

Decision No. 42551

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
A. D. PAXTON and J. C. PETERS, a co-)
partnership doing business as DELAIR)
TRUCK CO., for authority to charge)
less than minimum rates under Sec-)
tions 10 and 11 of the City Carriers')
Act and the Highway Carriers' Act,)
respectively, for the transportation)
of iron and steel articles and other)
commodities for Bethlehem Pacific)
Coast Steel Corporation and)
Bethlehem Supply Company.)

Application No. 29891

Appearances

Arthur Glanz, for applicants.

Arlo D. Poe, for Motor Truck Association of
Southern California, interested party.

E. L. E. Bissinger, for Southern Pacific Company
and Pacific Electric Company, interested
party.

O P I N I O N

A. D. Paxton and J. C. Peters, copartners doing business as the DeLair Truck Co., are transporting property under permits authorizing operations as a highway contract carrier, as a radial highway common carrier, and as a city carrier. By their application they seek authority to transport specified iron and steel articles and other commodities for the Bethlehem Pacific Coast Steel Corporation and the Bethlehem Supply Company at rates less than those which have heretofore been established as minima.

Public hearing of the application was had before Examiner Abernathy at Los Angeles on January 10, 1949.

The record shows that applicants' facilities are dedicated principally to the transportation of iron and steel articles from manufacturing plants of the Bethlehem Pacific Coast Steel Corporation and the Bethlehem Supply Company at Vernon to various points of destination within southern California. Assertedly this service comprises 80 to 90 per cent of applicants' total operations. Applicants allege that in effect they operate as the transportation department of the two steel companies, and that except for shipments transported by rail carriers, they perform all of the intrastate delivery service required by the Bethlehem companies within a radius of 25 miles from the center of the City of Los Angeles.¹ The present volume of the service is said to be substantial, with the prospects that it will be increased in the near future because of enlargement of the production facilities of the shippers.

Applicants assert that the transportation involved herein is performed under circumstances which permit them to realize economies and efficiencies not attainable under ordinary operations. A. D. Paxton, one of the copartners, testified that his company's terminal is located adjacent to the properties of the Bethlehem companies. He said that dispatching of vehicles from the terminal is closely coordinated with the needs of the shippers. Very little time is lost in making the vehicles available for loading. Much of the loading and unloading is accomplished by the shippers and consignees, employing power equipment at their own expense. Relatively little time is required for the loading and unloading operations.

1

It was explained that most of the shipments are consigned to points of destination within the 25-mile radius; however, applicants' service is not confined solely to that area.

Moreover, the witness said, sufficient tonnage is constantly available to keep the equipment busy and to provide a high load factor.

Applicants seek authority to assess, for the transportation service within the above-described 25-mile radius, rates which are one-half cent less than the applicable minimum rates which are currently effective or which may be prescribed by further order of the Commission.² They propose to apply the sought rates only to shipments of iron and steel articles and structural iron and steel as described in Item No. 340 series of City Carriers' Tariff No. 4, Highway Carriers' Tariff No. 5 and to shipments of articles listed in Item No. 365 series of Highway Carriers' Tariff No. 2 under the heading of Oil, Water or Gas Well Outfits and Supplies. Under applicants' proposal, the reduced rates would not apply to shipments defined in the applicable tariffs as split pickup or split delivery shipments.

The witness, A. D. Paxton, said that his company's profits from the service under the minimum rates are "excessive" and that in seeking authority to assess lesser rates, his company is "seeking to give some of the money back to the shipper." He said, moreover, that the lower rates are sought in order that applicants might meet the threat of loss of traffic to those

2

The applicable minimum rates are those set forth in Highway Carriers' Tariff No. 2 (Appendix "D" to Decision No. 31606, as amended, in Case No. 4246) and City Carriers' Tariff No. 4, Highway Carriers' Tariff No. 5 (Appendix "A" to Decision No. 32504, as amended, in Case No. 4121). This proceeding does not involve certain transportation which applicants perform wholly on the premises of the Bethlehem companies and which is not subject to the minimum rates.

customers of the steel companies who would otherwise call for their own shipments.³ Referring to the proposed limitation of the sought rates to the area within 25 miles from the center of Los Angeles, the witness said that shipments to points outside of the area were frequently consigned to job sites and were not subject to the same favorable handling circumstances as those shipments consigned to warehouses of the steel companies' customers within the area.

