

ORIGINAL

53218

Decision No. _____

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 in Los Angeles and Orange)
 Counties (transportation for which rates)
 are provided in Minimum Rate Tariff)
 No. 5).

Case No. 5435

James F. Bartholomew, Irving Bekey, H. J. Bischoff,
T. C. Brooks, Ralph A. Cernuda, Preston Davis,
Walter J. Ernst, Henry W. Fulhorst, Donald J.
Griley, H. Halverson, Gordon Holben, Barry Kiek,
Albert Kulla, D. M. Ladd, Grove G. Lautzenhiser,
Norman T. Levinson, E. J. McSweeney, R. B. Meyers,
Jerome M. Miller, B. M. Neal (for A. L. Demek),
Dean M. Porter, Roger Ramsey, Harry Ross, Ralph S.
Schmitt, Joseph W. Schmitt, Merlyn F. Teskey,
Cromwell Warner, Nat Williams and Herbert Williams,
 for various respondent carriers.

J. C. Kaspar, Arlo D. Poe, and James Quintrall,
 for interested carrier associations.

C. V. Dickinson, Claire T. Grimes, W. G. O'Barr and
L. J. Rowley, for interested chambers of commerce.

G. R. Baker (for L. C. Monroe and H. M. Schafer),
V. A. Barry, W. Y. Bell, Lester A. Bey, B. F.
Bolling, Walter A. Burke, W. R. Czaban, Roger H.
Davis, C. V. Dickinson, Floyd C. Ellis, W. P. Gunn,
William J. Haener, Lawrence R. Horka, H. A.
Lincoln, John C. Lincoln, D. R. MacDonald, Jack E.
Moore, A. E. Norrbom, L. E. Osborne, Norman
Osborne, A. E. Patton, Edward J. Schilz, Ralph S.
Schmitt, A. F. Schumacher, Gail B. Selig, J. A.
Sullivan and R. K. Wilson, for interested shippers,
 shipper organizations and other interested parties.

H. F. Wiggins, for the staff of the Public Utilities
 Commission of the State of California.

SUPPLEMENTAL OPINION

This opinion, and the order which follows, relates to the minimum rates, rules, and regulations which apply to the transportation of general commodities between points in the Los Angeles metropolitan area. More specifically, it relates to certain revisions in said minimum rates, rules and regulations which have been recommended by the Commission's Transportation Division.

Pursuant to an Order Setting Hearing, dated September 13, 1955, public hearings on the recommendations were held before Examiner C. S. Abernathy at Los Angeles on October 10 and 11, 1955. A transportation rate expert of the Commission's staff submitted and explained the proposals involved.

According to the Commission witness, the proposed revisions have for their primary purpose the establishment of a simplified and equitable minimum rate structure to govern the transportation of general commodities within the Los Angeles metropolitan area.^{1/} At the present time this transportation is governed by two minimum rate tariffs, Minimum Rate Tariff No. 2 and Minimum Rate Tariff No. 5. The former names minimum rates, rules, and regulations which apply on a statewide basis. The latter tariff applies to transportation within a limited area which is designated as the Los Angeles drayage area, and which is a defined area within a 7-to-10-mile radius of the Los Angeles central business district.

These two tariffs, the rate expert testified, have been established by separate proceedings. Although they contain points

^{1/} The term Los Angeles metropolitan area as used herein refers to that portion of Los Angeles County generally between the Santa Susana and San Gabriel Mountains on the north, the Pacific Ocean on the south, Topanga Canyon and its prolongation on the west, and State Highway No. 19 (Rosemead Boulevard) on the east.

of similarity, they differ in important respects. For example, the tariffs do not provide comparable rates for comparable services in the same general area. The level of charges for the transportation of less truckload shipments in the drayage area is less than that for corresponding transportation outside of the area under the provisions of Minimum Rate Tariff No. 2. On the other hand, the charges which apply to truckload shipments moving within the drayage area generally exceed those for like shipments transported similar distances to points outside of the drayage area. The drayage tariff, Minimum Rate Tariff No. 5, does not contain a scale of class rates for truckload shipments as does Minimum Rate Tariff No. 2.^{2/} The differences in rates, the witness said, as well as differences in rules and regulations, have been and are a source of confusion and difficulty for shippers and carriers. He said, moreover, that the problems which are involved become more acute with continuing increases in population and industrial activity in the metropolitan area.

A further source of difficulty in the maintenance of equitable minimum rate provisions in the Los Angeles metropolitan area, the witness testified, is the fact that the present rates are almost wholly limited in application to movements between cities or between cities and county areas. Except in those instances where

^{2/} The witness pointed out that Article XII, Section 21 of the State Constitution prohibits transportation companies from charging more for the transportation of like shipments for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included in the longer distance. He asserted that common carriers who operate both within the drayage area and to points beyond are obligated to obtain Commission approval for deviations from the constitutional long-and-short-haul provisions before they may assess the lower rates which apply from the drayage area to various beyond points.

intracity rates have been prescribed by Minimum Rate Tariff No. 5, movements within cities are not subject to minimum rate regulation. This matter, he said, is one of substantial importance inasmuch as the cities comprise a large portion of the metropolitan area.^{3/} He declared that the absence of regulation with respect to the intracity movements is discriminatory against the areas where minimum rates apply.

