

ORIGINAL

Decision No. 54274

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CALIFORNIA FREIGHT LINES, a)
 corporation, and SOUTHERN CALIFORNIA)
 FREIGHT FORWARDERS, a corporation,)
 for authority to increase rates now)
 published in Southern California Freight)
 Forwarders Local and Joint Freight and)
 Express Tariff No. 4, Cal. P.U.C. No. 4,)
 within the proposed shortline territory.)

Application No. 38289
(as amended)

H. J. Bischoff, for applicants.

Arlo D. Poe and J. C. Kaspar, for California Trucking Associations, Inc., interested party.

J. Quintrall, for Western Motor Tariff Bureau, interested party.

Bess E. Anderson, for Modglin Co., interested party.

W. G. O'Barr, for Los Angeles Chamber of Commerce, interested party.

D. R. MacDonald, for Butler Brothers, interested party.

Edward L. H. Bissinger, for Southern Pacific Company and for Pacific Motor Trucking Company, interested parties.

Rudolph A. Lubich and Norman B. Haley, for the staff of the Public Utilities Commission of the State of California.

INTERIM OPINION ON FURTHER HEARING

Southern California Freight Lines and Southern California Freight Forwarders are common carriers of property between various points within California south of and including the cities of San Francisco and Sacramento. By this application they seek authority to establish increased charges for the transportation of shipments of less than 700 pounds within that portion of their service area lying generally south of the boundary between Santa Barbara and Ventura Counties and north of a line through San Clemente, Temecula

and Palm Springs.¹ Applicants also seek to effect certain changes in their tariff provisions applicable to shipments afforded split pickup or split delivery.

Public hearing on the application was held before Examiner C. S. Abernathy at Los Angeles on August 23, 1956. On this date the matters relating to increased charges were taken under submission for decision; those pertaining to split pickup and split delivery were continued to a date to be set. Subsequently, on September 18, 1956, the proceeding was reopened for the receipt of additional evidence concerning the proposed increases. Further hearing thereon was held before Examiner Abernathy at Los Angeles on October 4, 1956, at which time the matters involved were resubmitted for decision subject to the filing of a certain exhibit on October 10, 1956.

Initially, applicants sought the establishment of increased charges to apply in instances where shippers in shortline territory tender fewer than 50 shipments a week (each shipment weighing less than 4,000 pounds) for delivery within said territory. At the further hearing applicants modified their proposals to apply (a) when fewer than 25 shipments of 2,000 pounds or less are tendered in a week for delivery within the territory or (b) when fewer than 10 shipments, each weighing between 200 and 1,200 pounds, are tendered in a week for delivery within the territory. The increases which would apply in the described circumstances range from 10 cents to 72 cents per shipment in connection with shipments of 100 pounds or less, and up to \$1.00 per shipment in connection with shipments of more than 100 pounds and less than 700 pounds. Examples of the present and

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For convenience the described territory will be referred to hereinafter as "shortline territory."

proposed charges are set forth in the margin below.² The proposals themselves are set forth in detail in Exhibits 20, 21, 29 and 30 of record in this proceeding. Applicants' present rates and charges are shown in Southern California Freight Forwarders Local and Joint Freight and Express Tariff No. 4, Cal. P.U.C. No. 4.

Evidence in support of the proposals was submitted by applicants through their president who introduced and explained numerous exhibits and otherwise testified at length concerning the matters involved. Assertedly, the sought increases are necessary to

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Examples of present and proposed charges per shipment:

A. Shipments subject to minimum charges:

Weight of Shipment (in pounds)	Present Charges		Proposed Charges	
	(a)	(b)	(c)	(d)
25	\$1.00	\$.90	\$1.25	\$1.00
50	1.02	1.02	1.60	1.35
75	1.25	1.21	1.85	1.60
100	1.50	1.38	2.10	1.85

- (a) Applies when fewer than 5 shipments of 2,000 pounds or less are tendered at one time.
 (b) Applies when 5 or more shipments of 2,000 pounds or less are tendered at one time.
 (c) Applies to shipments rated 1st class or higher.
 (d) Applies to shipments rated 2d class or lower.