A consultant testified in behalf of applicants and submitted an exhibit containing various financial statements which he had prepared to show applicants' operating results under the minimum rates for the nine months January through September, 1948, and to show what the results would have been for the nine months, and for the year 1948, had the sought rates been in effect. The various data, as developed from the consultant's exhibit, are as follows:

	Under Minimum Rates		Under Sought Rates	
	9 Months	12 Months (Estimated)	9 Months	12 Months (Estimated)
Operating Revenues	\$131,190	\$174,920	\$126,468	\$168,624
Operating Expenses (a)	<u>112,593</u>	<u>150,120</u>	<u>112,593</u>	<u>150,124</u>
Net Operating Revenues (b)	\$ 18,597	\$ 24,800	\$ 13,875	\$ 18,500
Rate Base		\$111,884		\$111,884
Operating Ratio		85.8%		89.0%
Rate of Return (b)		22.17%		16.5%

(a) Adjusted to reflect prevailing wage rates.

(b) Before allowance for federal and state income taxes.

3

It would appear that the customers of the steel companies would be given the benefit of the lower rates. The witness said that under a "basing point decision of the (United States) Supreme Courtthe steel companies can no longer make any money or lose any money on transportation."

The consultant did not undertake to show the net revenues after allowance for income taxes. He indicated, however, that since applicants' operations are conducted as a copartnership, the applicable tax rates would exceed those applicable to corporations.⁴

No one opposed the granting of the application.

The record is clear that applicants enjoy particularly favorable operating conditions in providing transportation for the Bethlehem companies. It shows that they are able to earn substantial profits under the present minimum rates by reason of the facts that their service is specialized, that they are able to attain high load and use factors for their equipment, and that they are relieved from much of the expense of loading and unloading their vehicles which under ordinary conditions they would have to assume. Moreover, it shows that the proposed rates, which would result in lesser charges to the shippers involved, would be amply compensatory. Under the circumstances the Commission is of the opinion and finds that applicants' proposed rates have been shown to be reasonable and that authorization thereof would be consistent with the public interest. The sought rates will be authorized. Due to the fact, however, that the conditions which justify granting of the authority may change at any time, the authority will be related only to the minimum rates in effect at the present time, and will be limited in duration to a period of one year.

4

Allowance being made for federal and state income taxes on the basis of the rates applicable to corporations, applicants' estimated net revenues for the year 1948 would be reduced to \$18,257 under the minimum rates and \$13,716 under the sought rates. Corresponding rates of return would be 16.32 per cent and 12.26 per cent, respectively.

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 A. D. Paxton and J. C. Peters, copartners doing business as the DeLair Truck Co., be and they are hereby authorized to transport for the Bethlehem Pacific Coast Steel Corporation and for the Bethlehem Supply Company iron and steel articles and structural iron and steel as described in Item No. 340 series of City Carriers' Tariff No. 4, Highway Carriers' Tariff No. 5 (Appendix "A" to Decision No. 32504, as amended, in Case No. 4121) and articles described in Item No. 365 series of Highway Carriers' Tariff No. 2 (Appendix "D" to Decision No. 31606, as amended, in Case No. 4246) at rates lower than the minimum rates for such transportation but not lower than one-half cent per one hundred pounds less than the minimum rates in effect January 10, 1949, subject to the following conditions:

1. The authority herein granted will apply only to transportation performed within a radius of 25 constructive miles from the intersection of 1st and Main Streets, Los Angeles, said mileage to be computed in accordance with the terms and provisions of Distance Table No. 3 (Appendix "A" to Decision No. 31605, as amended, in Case No. 4246).
2. The authority herein granted will not apply to the transportation of split pickup or split delivery shipments as defined in the applicable minimum rate tariffs.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire one (1) year after the effective date hereof.

IT IS HEREBY FURTHER ORDERED that in all other respects the above-entitled application be and it is hereby denied.

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

Dated at San Francisco, California, this 23rd day of February, 1949.

R. Z. Interman
Justice F. Cassen
Leah M. Brown
Harold T. Kils
Herbert Lott
Commissioners