

ORIGINAL

Decision No. 53745

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN PACIFIC COMPANY,)
NORTHWESTERN PACIFIC RAILROAD)
COMPANY, PACIFIC ELECTRIC RAILWAY)
COMPANY, PACIFIC MOTOR TRUCKING) Application No. 36711
COMPANY, and PETALUMA AND SANTA)
ROSA RAILROAD COMPANY for authority)
to increase certain split pickup)
and delivery charges in Freight)
Tariff 1505-C, Cal. P.U.C. No. 3898.)

Original Appearances

Charles W. Burkett, Jr., for applicants.
Arlo D. Poe, J. C. Kaspar, and R. D. Boynton, for
California Trucking Associations, Inc.,
intervenor.
Jessie H. Steinhart, by Charles E. Hanger, for
Industrial Shippers Association, protestant.
L. E. Osborne, for California Manufacturers
Association; W. R. Donovan, for C & H Sugar
Refining Corporation; Allen K. Penttila, for
Sherwin-Williams Company; H. S. Scott, for
Sterling Transit Company, Inc; L. H. Wolters
and E. R. Chapman, for Foremost Dairies, Inc.;
interested parties.

Additional Appearances on Rehearing

William M. Larimore, for Wigle & Larimore;
H. J. Bischoff, for Southern California
Freight Lines and Southern California Freight
Forwarders; Jim Quintrall, for Western Motor
Tariff Bureau; interested parties.
Robert A. Lane, for the Commission's staff.

OPINION ON REHEARING

By Decision No. 51965, dated September 13, 1955, in this proceeding, applicants herein were authorized to increase certain of their accessorial charges for split pickup and for split delivery of carload shipments transported in so-called "trailer-on-flatcar" service between points in the San Francisco Bay region, on the one hand, and Los Angeles and other Southern California points, on

the other hand.¹ On September 30, 1955, Industrial Shippers Association, which had protested the granting of the application, filed a petition for rehearing of the matter. That petition, however, was not filed in sufficient time to stay the effective date of Decision No. 51965, and the increased charges authorized therein became effective October 10, 1955.²

By its order dated November 1, 1955, the Commission granted protestant's petition for rehearing. In a letter dated November 10, 1955, addressed to counsel for applicants with copies to all parties then of record, the Commission announced that rehearing pursuant to the order of November 1, 1955, would be confined to the receipt of evidence as follows:

- (1) Evidence of the cost to applicants of the split pickup and split delivery services involved.
- (2) Evidence of an estimate of the additional revenue to be received by applicants during a representative twelve-month period, together with an estimate of total revenues to be received by applicants for the transportation of property for the same period.

Rehearing of the application was held before Examiner Carter R. Bishop at San Francisco on April 11 and June 6, 1956, at which times evidence was introduced by applicants in purported compliance with the Commission's letter of November 10, 1955, and full cross-examination by protestant and others was had.

¹ The trailer-on-flatcar operation is popularly known as "piggy-back" service.

² The charges in question prior to being increased ranged from 52 cents to \$4.03 per component part, depending on the weight of the component. As increased, the charges range from \$1.00 to \$6.00. The unincreased charges were published in Southern Pacific Company Freight Tariff No. 1505-C; the charges as increased are now published in Pacific Southcoast Freight Bureau Tariff No. 294-A of J. P. Haynes, Agent.

As stated in Decision No. 51965, supra, the pickup and delivery services provided by the applicant rail lines in connection with the trailer-flatcar operations here in issue are rendered for account of those lines by Pacific Motor Trucking Company, a highway common carrier and a wholly-owned subsidiary of Southern Pacific. Evidence concerning the cost of performing those services was offered by an assistant engineer employed in Southern Pacific's bureau of transportation research.

This witness testified that he had made a three weeks' field study of trailer-flatcar pickup and delivery operations in San Francisco, Oakland and Los Angeles. The period covered was from January 16 to February 3, 1956, inclusive.³ In this study, the engineer explained, detailed drivers' logs of times, mileages and weights were maintained and summarized for a sample comprising 10 per cent of the total trailer-flatcar tonnage handled during the period in question. As a result of the study it was found that the data relating to pickup and delivery operations in the San Francisco Bay area were deficient in examples of split pickups and split deliveries, in that practically all the shipments moved directly between the railroad loading ramp and the shippers' dock. For this reason, the witness testified, the costs developed in his study relate to the Los Angeles area, where sufficient examples of multiple-stop service were obtained to make a comparison of costs entailed in rendering that kind of service with those experienced in single-stop operations.⁴

³ The period selected for the study, an assistant freight traffic manager of Southern Pacific later testified, was typical of a year's operations.

