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Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of certain railroad, connecting)
highway carriers, and connecting)
water line for authority to)
increase freight rates to)
charges (1947).)

Application No. 28744
(Second Supplemental)

ORIGINAL

Additional Appearances

- E. L. Van Dellen, for Western Pacific Railroad Company, Sacramento Northern Railway, Tidewater Southern Railway Company.
- J. C. Sommers, for Stockton Chamber of Commerce.
- Clair W. MacLeod and Clyde E. Brown, for San Francisco-Napa Valley Railroad.
- A. T. Nelson, for California Western Railroad.
- Hugh Hendrick, for Elmer Ahl.
- A. P. Heiner, for Kaiser Company.
- Aaron H. Glickman, for Clark Bros. Motor Transport, Inc., and Security Truck Line.
- Malcolm Meyer, for Certainteed Products Corporation.
- R. Illing, for Columbia Steel Company.

SECOND SUPPLEMENTAL OPINION

This proceeding involves state-wide increases in the freight rates of rail lines and connecting carriers, generally paralleling those sought by the applicants, with others, on interstate traffic before the Interstate Commerce Commission in Ex Parte No. 166, Increased Freight Rates, 1947. By virtue of Decisions Nos. 40892 of November 12, 1947 and 41221 of February 17, 1948, applicants' rates and charges have been increased to the same extent as authorized by the Interstate Commerce Commission on interstate traffic in western territory by its orders of October 6, 1947 and December 29, 1947. Currently, applicants' intrastate freight charges, determined in accordance with their basic freight rates, have been authorized to be increased by 20 per cent, subject to specified maximum increases for certain commodities. No increase has been authorized for demurrage charges nor for charges for protective service against heat or cold.

By second supplemental application filed May 4, 1948, applicants seek authority further to increase their intrastate rates and charges by the same amount and subject to the same conditions as authorized by the Interstate Commerce Commission by its order dated April 13, 1948.

A public hearing was had at San Francisco on June 4, 1948, before Examiner Mulgrew.

The Interstate Commerce Commission's order of April 13, 1948, upon which this supplemental application is based, provides in effect that the authorized increase of 20 per cent, formerly applied to freight charges, is to be included in the freight rates with appropriate disposition of resulting fractions; that previously established maximum increases for certain commodities are to be advanced; and that charges for protective services, heretofore exempted from increases, are to be increased by 10 per cent. No change was authorized for demurrage charges.

A representative of intrastate railroads testified that the proposed change in the method of applying the 20 per cent increase would result in both increases and reductions, largely due to the disposition of fractions, and that the sought increases in the commodity maxima would in most instances have no effect as the general level of intrastate rates is such that the 20 per cent increase usually results in increases less than the maxima. He pointed out, however, that for oyster shells, iron ore, stone, and sulphur, increases would result from the sought amendments in the maximum increases. The proposal to increase the charges for protective services by 10 per cent is estimated to result in an increase of \$7,400 per year in the carriers' revenues.

The witness indicated that the over-all effect of the granting of these proposals would not be any substantial increases in freight charges; and that the changes are sought in the interests of uniformity between intrastate and interstate rates, and further, to

avoid errors and complications inherent in the application of two different bases of increases.

The General Traffic Manager of the Kaiser Company objected to the proposals as they relate to increases in the rates on iron ore and limerock. He stated that the primary competitor of the Kaiser steel mill at Fontana is located at Geneva, Utah. By virtue of the fact, he testified, that the Utah Public Service Commission has not yet acted upon a request of the railroads of that State for increases paralleling those granted by the Interstate Commerce Commission in Ex Parte No. 166, supra, the Geneva mill enjoys the basic freight rates for intrastate movements of iron ore and limerock. Currently, he alleged, the Fontana mill bears the California intrastate basic rates as increased by 20 per cent, subject to a maximum increase of 20 cents per 2240 pounds on movements of iron ore. He requested that the rates on these commodities be reduced to the base levels, and that in any event the proposed upward adjustment of the maximum increase for iron ore not be granted. He claimed that reduction to the base level would bring about an equality of treatment for the two mills and remove the present disadvantage under which Fontana operates. He also testified that, if the Utah intrastate rates were adjusted in the same manner as proposed here, his objections would be withdrawn.

No other objections were raised to the proposed further adjustments.

It has been shown that the granting of authority to apply the present general 20 per cent increase to the freight rates instead of to the freight charges will result in but relatively minor increases, and that these are caused by the disposition of fractions. Such increases will be largely offset by corresponding reductions. The proposed increases in the charges for protective services are to the levels found necessary for nation-wide application by the Interstate Commerce Commission, and that in so far as California intrastate traffic is concerned involve only a nominal aggregate amount

of additional revenue. Because of the general level of intrastate rates and the character of the traffic affected, the sought adjustments in the commodity maximum increases will, except as noted below, have little effect.

With regard to the contentions of the Kaiser representative that his company suffers a disadvantage in freight rates on iron ore and limerock to Fontana compared with the Utah intrastate rates on these commodities on movements to Geneva, we are of the opinion that this is not the proper proceeding in which to consider a request for reductions of rates now in effect. Applicants have not shown, however, that under the circumstances an advance in the maximum increase on iron ore is justified.

Upon careful consideration of all the facts and circumstances of record in this proceeding, we are of the opinion and hereby find that except for the sought advance in the maximum increase on iron ore the increases involved in this supplemental application are justified.

O R D E R

Public hearing having been had in the above entitled proceeding, and based on the evidence of record and the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that the increases sought in the above entitled supplemental application, except as to the advance in the maximum increase on iron ore, be and they are hereby granted; and that the increases herein authorized may be established within sixty (60) days from the effective date hereof on not less than five (5) day's notice to the Commission and to the public, subject, in other respects, to the terms, permissions, and conditions set forth in Decision No. 41221 of February 17, 1948, in this proceeding.

IT IS HEREBY FURTHER ORDERED that upon the effectiveness of the increases herein authorized, the increase granted by Decision No. 41221 of February 17, 1948, in this proceeding, shall be abrogated and superseded.

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

Dated at San Francisco, California, this 22nd day of June, 1948.

R. B. Donahue
Justus J. Casner
Frank H. Powell
Harold T. Kuba
Herbert P. Potter
Commissioners