Protestant shippers alleged generally that the proposed increases would be detrimental to their competitive position with shippers of similar commodities using other ports. In addition, they contended that the adjustment of car loading and unloading rates would disrupt the competitive situation on certain commodities.

The amounts representing return on land, structures and facilities are items of major importance in applicants' showing in support of the proposed increased rates. The property values were merely stated. The record does not show the various elements upon

which the appraised values of the land were bottomed. Nor does it establish when, for what purpose, or by whom the appraisals were made or otherwise demonstrate that they are fair values under current conditions.

The basis of the original cost figures for structures and facilities was not explained. The record does not disclose whether applicants used the expenses incurred in constructing the properties, the prices paid by present owners when they subsequently acquired them, or values otherwise ascertained. In short, it has not been demonstrated that applicants' "original costs" are appropriate for the purposes they seek to have them used.

Additionally, the record does not show whether the method of depreciation used in applicants' studies was uniformly applied throughout the life of the structures involved. If such was not the case, the depreciated values of the properties under other methods of depreciation were not disclosed.

In the absence of a firmer factual showing than that afforded by this record, we are unable to determine the reasonableness and propriety of the carrying charges relied upon by applicants in justification of the proposed increases. Similarly, the charges allocated to the various operations are without a firm factual foundation.

No evidence of probative value was introduced in support of the profit factor employed in the development of the sought car loading and unloading and man-hour rates.

As applicants contend, it may well be that additional revenue is required. The evidence of record, however, does not afford any satisfactory basis for measuring applicants' over-all requirements or determining the extent to which any such requirements are attributable to revenue deficiencies from the various services.

Upon consideration of all the facts and circumstances of record, we are of the opinion and hereby find that the proposed increased rates and charges have not been shown to be justified. The application will be denied.

O R D E R

Public hearings having been had in the above entitled application, full consideration of the matters and things involved having been had and the Commission having been fully advised,

IT IS HEREBY ORDERED that the above entitled application be and it is hereby denied.

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

Dated at San Francisco, California, this 6th day of April, 1948.

R. F. Johnson
Justice J. Calves
Walter J. Kelly
Harold P. Hill
Marionette Potter
Commissioners

APPENDIX "A"

List of Appearances

McCutchen, Thomas, Matthew, Griffiths & Greene, by Allan P. Matthew and Gerald H. Trautman; and Lillick, Geary, Olson, Adams & Charles, by Joseph J. Geary, for applicants.

Brobeck, Phleger & Harrison, by Allen B. Aldwell, for American Steamship Association.

Zac T. George, for Intercoastal Steamship Association.

C. R. Nickerson, for Pacific Coastwise Conference.

Walter A. Rohde, for San Francisco Chamber of Commerce.

Eugene A. Read, for Oakland Chamber of Commerce.

James A. Keller, for Pacific Coast Cement Institute.

J. C. Vollmar, for Crown-Zellerbach Corporation.

Fred N. Howser, Attorney General, Harold B. Haas, Deputy Attorney General and Robert K. Hunter, for Board of State Harbor Commissioners, for San Francisco Harbor.

C. W. Phelps, for Stockton Port District.

Earl J. Shaw, for Chilean Nitrate Sales Corporation.

Richard F. McCarthy and Ralph Fortune, for Secretary of Agriculture, U. S. Department of Agriculture.

A. D. Carleton and E. L. Gunnison, for Standard Oil Company of California.

G. Stephen, for Arabian-American Oil Company and Trans-Arabian Pipeline Company.

R. E. Ahern, for Dried Fruit Association of California.

L. H. Wolters, for Golden State Company, Ltd..

W. H. Adams, for Shell Oil Company, Incorporated.

Robert Hutcherson, for Tide Water Associated Oil Company.

S. A. Moore, for Permanente Cement Company.

Rudolph Illing, for Columbia Steel Company.

N. D. McCarl and W. Reginald Jones, for Port of Oakland.

Howard Leatart, for American Potash and Chemical Corporation.

T. R. Stetson, for Pacific Coast Borax Company.

Robert C. Neill, for California Fruit Growers Exchange.