⁴ Assertedly, while there are minor variations in absolute cost levels as between the Los Angeles and San Francisco Bay areas, the differences in costs experienced in multiple-stop versus single-stop pickup and delivery operations are approximately the same in the two areas mentioned.

In Table I below are set forth the full costs incurred by Pacific Motor Trucking Company, as developed by the engineer; in the performance of the additional services entailed in the split pickup and split delivery services involved herein. With those costs are compared, for the various weight brackets, the increased accessorial charges as authorized by Decision No. 51965.

Table I

<u>Weight Bracket (Pounds)</u>		<u>Added Cost Per Component</u>	<u>Increased Tariff Charge Per Component</u>
<u>Over</u>	<u>But Not Over</u>		
0	100	\$ 3.32	\$1.00
100	500	3.94	1.30
500	1000	5.16	2.00
1000	2000	6.74	3.00
2000	4000	10.32	4.00
4000	10000	9.98	5.00
10000	20000	8.00	6.00
20000		---	6.00

While, as mentioned above, the traffic on which the engineer's study was predicated moved during January and February of this year, the expense factors which he utilized are those which prevailed on May 1, 1956. This was done, the witness stated, in order to calculate costs per component part which would be as nearly current as the time available for the study would permit. Indirect expense was figured at 20.55 per cent of direct expense. This ratio, the witness stated, was developed from a study of all traffic handled by Pacific Motor Trucking Company, during a 12-month period. According to the record, no costs were developed for component parts weighing in excess of 20,000 pounds, the reason being that no such components appeared in the sample of split pickup and split delivery shipments utilized in the study.

Counsel for Industrial Shippers Association questioned the engineer at some length regarding details of the cost study. Counsel pointed out, among other features, the lack of regular upward progression, which he felt might reasonably be expected, in certain unit cost factors as the weight of the component increases. These factors included platform and billing costs. He also contrasted the costs as developed by the engineer with those which were calculated by the staff of California Trucking Associations, Inc., on the basis of highway carrier operations generally in the two terminal areas involved herein, which study was introduced as an exhibit in another proceeding before the Commission.⁵ The cost figures in that exhibit relating to split pickup and split delivery service, the record indicates, were substantially below those developed by applicants' witness for the corresponding weight brackets.

Evidence concerning estimated revenues of applicants was offered by an assistant general auditor of Southern Pacific. He had made a waybill study of all shipments moving during a two-week period via the lines of applicants in California intrastate trailer-flatcar service where split delivery or split pickup charges were assessed. The period selected for the study was from January 16 to January 29, 1956, inclusive. The split charges for each of the shipments moving between the points involved herein were recalculated on the basis in effect prior to the increases authorized by Decision No. 51965 to ascertain the amount of additional revenue applicants received under the higher charges. The resulting figures were then expanded to a

5

The document in question was identified by counsel as Exhibit No. 62-8 in Case No. 5432 (Petition No. 62). He caused certain cost figures in the exhibit to be read into the record in the instant proceeding. The exhibit, however, was not made a part of the record herein.

12-month period. According to an exhibit introduced by the auditor, applicants would receive annually under the charges here in issue additional revenue of \$18,331.⁶ The breakdown of this revenue among the applicant carriers is shown in Table II below. The Northwestern Pacific Railroad Company and the Petaluma and Santa Rosa Railroad Company are not shown in the table, since no split pickup or split delivery trailer-flatcar shipments involving those carriers were handled during the test period between the points involved.

Table II

Estimated Increase in Revenues Under
Increased Split Charges During
a 12-Month Period

Southern Pacific Company	\$17,410.
Pacific Electric Ry. Co.	895.
Pacific Motor Trucking Co.	26.
Total	\$18,331.

This witness also adduced evidence as to the total freight revenues received by applicants for the year 1955. These amounts are shown separately for each applicant in Table III below.

Table III

Total Freight Revenues Received
For Year 1955.

Southern Pacific Company (Pacific Lines)	\$464,351,241.
Southern Pacific Company (California Intrastate Revenues)	51,690,702.
Pacific Motor Trucking Company	19,886,264.
Northwestern Pacific R.R. Co.	13,935,362.
Pacific Electric Railway Co.	13,495,065.
Petaluma and Santa Rosa R.R. Co.	335,729.

