ORIGINAL

Decision No. 47823

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation into the rates, rules, regulations, charges, allowances, and practices of all common carriers, highway carriers, and city carriers relating to the transportation of property.

Case No. 4808

In the Matter of the application of J. L. Beeler, Agent, for and on behalf of petroleum regular route common carriers and petroleum irregular route common carriers parties to Southwestern Motor Tariff Bureau, Petroleum Tank Truck Tariff No. 1, Cal. P.U.C. No. 11, for an interim increase in rates.

Application No. 33685

Appearances

Edward M. Berol, Elmer Ahl and J. L. Beeler, for petitioners.

Lloyd R. Guerra, for Tank Truck Operators Tariff Bureau, petitioner, and for Cantley & Tanzola, Inc. interested party.

J. C. Kaspar, for California Motor Transport Association, interested party.

Robert Hutcherson, J. M. Connors and W. Bousfield, for Tidewater Associated Oil Company, interested party.

W. H. Adams, E. J. Dunn and M. S. Housner, for Shell Oil Company, interested party.

A. D. Carleton, Mel Neuberger and Brion Pierce, for Standard Oil Company of California, interested party.

W. O. Narry and R. T. Hunt, for Richfield Oil Corporation, interested party.

S. A. Ironside and H. M. Long, for General Petroleum Corporation, interested party.

L. C. Monroe, H. M. Schafer, J. A. Gayle, L. O. Hargrove and C. P. Stephenson, for Union Oil Company of California, interested party.

P. A. Buck, for Douglas Oil Company, interested party.

Grant L. Malquist for Engineering Section, Transportation Division, Public Utilities Commission of the State of California.

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O P I N I O N

Elmer Ahl and J. L. Beeler, as agents for 141 highway common carriers and petroleum irregular route carriers on whose behalf they publish rates, seek authority under Sections 454 and 491 of the Public Utilities Code to establish an interim increase in rates and charges on less than statutory notice.

Public hearing was held before Examiner Bryant at Los Angeles on September 23, 1952. The matter is ready for decision.

The rates herein involved are those applicable for the transportation of certain petroleum products in bulk in tank vehicles between points within defined territorial groups. Only relatively short hauls are involved. The average length of haul which would be affected by the proposed increase is less than 30 miles.[1]

The petitioners allege that the carriers for whom they act as tariff publishing agents have experienced increases in their costs of labor and other operating expenses. Assertedly, the carriers are in a precarious financial position which threatens their ability to provide a full and adequate service for the shipping public. The

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[1] To avoid long-and-short-haul departures the petitioners would establish the increased rates as minimum also on movements from and to the group points. The present rates, the commodities on which they apply, and the territorial groups, are named in Tank Truck Operators Tariff Bureau Local Freight Tariff No. 3-C, Cal. P.U.C.No.5 of Elmer Ahl, Agent, and Southwestern Motor Tariff Bureau Petroleum Tank Truck Tariff No. 1, Cal. P.U.C. No. 11 of J. L. Beeler, Agent. The commodities include gasoline and other "refined petroleum products", and fuel oil and other "black oils". Excluded from the sought increases are liquefied petroleum gases, crude oil, asphalt, road oils, and other petroleum products requiring insulated equipment. There are 125 carriers participating in Ahl's tariff and 16 carriers participating in Beeler's tariff.

petitioners declare that the present serious financial position of the carriers is so acute that a temporary 180-day interim increase in rates is necessary to enable the carriers to continue operating while they prepare complete studies, with detailed allocations of revenues and expenses.

The principal evidence in support of the petition was offered by a transportation consultant. This witness presented exhibits to show the cost of performing the service and the effect of the proposed rates upon the carriers' net revenues. He said that none of the applicants operate exclusively within groups, and that the development of cost estimates was therefore dependent to a degree upon the records of carriers operating over various lengths of haul. However, intragroup data were obtained wherever feasible, and the exhibits reflect conditions and costs prevailing in intragroup operations to the extent possible. The experience records of 48 carriers were used by the consultant. He testified that personal contacts were made with carriers in all areas of the State, that information furnished by the carriers was checked against annual reports filed with the Commission, and that field observation by representatives of his office was used also in order to develop and check performance and operating data.

The following table shows the cost of performing the service as developed by the witness, and sets forth for comparative purposes the present and proposed rates:

Costs and Rates in Cents per 100 Pounds

	Refined Petroleum Products			Black Oils		
	Group 2	Group 6	Other Groups	Group 2	Group 6	Other Groups
Costs:						
Without Profit	7.92	5.42	(2)	7.11*	3.98*	(2)
Plus Profit (1)	8.80	6.02	(2)	7.90*	4.38*	(2)
Rates:						
Present	3.85	3.85	3.85	3.3	3.3	3.3
Proposed (3)	5.5	5.5	4.5	5.0	5.0	4.0

(1) Based upon operating ratio of 90 percent before income taxes.

(2) Not developed.

(3) Subject to a minimum charge per truckload, truck and trailer load, tractor and semitrailer load or any combination of said vehicles in train, of $25.00 for Groups 2 and 6 and $20.00 for the other groups.

* Computed from data submitted by the consultant.