As a means of overcoming the problems in the existing system of rates, the rate expert recommended that a single tariff be established in which would be incorporated all minimum rate provisions governing the transportation of general commodities within the metropolitan area. He submitted for consideration a tariff which he had developed on this basis. This tariff, he said, was developed by merging the applicable provisions of Minimum Rate Tariffs No. 2 and 5 with such modifications as necessary, in his judgment, to produce a harmonious blend and to minimize present inequities. The rate expert said that in the construction of his proposed tariff he had endeavored to limit the modifications to the smallest number consistent with the general objectives to be obtained. He explained that one of his aims was to effect necessary corrections in the present rates with the minimum collateral effect upon the rate structure otherwise. He said that where his proposal involved the establishment of new rate zones he had adopted zones which have been

^{3/} The metropolitan area covers more than a thousand square miles of territory. Almost three-quarters of the area is occupied by incorporated cities. About a third of the city areas is subject to the provisions of Minimum Rate Tariff No. 5. In other respects the transportation of general commodities within cities in the metropolitan area is not subject to minimum rates other than some vehicle unit rates which apply only in the case of shipper-carrier agreement.

heretofore established in other Commission proceedings or by the Interstate Commerce Commission. The rates which he recommended for general application throughout the area, except where lower rates apply under the provisions of Minimum Rate Tariff No. 5, correspond substantially to those which are set forth in Minimum Rate Tariff No. 2.

Various shipper and carrier representatives questioned the rate expert at length concerning his proposals and the foundation therefor. Through their examination it was ascertained that as basis for his recommendations the witness had relied almost wholly upon his knowledge of the provisions of Minimum Rate Tariffs Nos. 2 and 5, upon his experience in applying said provisions, and upon his general knowledge of the metropolitan area. He said that he had not made any specific field investigations in connection with his proposals; that he had not considered the costs of the transportation involved; and that he had not made any studies to ascertain the probable effect of his proposals either upon the carriers or the shippers in the area. He estimated that in order to develop cost and traffic studies which would be suitable for revision of the rates, a period of one and one-half to two years would be required. He declared that the nature and severity of the problems inherent in the rates at the present time require their earlier adjustment, and he expressed the view that the adjustment could properly be made without extensive cost and traffic studies. He pointed out that the essence of his proposal is the extension of or blending together of rates which now apply as minimum reasonable rates for transportation in the metropolitan area. From this fact he reasoned that the extensions and adjustments which he proposed could well be held to be reasonable.

Exceptions were taken by the carrier and shipper representatives to the rate expert's conclusion that the proposed adjustments are of such nature that they may be made without supporting cost and related data. They pointed out that the proposals would result in numerous rate increases and reductions. A representative of the California Motor Trucking Associations, Inc., disagreed that present inequities in the rates can be substantially cured by a blending and merging of the provisions of Minimum Rate Tariffs Nos. 2 and 5. He said that the circumstances applicable to transportation of general commodities in the Los Angeles area have not been reviewed since 1949 and he asserted that adjustments of the rates should reflect the conditions which now apply. A representative of the Los Angeles Chamber of Commerce submitted a motion that cost and traffic studies be undertaken by the Commission staff with the objective of arriving at a basis of an up-to-date tariff to apply within the Los Angeles metropolitan area. He also urged that action on the proposals of the rate witness be deferred until consideration be given to the motion. This motion was supported by numerous carriers and shippers.⁴

Discussion and Conclusions

Although the proposals of the rate witness were advanced on the grounds that they are generally within the confines of the

⁴/ Those who supported the motion represented the following organizations: Bradco Cartage & Distributing Co., The Rabin Co., Morgan & Sampson, Inc., Revlon Corporation of America, Rexall Drug Co., Hudnut Sales Co., Inc., S. H. Coffman & Son, the Pasadena Chamber of Commerce, United Parcel Service, California Manufacturers Association, California Trucking Associations, Inc., Los Angeles Wholesale Institute, Orange Empire Truck Lines, Inc., Polar Lines, Inc., William Volker & Co., The Best Foods, Inc., Western Transportation Company, Purex Corporation, Ltd., Sears, Roebuck & Co., Barker Bros. Corporation, and the Burbank Chamber of Commerce.

present minimum rate structure, it appears that they would result in numerous and substantial changes in the application of minimum rates to transportation of general commodities within the metropolitan area. More than technical adjustments in the rates clearly are involved.

The views of the shippers and carriers, as expressed in the motion of the Los Angeles Chamber of Commerce, that adjustments in the minimum rates of the scope and import of those which the rate witness recommended should be supported by factual data reflecting present circumstances and conditions appear to be well founded. Without these data there appears to be insufficient basis for an order that would incorporate the modifications in the minimum rates. In view of these conclusions, further hearings on the proposals are not warranted. This phase of Case No. 5435 will be terminated.

The motion of the Los Angeles Chamber of Commerce will be denied inasmuch as it would result in the retention of the instant phase of this proceeding on the Commission's docket for an indefinite period pending ultimate disposition of the matters involved after development and consideration of studies of the costs and other factors applicable to the transportation of general commodities within the metropolitan area. The Commission, nevertheless, takes cognizance of the extensive developments which have taken place in the metropolitan area in recent years. The Commission's staff will undertake studies leading to such adjustments in the present minimum rates as are necessary to bring the rates into conformity with present conditions and those which may be expected to prevail for a reasonable period in the future. These studies will be made at the earliest time consistent with the scope of the matters involved and with the extent of other staff assignments. Further hearings on the matters will be scheduled at an appropriate time.

O R D E R

Based on the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that the instant phase of the above-numbered proceeding, initiated by the Order Setting Hearing, dated September 13, 1955, in this proceeding, be and it hereby is terminated.

IT IS HEREBY FURTHER ORDERED that the motion to which reference is made in the above Opinion be, and it hereby is, denied.

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

Dated at San Francisco, California, this 17th day of June, 1956.

[Signature]
President

Justice D. Casper

[Signature]

[Signature]

[Signature]
Commissioners