

Decision No. 43269

ORIGINAL

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. 30460

Appearances

H. J. Bischoff, for applicant.

L. E. Olson, for Great Lakes Carbon Corporation.

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 this application it seeks authority to assess rates which are less than those applicable as minima for certain transportation it performs for the Great Lakes Carbon Corporation.

Public hearing of the application was had before Examiner Abernathy at Los Angeles on August 5, 1949.

The service involved herein consists of the transportation of crude diatomaceous earth in bulk for the Great Lakes Carbon Corporation from that company's quarries located approximately nine miles southeast of Lompoc to its manufacturing plant at WALTERIA, Los Angeles County. Applicant's president testified that at present approximately 2,000 tons of earth are being transported each month. This volume will soon be doubled, he said, to meet increasing requirements of the company.

The witness stated that four vehicle combinations, each consisting of a tractor and an open-top, drop-bottom semi-trailer and trailer, will be used to provide the anticipated volume of service. The vehicles will make two round trips daily between the Lompoc area and WALTERIA and will be operated approximately 275 days a year. The present transportation is being performed by two of such vehicle combinations. Two more will be acquired. It was said that the additional vehicles will be lighter in weight than those now being operated, and will permit heavier loading within the legal weight limits.

Figures in exhibit form were submitted to show estimated costs of the service. The witness said that the cost data represented by the exhibit had been developed on the basis of current expenses generally, but that in some instances they were somewhat high. Certain of the costs, he explained, reflect the operating experience of Southern California Freight Lines, an affiliated company which is operating as a highway common carrier. Assertedly, had the costs been developed wholly upon the basis of applicant's own operations, they would have been lower, because applicant's specialized service permits efficiencies not attainable in the common carrier operation.

For its present service applicant is assessing, under authority heretofore granted, rates which are less than the established minimum rates.¹ The rates now sought are lower than those currently authorized. The anticipated increase in volume, applicant's witness asserted, calls for a revision of the present rates. The present

¹ Decision No. 42613, dated March 15, 1949, in Application No. 30063.

rates, the rates herein sought, and the applicable minimum rates are as follows:

<u>Present Rates</u>		<u>Sought Rates</u>		<u>Minimum Rates (a)</u>	
<u>Rates per ton</u>	<u>Minimum Weight (In Pounds)</u>	<u>Rates per ton</u>	<u>Minimum Weight (In Pounds)</u>	<u>Rates per ton</u>	<u>Minimum Weight (In Pounds)</u>
\$4.48	43,000	\$4.30	43,000	\$5.70	14,000
4.42	43,500	4.24	43,500		
4.38	44,000	4.20	44,000		
4.34	44,500	4.16	44,500		
4.28	45,000	4.10	45,000		
		4.06	45,500		
		4.00	46,000		

- (a) 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).

The sought rates were developed upon the basis of the cost figures set forth in applicant's exhibit. They include provision for profit, before allowance for income taxes, equivalent to five per cent of the gross revenues from the service. Applicant's witness was of the opinion that a profit of this volume would be reasonable and sufficient, considering the stability of the operation and the risk involved. Referring to the fact that authority for rates for shipments of various weights is sought, he explained that the legal load limits of the vehicles are not yet known and will not be ascertained until the vehicles are obtained and weighed.²

The district traffic manager of the Great Lakes Carbon Corporation testified in support of the application. He said that his company relieves applicant of much of the billing costs incidental to the operation by making payments directly on the basis of

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Applicant's cost evidence represented the estimated costs of operating the additional equipment to be acquired for the increased service. The witness believed that the figures are also representative of the operating costs of the vehicles now being used. It was his view that the increase in volume would reduce present vehicle operating costs.

weight tickets covering each shipment. Referring to the duration of the increased volume of service, he indicated that it would continue to the end of 1951, or longer.

No one appeared in opposition to granting of the application.

The record clearly shows that applicant will enjoy favorable operating circumstances in performing all of the transportation service herein involved. The evidence is convincing that the rates will be sufficiently compensatory. It appears that applicant will realize a rate of return in excess of 10 per cent before allowance for income taxes and 7½ per cent after allowance for income taxes. Comparable operating ratios would be 95 per cent before taxes and 96.3 per cent after taxes. Upon careful consideration of all of the facts and circumstances of record the Commission concludes and finds as a fact that the rates proposed in this proceeding have been shown to be reasonable. The application will be granted. The authority hereinafter granted will supersede and be in lieu of that granted by Decision No. 42613, supra. 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 findings in the preceding opinion,

It appears that the company is considering the erection of a manufacturing plant in the Lompoc area which, when completed, would obviate the need for most of the present transportation.

IT IS HEREBY ORDERED that Direct Delivery System, Ltd., be and it is hereby authorized to transport crude 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:

\$4.30	per ton, minimum weight	43,000	pounds
4.24	per ton, minimum weight	43,500	pounds
4.20	per ton, minimum weight	44,000	pounds
4.16	per ton, minimum weight	44,500	pounds
4.10	per ton, minimum weight	45,000	pounds
4.06	per ton, minimum weight	45,500	pounds
4.00	per ton, minimum weight	46,000	pounds

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall and it hereby does supersede and apply in lieu of the authority heretofore granted to Direct Delivery System, Ltd. by Decision No. 42613, dated March 15, 1949, in Application No. 30063.

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 twenty (20) days after the date hereof.

Dated at San Francisco, California, this 29th day of August, 1949.

J. F. Conroy
Justice F. Conroy
Dept. of Public Utilities
Harold F. Kula

Commissioners