The witness explained that he did not develop in detail the estimated cost of performing the service within territorial groups other than Groups 2 and 6 because of the unavailability of experience data.[2] He submitted evidence to show that these two groups

[2] Group 2 embraces Avon, Martinez, Oakland, Port Chicago, Port Costa, Richmond and Rodeo. Group 6 embraces El Segundo, Huntington Beach, Long Beach, Los Angeles, Santa Fe Springs, Signal Hill, Torrance, Whittier and Wilmington. Basing points for the groups are as follows:

Group No.	Basing Point	Group No.	Basing Point	Group No.	Basing Point
1	San Francisco	7	Carpinteria	13	Brea
2	Pinole	8	Fillmore	14	Orcutt
3	Coalinga	9	Avenal	15	Sacramento
4	Bakersfield	10	Lost Hills	16	Stockton
5	Taft	11	Weed Patch	17	Colusa
6	Compton	12	Poso Creek	18	Petaluma

represent about 80 percent of all intragroup movements of the commodities herein involved, and that within many of the other groups there is little or no traffic. The consultant and other carrier witnesses were of the opinion that, all factors considered, the cost of performing service within the other groups is relatively as great as within Groups 2 and 6.

In order to show the anticipated effect of the proposed increased rates upon the carriers' revenues, the consultant offered data from a study of the carriers' freight bills. On basis of this study it appears that the total increase in revenues for 21 representative carriers would approximate 1.6 percent. From this information he calculated that, at the present wages and under the sought rates, the combined operating ratio for the first six months of 1952 would have been 98.98 percent after income taxes.[3] The consultant said that he had found it impossible to get complete rate base data for the numerous applicants, but he developed the average investment per power unit from the records of a number of the carriers. He included land at its book cost and the other properties at the book investment, depreciated. He found the total investment, with a provision for working capital, to be approximately $16,985 for each power unit. He concluded that the annual rate of return under the proposed rates would be 5.99 percent.

Other witnesses were the two petitioning tariff agents and the chairman of a rate committee who explained considerations underlying the rate proposals, and five other carrier representatives who described the experiences of their respective companies. These witnesses testified that the rates in question have not been changed

[3] Income taxes were approximated on a corporate basis.

since March 1, 1948. For some of the carriers, it appears, the present rates are lower than those which the same carriers assessed several years ago when their operations were conducted under contracts. According to the evidence, the short-haul rates herein involved have long been a cause for concern among the carriers. The carrier witnesses were all of the opinion that the existing rates are not compensatory and that they constitute a burden upon other traffic. Some of the carriers cited examples in which the gross revenue derived from particular shipments was less than the cost of drivers' wages alone. The carrier representatives did not anticipate that the higher rates would cause the diversion of any substantial tonnage to competing contract carriers or to proprietary vehicles. Petroleum contract carriers are relatively few, they said. Moreover, the witnesses stated, the common carriers would be better off financially in losing some of the traffic than in continuing to handle it at a loss.

Representatives of the principal shippers appeared at the hearing, and some of them participated in cross-examination of the witnesses. The assistant traffic manager of one major oil company asked that the carriers be held to strict proof, and stated that any rate increase would cause his company to give more serious consideration to extending the scope of its proprietary operations. No one specifically interposed any objection to the granting of the petitions.

The evidence is convincing that an increase in the intra-group rates is necessary. It is clear that these rates in many cases return less than the out-of-pocket cost of performing the service, and that on the whole they are a burden upon other traffic.

The evidence shows that the proposed rates will not even return the bare cost of performing the service within Group 2, and that they will return little more than the cost of transporting refined petroleum products within Group 6. The rate proposed for the transportation of "black oils" within Group 6 appears to be higher than necessary, and that rate will not be approved in full. The rates proposed for application within the other groups, as shown in the foregoing table, are materially less than those proposed for Groups 2 and 6.

Upon careful consideration of all of the facts and circumstances of record it is concluded that the increased rates and charges proposed in these proceedings are justified, except that for the transportation of "black oils" within Group 6, and as minimum from and to Group 6, a rate of 4½ cents per 100 pounds is justified.

The petitioners will be authorized to establish the increased rates for an interim period of 180 days. During such interim period the applicants, in accordance with their request, will be afforded an opportunity to prepare and submit complete cost and other operating data in justification of permanent reasonable rates for the transportation of all bulk petroleum products.

At the hearing Elmer ^hl requested that several petitions which he filed some months ago in Case No. 4808, concerning which no evidence has been offered, be dismissed without prejudice to consideration of their subject matter in any appropriate proceeding. In order to clear the docket these petitions will be dismissed 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 increased rates and charges proposed in the petition filed by Elmer Ahl in Case No. 4808 on July 3, 1952, and in the petition filed by J. L. Beeler in Application No. 33685 on August 23, 1952, as amended in each case by the exclusion therefrom of crude oil, be and they are hereby authorized, except that the authorized rate for the transportation of "black oils" from, to and between points in Group 6 shall be 4½ cents per 100 pounds.

IT IS HEREBY FURTHER ORDERED that the rates and charges herein authorized may be established on not less than five (5) days' notice to the Commission and to the public, and shall be published to expire one hundred and eighty (180) days after their effective date unless sooner canceled, changed or extended by authority of the Commission.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED that the following petitions in Case No. 4808 be and they are hereby dismissed without prejudice:

Petition of Elmer Ahl, Agent, filed on February 25, 1950.
Amended Petition of Elmer Ahl, Agent, filed on June 8, 1950.
Petition of Elmer Ahl, Agent, filed on August 24, 1951.
Petition of Elmer Ahl, Agent, filed on April 28, 1952.

This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California this 14th day of October, 1952.

R. L. [illegible]
President
Justus F. Craemer
Harold P. Huls
Kenneth Potter

Commissioners