

ORIGINAL

Decision No. 47199

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
JAMES GRIFALL and CHARLES GRIFALL,)	
copartners, doing business as GRIFALL)	Application No. 33102
BROS. TRUCKING COMPANY, for authority)	
to charge less than minimum rates -)	
Permanente to Manteca.)	

Appearances

Marvin Handler, for applicants.
Edward M. Berol, for Miles &
Sons Trucking Service, protestant.
J. L. Pearson, for Commission's staff.

O P I N I O N

James Grifall and Charles Grifall, copartners doing business as Grifall Bros. Trucking Company, operate under a contract carrier permit. They seek authority to transport ferro-silicon for the Kaiser Aluminum & Chemical Corporation at a rate less than that established as minimum.

Public hearings were held at San Francisco on February 28, April 15 and 24, 1952, before Examiner Lake.

The transportation in question involves the movement of ferro-silicon, in bulk, in hopper bottom dump equipment from the Kaiser plant at Permanente¹ to the Kaiser Magnesium Company at Manteca.

According to the record Kaiser Magnesium Company has leased from the United States Government, and reactivated, a magnesium plant at Manteca. The magnesium produced at this plant is used for defense purposes, the metal reserve stock pile and the needs of

¹ Permanente is situated in Santa Clara County.

industry. Ferro-silicon and calcined dolomite are used in the manufacture of magnesium. The Manteca plant requires delivery of approximately 1000 tons per month of ferro-silicon and 5000 tons per month of calcined dolomite. The dolomite moves from Natividad. Grifall Bros. was awarded the contract to transport it at a rate less than the established minimum rate.² The transportation of ferro-silicon was awarded to Miles & Sons, a contract carrier, upon a bid of 11 cents per 100 pounds, subject to the approval of the Commission.³ They performed the transportation for several months at the established minimum rate, during which time studies were made to determine whether profitable operations could be conducted under the 11-cent rate. Upon completion of the cost studies they notified the shipper that they could not profitably perform the operation at the bid rate. Thereupon the shipper called for new bids and Grifall Bros. again bid 11 cents, subject to the approval of the Commission. They were awarded the contract and they are now performing the transportation service.⁴ By this petition they seek authority to

2

By Decision No. 46258 in Application No. 32748 of October 2, 1951, the Commission authorized Grifall to charge a rate of 16.75 cents per 100 pounds. This authority expires, unless extended by the Commission, on October 22, 1952.

³ At the time of the bid the established minimum rate was 12 cents per 100 pounds. It is now 12 cents plus 6 percent surcharge. Grifall Bros. also bid 11 cents but as is indicated they did not get the business.

⁴ The transportation is presently being performed at the established rate of 12 cents per 100 pounds plus a 6 percent surcharge.

observe a rate of 11.66 cents per 100 pounds.⁵ Miles & Sons protests the granting of the sought relief.

Petitioners contend that their operations are such that the ferro-silicon haul can be performed in conjunction with two other hauls they are now handling. The latter transportation involves the movement of calcined dolomite from Natividad to Manteca and the movement of cement from Permanente to Santa Maria. The ferro-silicon movement requires 11 loads per week, the calcined dolomite 50 loads and the cement 4 loads per week.

Petitioners contend that by careful scheduling the three operations can be serviced with less equipment and nonproductive time than would prevail if each of the movements was conducted separately. The combining of the operations, they allege, creates a greater use factor of the equipment with attending lower costs than are ordinarily found in movements of this class of property.

The estimated cost of performing the service was determined by a consulting engineer to be 10.95 cents per 100 pounds before provision for income taxes. The operating ratio under the proposed rate would be 93.9 percent. These results were obtained from the costs experienced in the handling of 13 loads of ferro-silicon transported between the points here involved, supplemented with cost data developed in handling similar movements. A summary of the costs so developed is set forth in the following table:

⁵ It will be noted that the sought rate is somewhat higher than the rate originally agreed upon. The rate of 11 cents was increased during the course of the hearings allegedly to compensate the carrier for certain increases in the costs of operation.

TABLE NO. 1Round-Trip Distance

Eastbound Loaded	83.0	Miles
Westbound Empty	<u>75.4</u>	"
Total-Round Trip Distance	158.4	"

Round-Trip Time

Running Loaded	2.51	Hours
Running Empty	2.25	"
Loading	1.35	"
Unloading	.56	"
Delays - Estimated 20 Min.	<u>.33</u>	"
Total Round-Trip Time	7.00	"

Cost per Round Trip

Fixed Expense 7.00 Hours x \$.585 (1)	\$ 4.09
Running Expense 158.4 Miles x \$.1215	19.25
Drivers' Wages, etc. 7.00 Hours x \$2.3284 (2)	<u>16.30</u>
Total	\$39.64
Overhead Expense 12.97%	<u>5.14</u>
Total	\$44.78

Load Factor 44,538 Pounds	
Average per 100 Pounds	\$.1006
Gross Revenue Expense	
7.6% of \$.1166 (Proposed Rate)	<u>.0089</u>
Total Cost per 100 Pounds	\$.1095
Proposed Rate per 100 Pounds	\$.1166
Operating Ratio - 93.9%	

(1) Fixed Expense per Year - \$2,729
 Use Factor Year 1951 - 4668 Hours
 Fixed Expense per Hour \$2,729 ÷ 4668 Hours = \$.585

(2) Assumed increase of \$.25 per hour in Drivers' Wages and
 Vacation Pay of 1 hour in 25 in place of 1 hour in 35.

