

ORIGINALDecision No. 47155

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)	Application No. 33160
minimum rates.)	

Appearances

H. J. Bischoff, for applicant.

Milton S. Baum, for Rate Division, Transportation
Department, Public Utilities Commission of
the State of California.O P I N I O N

Direct Delivery System, Ltd. is engaged in the transportation of property under authority of a permit authorizing operations as a highway contract carrier. By this application it seeks authority to assess lesser rates than those applicable as minimum for certain transportation which it performs for The Great Lakes Carbon Corporation.

Public hearing of the matter was held before Examiner Abernathy at Los Angeles on March 28, 1952. Evidence was presented by applicant's president and by the western traffic manager of The Great Lakes Carbon Corporation.

The Great Lakes Carbon Corporation mines and processes diatomaceous earth. It operates a processing plant at Lompoc and obtains the crude material for its plant from a quarry about 8 miles from Lompoc. This proceeding relates to the rates for the transportation of the crude material from the quarry to the plant and the transportation of waste material away from the plant.

According to applicant's contract with the shipper, a copy of which was submitted in evidence, the transportation in question consists of the movement of more than 144,000 tons of material during the ensuing year. Applicant proposes to provide this service by means of two vehicle-combinations, each consisting of a tractor and semi-trailer and trailer. The operating schedules call for 10 round trips per day, six days a week, between quarry and plant. On each trip the vehicles are loaded to maximum legal capacity. Vehicle loading is accomplished under chutes and unloading is done by gravity by opening gates in the bottoms of the vehicles. As a consequence, no direct handling of the material, in addition to the transportation thereof, is required of applicant.

Applicant is seeking authority to provide the service at a rate of 37 cents per ton, minimum weight 20 tons per shipment.¹ Data were submitted by applicant's president to show that the full cost of the service, plus an allowance for profit and for interest on investment, is 36.95 cents per ton.² The cost figures, the witness said, are average figures and reflect applicant's actual operating experience in operating the type of vehicles used in the service herein involved; also they reflect current operating experience of Southern California Freight Lines, a highway common carrier and an affiliate of applicant.

1

The minimum tonnage rate which applies to this transportation, as provided 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) is 66 cents per ton, minimum weight 7 tons per shipment. The tariff also provides hourly rates which may or may not result in higher charges than the tonnage rates, depending upon the size of the equipment used and the time factors involved.

2

In arriving at the figure of 36.95 cents per ton, the cost figures were expanded on the basis of an operating ratio of 93 percent to include provision for profit.

The traffic manager for The Great Lakes Carbon Corporation testified in support of the application. He stated in effect that his company prefers not to enter into the transportation field unless necessary to obtain reasonable costs for movement of its materials. He urged the speedy authorization of the rate sought by applicant inasmuch as the operations of his company's plant at Lompoc were being set at capacity levels.

No one appeared in opposition to granting of the application.

Applicant has herein undertaken to establish the reasonableness of the sought rate by endeavoring to show that the rate is profitable.³ The record is persuasive that because of the volume of traffic involved and the type of vehicles which may be used, a somewhat lesser rate than that currently applicable as minimum would be reasonable for the service. However, applicant's showing regarding the profitableness of the precise rate which is sought is not convincing. First, where the costs of a specific transportation service are the subject of consideration, average costs which cover a variety of operating circumstances have little probative value in showing the costs of the service. It is evident that the conditions which attend the transportation involved herein are not average in important respects and that as a consequence the use of average data results in a misstatement of costs. Second, in the development of the cost data applicant's witness included only a small allowance for delays and interruption of schedules because of breakdowns of equipment, inclement weather, and absences of drivers because

3

In accordance with Section 3666 of the Public Utilities Code, before a lesser rate than the established minimum rates may be authorized, it must be shown to be reasonable.

of illness or other reasons. The evidence shows that applicant is relying on other of its equipment and personnel than that assigned to the service in question, and upon equipment and personnel of Southern California Freight Lines, to assist in the maintenance of schedules. However, the cost data apparently contain no provision for the costs of this standby service. Clearly, proper cost accounting requires the allocation of the costs of standby service among the several operations benefited thereby. Third, applicant's proposal presumes the transportation of 144,000 tons of crude diatomaceous earth and waste material during the year and the sought rate was computed on that basis. Notwithstanding the fact that 144,000 tons of material was the quantity of tender specified in applicant's contract with The Great Lakes Carbon Corporation, that company's traffic manager was unwilling that authorization of the sought rate should be made contingent upon the transportation of 144,000 tons during the year as a minimum. Where special rate authority is sought on the basis of special contractual agreements, the parties involved should not expect the granting of authority which does not reflect the contractual provisions.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion that applicant has not shown the sought rate to be "reasonable" within the meaning of Section 3666 of the Public Utilities Code. The application will be denied.

O R D E R

Public hearing having been held in the above-entitled proceeding, the evidence received therein having been carefully considered, and good cause appearing,

IT IS HEREBY ORDERED that the above-entitled application, be and it is hereby denied.

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

Dated at San Francisco, California, this 13th day of, May, 1952.

R. J. [Signature]
President
Justice J. [Signature]
Harold P. [Signature]
[Signature]
[Signature]
Commissioners