B. Shipments subject to rates per 100 pounds:

Weight and Class of Shipment	Present Charges(1)	Proposed Charges (1)
200 pounds		
1st class	\$ 3.08	\$ 4.08
3d class	2.46	3.30
600 pounds		
1st class	9.24	10.24
3d class	7.39	8.23
699 pounds		
1st class	10.77	10.78
3d class	8.61	8.62

- (1) The charges herein shown for purposes of illustration are for transportation for a distance of 35 constructive miles.

overcome losses which applicants are experiencing under their present rates and charges. The results of operations for the first eight months of 1956 were reported by the witness as follows:

Southern California Freight Lines
and
Southern California Freight Forwarders
Revenues and Expenses
January through August, 1956

	<u>January through April, 1956</u>	<u>May through August, 1956</u>	<u>January through August, 1956</u>
Operating revenue	\$ 2,767,996	\$ 2,945,440	\$ 5,713,436
Operating expense	<u>2,896,480</u>	<u>2,987,563</u>	<u>5,884,043</u>
Net Loss	\$ 128,484	\$ 42,123	\$ 170,607
Operating ratio	104.6%	101.4%	103.0%

Applicants attributed the operating losses primarily to the services performed within the shortline territory. These services, applicants' president testified, are less remunerative from a revenue standpoint and are more costly to perform than other of the companies' services for the following reasons:

- (a) Competition amongst all classes of carriers for the more profitable traffic is particularly keen. On the other hand carriers generally do not as actively solicit the less profitable traffic and such traffic as a consequence gravitates to applicant companies who must accept it for transportation in conformity with their holdings-out as common carriers. Small shipments (the shipments which are involved in this proceeding) are a large part of the latter traffic. The handling of a preponderance of small shipments requires extensive terminal facilities. Moreover, the handling of such shipments involves a greater expenditure of labor relatively than does the handling of other shipments.
- (b) The transportation of small shipments within shortline territory yields lesser revenues proportionately than does corresponding transportation to more distant points. Revenues per ton from the transportation of shipments of 100 pounds or less within shortline territory are from one-half to two-thirds of the revenues received from the transportation of like shipments between Los Angeles and San Francisco, or between Los Angeles and Imperial Valley Points. Such a differential in revenues is not justified by the costs of service in shortline territory.

- (c) Labor turnover within shortline territory is greater than in other areas which applicants serve because of a greater concentration of industry generally within the territory and a consequent greater competition for labor amongst the separate industries. The high labor turnover necessitates the maintenance by applicants of a constant program for the hiring and development of new employees and thereby adds materially to the measurable costs of operation. It also results in costs and losses intangible in nature but nevertheless detrimental in their effect upon applicants' earnings.

Data which had been developed from studies of applicants' operations and records were submitted by the witness to show the extent of the differences in revenue yield between small shipments delivered in shortline territory and like shipments delivered elsewhere, and to measure differences between the performance and efficiency attained in the delivery of small shipments within shortline territory and the delivery of small shipments in other territories.

Applicants' president stated that the increase proposals involved herein have two main purposes: The return of revenues to meet the costs incurred in the transportation of small shipments within shortline territory, and the retention of present traffic with possible attraction of additional traffic. With respect to the former he testified and submitted exhibits to show that in proportion to the revenues received the costs of service are greater in instances where applicants are tendered but a few shipments at one time or where the aggregate weight of the shipment or shipments tendered at one time is small. By design the sought increases would apply mainly to such shipments. The witness expressed the hope and expectation that establishment of the sought charges not only would encourage shippers to group their shipments to avoid the higher charges, but also would tend to encourage shippers to route more of their shipments over applicants' lines instead of utilizing the services of numerous other carriers.

Regarding the total amount of additional revenues that the sought charges would return, applicants' president was not able to advance a definite estimate. He pointed out that with the sought charges in effect applicants' charges for the traffic involved would be more than those maintained generally by competing carriers in the shortline territory. He said that the establishment of the higher charges undoubtedly would result in some diversion of traffic to other carriers but that he had no basis for estimating how extensive this diversion would be, nor was he able to predict to what extent shippers would undertake to group their shipments in order to avoid the higher charges. However, based upon a check of one day's operations he estimated that the additional revenues which the proposed charges would return would fall within a range of \$22,000 to \$42,000 a month. Measured in relation to applicants' revenues from their services in the shortline territory, these amounts are approximately 10 and 20 per cent of present revenues, respectively.

Representatives of various carriers, of two shippers, and of the Los Angeles Chamber of Commerce participated in the proceeding as interested parties.

No one appeared in opposition to the proposed increases.

Discussion and Conclusions

As the foregoing summary of the record in this proceeding indicates, the justification upon which applicants rely for the increased charges which they seek is principally that their operations are being conducted at a loss; that their losses are attributable largely to a higher level of operating costs generally in shortline territory; and that their services in that territory consist mainly of the transportation of small shipments, a service which itself is high cost. The evidence is persuasive that the transportation of small shipments in the shortline territory is not fully remunerative

and that some increases in applicants' charges for these shipments are justified.

