

Decision No. 44119

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
ALLYN TANK LINE, INC., a corporation,)	Application No. 31020
for authority to charge less than)	
established rate.)	

ORIGINAL

Appearances

Laurence Phillips, for applicant.

C. P. Stevenson, on behalf of H.M.Schafer
and L. C. Monroe, for Union Oil Company,
interested party.

O P I N I O N

Allyn Tank Line, Inc. is a corporation engaged in the transportation, as a highway common carrier, of gasoline and other petroleum products in bulk by means of tank vehicles. In this proceeding it seeks authority to establish a reduced rate by canceling the 10 per cent surcharge applicable to its present tariff rate of 10 cents per 100 pounds for the transportation of natural gasoline from Del Valle in Los Angeles County to various points within the area lying generally south of the San Gabriel Mountains and between Santa Monica and Huntington Beach.¹

Public hearing of the matter was had before Examiner Abernathy at Los Angeles on March 13, 1950.

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Applicant's present rates are set forth in Local Freight Tariff No. 3-C, Cal.P.U.C. No. 5, Tank Truck Operators Tariff Bureau, Elmer Ahl, Agent. The area involved herein is that designated in the tariff as Group 6. Applicant's present rate from Del Valle to Group 6 points is the same as the minimum rate applicable under the Commission's City Carriers' Tariff No. 5, Highway Carriers' Tariff No. 6 (Appendix "C" of Decision No. 32608, as amended, in Cases Nos. 4246 and 4434) which sets forth minimum rates for the transportation of petroleum and petroleum products by tank vehicles. These rates were made subject to a 10 per cent surcharge by Decision No. 41027, dated December 17, 1947, and Decision No. 41136, dated January 19, 1948, in Cases Nos. 4246 and 4434.

Applicant's manager testified that natural gasoline is lighter in weight per gallon than are other gasolines and that as a consequence, pay loads of 7900 gallons of natural gasoline can be transported as compared to average loads of 7100 gallons for other gasolines. He said that in accordance with provisions of his company's tariff charges on all gasolines are assessed on a basis of 6.6 pounds per gallon. Because of the greater gallonage in loads of natural gasoline, revenues per load are more under present tariff provisions than those received from the transportation of other gasolines. The witness said the transportation involved herein consists of movements between refineries, that loading and unloading are accomplished promptly, and that the service is performed day and night, seven days a week, thus permitting maximum usage of equipment. He calculated that the present rate returns a revenue of \$57.35 per load as compared to \$52.14 per load were the sought rate in effect. On the basis of the mileage from Del Valle to Compton, the basing point for the area here involved, he calculated that the present rate produces a gross revenue of 49.45 cents per mile and that the proposed rate would result in a revenue of 44.95 cents per mile. He said that the average operating cost incurred by his company in its various common carrier services is 39 cents per mile, and he was of the belief that the earnings from the rate sought herein would be sufficient and reasonable. The witness said that his conclusions with respect to the profitableness of the sought rate were based upon the assumption that vehicles of carrying capacity of 7900 gallons would be used. He indicated that the rate would not be profitable were smaller vehicles used. However, he was opposed to a restriction of the sought rate to a minimum of 7900 gallons, for he said he wanted to be able to use smaller vehicles without penalty to the shipper in the event of breakdown of the large equipment.

Applicant's manager stated that he had been informed by the Del Valle Gasoline Company, for whom the gasoline is transported, that it would be compelled to perform the transportation service itself in the event the sought rate is not established. He said that his company proposes to make the rate applicable only from the plant of the Del Valle Gasoline Company at Del Valle. He recognized that establishment of the rate in the manner proposed would result in the maintenance of higher rates to the points of destination herein involved from certain points intermediate to Del Valle. He said, however, that he knew of no shipper of natural gasoline at intermediate points and that should shipments be tendered in the future under similar conditions from such points, his company would seek to extend the lower rate to avoid discrimination.

An officer of the Del Valle Gasoline Company testified that his company has been confronted with the necessity of paring its operating costs wherever possible by reason of increased competition due to a decline in gasoline prices. He said he had made no specific study into the present costs of transporting gasoline. However, he was of the opinion, based upon his knowledge and experience in the petroleum industry, that his company could perform its own transportation service for less than the amounts paid applicant herein. He asserted that his company would prefer not to engage in a proprietary transportation service, but that it would have to do so if the sought rate is not authorized.

No one appeared in opposition to granting of the application.

The Commission is called upon in this proceeding to make a finding that the sought rate is justified by transportation conditions. As a precedent to such a finding, it is essential to inquire whether the rate will return the cost of performing the service and is reasonable and necessary. The costs of performing

the service involved in this proceeding were not clearly established. Applicant's manager admittedly did not make any specific study of the costs incurred in transporting natural gasoline from Del Valle, nor did he undertake to show that the average cost figure of 39 cents per mile would be a fair measure of the costs of operating the large vehicles employed in the service. On the basis of the manager's own figures it is not evident that applicant's operations would be as profitable as supposed. The manager's conclusions that the sought rate would be compensatory were based upon the asserted costs of deliveries to Compton. However, the specific points where deliveries would be made within the area involved were not shown on the record. Should the bulk of the deliveries be made to destinations more distant than Compton from Del Valle, points such as Wilmington, Long Beach or Huntington Beach, it appears that applicant's earnings would be either negligible or that losses would result. This conclusion is borne out in the following table which is based upon applicant's cost data and presumes that maximum loads will be transported in each instance.

<u>Del Valle</u> <u>To</u>	<u>Constructive</u> <u>Miles</u> <u>(Round Trip)</u>	<u>Revenue</u> <u>per</u> <u>Trip</u>	<u>Expense</u> <u>per</u> <u>Trip</u>	<u>Profit or Loss</u> <u>per</u> <u>Trip</u>
Compton	116	\$52.14	\$45.24	\$ 6.90
Wilmington	133	52.14	51.87	.27
Long Beach	135	52.14	52.65	(.51)
Huntington Beach	163	52.14	63.57	(11.43)

() - Denotes Loss

It is also evident from the above that applicant's operating results would be less favorable than indicated in the event that lesser loads than 7,900 gallons were transported.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion that the

evidence does not permit a finding that the sought rate has been shown to be justified by transportation conditions. The application will be denied.

For another reason it appears that the sought rate should not be authorized. Establishment of the proposed rate would result in the maintaining by the carrier of a lesser rate for a longer than for a shorter distance over the same line or route. Section 24(a) of the Public Utilities Act and Article XII, Section 21, of the State Constitution prohibit the charging of greater compensation for a shorter than for a longer distance over the same line or route, the shorter being included within the longer distance, unless authority to do so is obtained from the Commission in special cases. Applicant did not make specific application for authority to deviate from these provisions.

It may be that upon a proper record applicant could justify the proposed rate. The application will be denied without prejudice.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that the above-entitled application be and it is hereby denied, without prejudice.

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

Dated at San Francisco, California, this 2nd day of May, 1950.

R. Z. [Signature]

[Signature]

[Signature]

[Signature]
Commissioners

Commissioner... [Signature], being necessarily absent, did not participate in the disposition of this proceeding.