

Decision No. 42613

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
DIRECT DELIVERY SYSTEM, LTD. for)
authority to assess less than minimum)
rates.)

Application No. 30063

Appearances

H. J. Bischoff, for applicant.
W. P. Fuller and L. E. Olson, for Great Lakes Carbon
Corporation, interested party.
Arlo D. Poe, for Motor Truck Association of Southern
California, interested party.
J. L. Bostwick, for Hasty Transportation Service,
interested party.
H. L. Forell, for Asbury Transportation Co.,
interested party.

ORIGINAL

O P I N I O N

Direct Delivery System, Ltd., is a California corporation transporting property under a permit authorizing operations as a highway contract carrier. By its application, as amended, it seeks authority to assess rates less than those applicable as minima for service to be performed for the Great Lakes Carbon Corporation.

Public hearing of the application was had before Examiner Abernathy at Los Angeles on March 1, 1949.

According to the record, the Great Lakes Carbon Corporation mines and processes diatomaceous earth. Heretofore, its principal supply of this commodity in the southern California area has been obtained from deposits adjacent to the company's manufacturing plant at WALTERIA in Los Angeles County. Recently, however, it has become apparent that this source of supply has been largely depleted, and as a result the company has undertaken to develop by April 1, 1949, other deposits which are located near Lompoc, Santa Barbara County.

The service which is involved herein will consist of the transportation of diatomaceous earth in bulk from the company's quarries near Lompoc to WALTERIA, a distance of 159 miles.¹ The quantity to be transported assertedly will be substantial, exceeding 1,000 tons a month for a period of approximately 18 months. It is anticipated that during this interval of time the company will construct a new manufacturing plant in the vicinity of Lompoc.

Applicant proposes to perform the service by the use of two vehicle-combinations, each consisting of a tractor and a specially-designed, open-top, drop-bottom semitrailer and trailer. The vehicles would be loaded to maximum legal carrying capacity each trip. Each vehicle-combination would make one round trip per day, six days a week. It was estimated that, after due allowance for delays and other contingencies, the vehicles would be operated a minimum of 275 days a year.

Applicant's president submitted an exhibit which he had prepared to show the anticipated costs of providing the proposed service. He explained that in the development of the cost figures he had employed various data reflecting the experience of Southern California Freight Lines, of which he is also president, in operating heavy duty equipment. He said that the labor costs used in the study were based upon current wage rates and were sufficient to include provision for higher rates for overtime. Depreciation expense was computed upon the estimated service life of the equipment and included an allowance for interest. Allowance of 10½ per cent of

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The precise location of the quarries was stated to be 2 miles off of State Highway No. 1, 8.6 miles southeast of the city limits of Lompoc.

gross revenues was included in the cost figures for supervisory and related expense and for profit.² The figures which the witness developed, exclusive of income taxes, are compared below with the applicable minimum rate:

<u>Applicant's Costs Plus Profit</u>		<u>Minimum Rate³</u>	
<u>Rate per Ton</u>	<u>Minimum Weight</u>	<u>Rate per Ton</u>	<u>Minimum Weight</u>
\$4.48	43,000 lbs.	\$5.70	14,000 lbs.
4.42	43,500 lbs.		
4.38	44,000 lbs.		
4.34	44,500 lbs.		
4.28	45,000 lbs.		

The authority which applicant seeks is to assess rates corresponding to its costs plus the indicated profit. Applicant's witness explained that authorization for the several rates is desired for the reason that, until the special equipment is obtained and its weight determined, the maximum weight that may be legally transported as a single load cannot be known.

The director of traffic for the Great Lakes Carbon Corporation testified in support of the application. He asserted that competition limits the additional costs his company can assume for transportation, and that it could not pay the charges which would accrue under the minimum rates. He stated that as a matter of policy his company prefers to utilize the services of for-hire transportation

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The witness said that the proposed service would require relatively little supervision, and he estimated that the supervisory and overhead expense would be about one half of that incurred by Southern California Freight Lines. According to his exhibit, supervisory and related expenses of Southern California Freight Lines equal 5 per cent of its gross revenue.

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The applicable minimum rates are set forth in City Carriers' Tariff No. 6, Highway Carriers' Tariff No. 7 (Appendix "A" of Decision No. 32566, as amended, in Cases Nos. 4246 and 4434).

agencies. However, it would not pay more than the proposed rates as an alternative to providing its own transportation service. The witness said that his company is experienced in operating its own vehicles. It was his view, based upon studies he had made, that the transportation service involved herein could be performed as a proprietary operation at somewhat lesser costs than the rates which applicant seeks.

Interested parties participated in the cross-examination of the witnesses. No one opposed the granting of the application.

Although applicant did not undertake to develop the dollar amounts of its expected earnings from the operation, it appears that the gross revenues which would be realized from the sought rates would approximate \$53,000 for a year. The indicated net earnings would range from \$2,900 to \$4,200, before income taxes, or from \$2,200 to \$3,200 after income taxes. The rate of return after taxes would range from 4.9 per cent to 7.1 per cent, calculated upon a valuation of approximately \$45,000 for the properties to be employed. Comparable operating ratios would be 94.5 to 92 per cent before income taxes and 95.8 to 94.0 per cent after income taxes. It appears that the proposed service will be sufficiently compensatory under the circumstances shown. The Commission concludes and finds as a fact that the sought rates have been shown to be reasonable. The application will be granted. Due to the fact that the conditions which justify authorization of the sought rates may change at any time, the authority herein granted will be limited in duration to a period of one year.

O R D E R

The above-entitled application having been heard and submitted, full consideration of the matters and things involved having been had, and based upon the conclusions and finding in the preceding opinion,

IT IS HEREBY ORDERED that Direct Delivery System, Ltd., be and it is hereby authorized to transport diatomaceous earth in bulk in the special equipment referred to in the above opinion for the Great Lakes Carbon Corporation from that company's quarry located approximately 9 miles southeast of the city limits of Lompoc to its manufacturing plant at WALTERIA, Los Angeles County, at rates less than the established minimum rates for such transportation, but not less than the following:

\$4.48 per ton, minimum weight 43,000 pounds

4.42 per ton, minimum weight 43,500 pounds

4.38 per ton, minimum weight 44,000 pounds

4.34 per ton, minimum weight 44,500 pounds

4.28 per ton, minimum weight 45,000 pounds

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

This order shall become effective April 1, 1949.

Dated at San Francisco, California, this 15th day of March, 1949.

R. F. [Signature]
Justus F. [Signature]
[Signature]
[Signature]
Commissioners