6

According to the record, the estimated revenue under the basis of charges in effect prior to October 10, 1955, would, on an annual basis, amount to \$20,738. The corresponding figure under the increased charges is \$39,302. These amounts include small sums which would accrue to The Atchison, Topeka and Santa Fe Railway Company, a carrier not a party to this proceeding.

The auditor also estimated the total revenues to be received by Southern Pacific Company (Pacific Lines) during the calendar year 1956 as \$488,266,427. This estimate includes additional interstate revenue to be received as a result of rate increases authorized by the Interstate Commerce Commission in Docket Ex Parte 196, effective March 7, 1956.

The record made at the original hearing showed that the traffic of Industrial Shippers Association between the two terminal areas involved in this proceeding was being transported in applicants' split delivery and split pickup trailer-flatcar service. A witness for the Association testified at that time that, even if the sought increases were authorized, the Association would continue to utilize the trailer-flatcar services of applicants as long as the service remained satisfactory. As previously stated, the Association appeared as a protestant at the original hearing and filed the petition which resulted in the rehearing of the matter. The record on rehearing discloses that the Association did continue to ship via applicants' lines after the increased split charges went into effect until approximately April 1, 1956, at which time the traffic was taken away from applicants and diverted to movement via a highway carrier. Assertedly, the traffic is moving via said carrier at the same level of charges as is maintained by applicants.⁷

Conclusions

In the original hearings applicants offered no evidence relating to the costs of performing split delivery and split pickup services in connection with the trailer-flatcar movements involved

7

The accessorial charges involved herein as increased are on the same level as those prescribed as minimum for the same services in connection with movement via highway carriers under the provisions of Minimum Rate Tariff No. 2.

in this proceeding. In seeking authority to increase their published accessorial charges for those services they relied upon other kinds of evidence, including rate comparisons. The cost evidence presented by applicants at the rehearing is persuasive that the accessorial charges in question, as increased under authority of Decision No. 51965, are not excessive. On the contrary, the evidence of record indicates that the services to which these charges relate are performed at an out-of-pocket loss. It is true that the costs as developed by applicants' engineer witness are substantially in excess of the average costs for highway carriers generally, as calculated by the California Trucking Associations in another proceeding, and to which attention has been directed by counsel for protestant. It appears, however, that the former more accurately reflect the actual costs of operation incurred by Pacific Motor Trucking Company in rendering the particular accessorial services involved herein.

As hereinbefore stated, the accessorial services here in issue are actually performed by Pacific Motor Trucking Company for account of the rail applicants. In so far as costs are an element to be considered in measuring the reasonableness of the accessorial charges in question, the costs incurred in performing the services under consideration are, manifestly, the ones properly to be employed for that purpose, rather than the compensation paid by the rail lines to the highway subsidiary for the rendition of these services.

In Decision No. 51965 it was pointed out that the split pickup and split delivery traffic under consideration comprised approximately one eighth of the total trailer-flatcar traffic handled by applicants between points in the San Francisco Bay and Los Angeles areas, respectively. The statement was also made therein that the

latter category of traffic manifestly embraced only a small part of applicants' total operations, and the effect of the proposed increases on their over-all revenue position would be negligible. The correctness of that statement is borne out by a comparison of the revenue figures shown in Tables II and III, supra, respectively, for each of the applicants. A comparison of the annualized split pickup and split delivery revenue figures shown in Table II with the actual system freight revenue for the year 1955 as set forth in Table III appears to be proper, since the study period utilized by the auditor in developing the figures for Table II occurred shortly after the close of the year period utilized in Table III.

Upon careful consideration of all the evidence of record on rehearing, and upon further consideration of the evidence and argument introduced at, or pursuant to, the original hearing, the Commission reaffirms the opinion expressed, and findings made in Decision No. 51965 that proposed increased charges, which became effective October 10, 1955, pursuant to that decision, are justified.

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 conclusions reached and the findings made in Decision No. 51965, dated September 13, 1955, be

and they are hereby reaffirmed.

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

Dated at San Francisco, California, this 11th day of September, 1956.

(John E. Mitchell)
President
Justus J. Caserio
Roulo Interemai
W. H. [unclear]
B. Harjo
Commissioners