It is to be noted that the use factor employed in the development of "fixed expense" was 4668 hours. This was the use factor experienced during the year 1951. According to the evidence the use factor developed for the proposed operation was 4518 hours or \$.606 per hour. The cost per round trip for fixed expenses would be \$4.24 instead of \$4.09 as shown in the table. In addition, overhead expenses are indicated as 12.97 percent of the round-trip costs. This cost factor was based upon the ratio that the overhead expense bears to direct expenses. In developing the total direct expenses certain items for insurance and taxes which are provided for in gross revenue expense were inadvertently included. These items total \$19,703 and when excluded from the total direct expense change the overhead expenses from 12.97 percent and \$5.14 to 15.0 percent and \$5.95.

These changes affect the estimated operating results as follows:

Total cost per 100 pounds	11.16 cents
Proposed rate per 100 pounds	11.66 cents
Operating ratio -	95.71%

The total round-trip time of 7 hours was developed from actual experience in the handling of 13 trips, 5 of which were made with speed control equipment which indicated that the maximum speed of the vehicles approximated 40 miles per hour. To the actual experience of the carrier the engineer added 20 minutes per trip for unforeseen delays. The drivers' wages were based upon prevailing rates adjusted to reflect an increase of 25 cents per hour.⁶

The use factor of 4518 hours per year heretofore referred to was predicated upon the number of loads per week and the time required to accomplish handling of the integrated movement of ferro-silicon, calcined dolomite and cement, as heretofore described, with the equipment assigned to this operation.

⁶
The record shows that negotiations for new labor rates have been completed but the contracts therefor have not been executed. The negotiated increase was for 22½ cents over-all wage adjustment.

Protestant questions petitioners' ability to provide the service within the time specified. It introduced evidence showing the actual results of its performance in handling 264 loads of ferro-silicon between Permanente and Manteca. According to its records, the average round-trip time per load was 8.14 hours. This time included the period commencing when the driver started inspection of his truck at protestant's yard at Mountain View until he returned to the yard from completing the round-trip operation. In addition to loading, unloading and driving time, the average round-trip time included yard and breakdown time of approximately 45 minutes.

The principal difference between petitioners' figure of 7 hours and protestant's 8.14 hours rests with the running time. Petitioners contend that the average round trip can be accomplished in 4.76 hours; protestant contends that 5.45 hours are required if safety and speed laws are observed.

Through cross-examination of protestant's witnesses counsel for petitioners developed that the equipment used by protestant was of a lesser horsepower than that generally used by petitioners. The witness admitted that the equipment of the type operated by Grifall could, under load, perform the operation in 15 to 20 minutes less than the equipment used by Miles & Sons. Other time factors found necessary in the Miles operation which would be common to the operations conducted by petitioners cast doubt upon the reliability of petitioners' showing. No time was provided therein for driver servicing of the equipment prior to

starting and only 20 minutes per trip was used for delay time. The running time contemplates an average speed of 35 miles per hour under a maximum speed limit of 40 miles per hour.⁷

The record does not substantiate that petitioners' estimated running time could be maintained consistently during the period for which authority is here sought. On the other hand, the total time experienced by protestant of 8.14 hours includes time for cleaning of tanks and other services not experienced nor required to be performed by Grifall. The record demonstrates that a total round-trip time of 7-1/2 hours would more nearly reflect average operating conditions than the 7 hours used by petitioners and the 8.14 hours experienced by protestant. For the purposes of this decision, 7-1/2 hours will be used. On this basis, the total cost per 100 pounds would be 11.54 cents per 100 pounds. Under the proposed rate of 11.66 cents per 100 pounds the operating ratio would be 98.97 before provision for income taxes.

Upon careful consideration of all the facts of record, the Commission is of the opinion and finds that the proposed rate has not been shown to be reasonable within the meaning of Section 3666 of the Public Utilities Code. The application must be denied.

7

A witness for protestant described in considerable detail the highway conditions encountered over the route of movement from Permanente to Manteca. According to his testimony, the route abounds with curves, grades and areas over which safe operation requires observance of low speeds.

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 27th day of May, 1952.

President

Commissioners