However, with respect to the extent by which applicants' earnings from their services in shortline territory fail to provide reasonable earnings, the record is somewhat indefinite. Although the evidence is clear that applicants' total services are resulting in losses, such a showing does not establish the extent of the unprofitableness of the specific services in question, particularly since the total combined operating results reflect the performance of a variety of services in a wide area under diverse circumstances and charges. Of greater probative value are the results of a study which applicants made of the revenues and the expenses applicable to certain small shipments which they transported within the shortline territory on September 25 and 26, 1956. The study shows that this transportation resulted in a loss as indicated by an operating ratio of 101.17 per cent. The study admittedly covers only a portion of the total services within the shortline territory. Nevertheless, it appears that had the study been made on a more comprehensive scale, it would have disclosed a loss of a corresponding or greater amount from the transportation of the small shipments involved and that the study may be accepted as a basis for our conclusions and findings hereinafter.

Although applicants did not submit segregated revenue and expense figures covering their shortline operations, it appears that approximations of such revenues and expenses which reasonably may be made on this record are \$209,000 and \$211,500 per month, respectively. On these grounds it appears that the present shortline revenues are deficient by about \$18,500 a month of meeting the costs of the services and of providing a reasonable return. With revenues

increased by this amount applicants' earnings from their shortline services would be about \$16,000 a month before allowance for income taxes and \$7,850 a month after allowance for income taxes. The corresponding operating ratios would be about 93 per cent and 96.5 per cent before and after income taxes, respectively.

In view of the conclusions herein concerning the deficiency of applicants' revenues from their present operations in shortline territory under present rates and charges, it is clear that increases in applicants' charges should be authorized. It is likewise clear, however, that the increases which applicants herein seek are greater than those which appear necessary on this record to restore the services to a reasonable compensatory basis. Even the amount of \$22,000 a month, the minimum estimate of applicants' president of anticipated increased revenues under the sought charges, exceeds by about 20 per cent the amount of additional revenues herein found reasonable on the showing presented.

The evidence affords little if any grounds for choosing between the revenue estimates of \$22,000 a month on the one hand and of \$42,000 a month on the other hand for authorizing specific increases in applicants' charges. It seems probable, however, that the increased revenues which would be realized under the sought charges would be neither the maximum nor the minimum amount estimated, but an amount in between. Upon this basis and in consideration of other applicable factors, it is concluded that increases of approximately 60 per cent of those proposed would return additional revenues of the amount hereinabove found reasonable.

We advert now from consideration of the revenue aspects of the proposals to consideration of the propriety of the sought increase otherwise. The evidence is clear that insofar as the form of

the sought adjustments in charges is concerned, applicants are endeavoring to cope with the practical problem of obtaining sufficient revenues to meet the costs of their services where their costs per shipment are greatest, and at the same time to preserve the lowest possible charges for transporting small shipments when the shipments are tendered in such volume numerically as to permit the achievement of operational economies and efficiencies through volume handling. The proposals in this respect, embodying two bases of charges, are an innovation in relation to the uniform rate scales maintained for like transportation by most comparable carriers throughout the State. However, the fact that the sought charges represent departures from customary practices should not of itself preclude adoption of the proposals, particularly since it appears that the objectives, if attained, would not only return needed revenues but would tend to avoid increases in the minimum level of applicants' rates and charges for small shipments generally, and would moreover tend to deter uneconomic dilution by shippers of their traffic amongst carriers. Establishment of the sought charges undoubtedly would make applicants' present rate structure more complex and may result in certain difficulties in the computation of the applicable charges. However, in view of the problems which confront applicants, and in view of the results which are sought, it appears that in the exercise of their managerial discretion applicants should be afforded opportunity to explore the course which they have charted. The sought charges should be authorized subject to the limitations upon revenue discussed heretofore, and subject to modifications in the respects set forth below.

These modifications relate to the manner in which the increased charges would be applied. Under applicants' proposals only those shipments which originate in, and are delivered within the

shortline territory may be counted to make up the minimum number of 10 or 25 shipments, as the case may be, which is required for exemption from the increased charges. Applicants would also exclude from the count for this purpose those shipments which weigh more than 1,200 pounds (where the proposed minimum is 10 shipments) and shipments which weigh more than 2,000 pounds (where the proposed minimum is 25 shipments). In various instances, moreover, applicants' proposals would result in greater total charges where fewer than the specified minimum number of shipments are tendered per week than the total charges which would apply when the minimum number of shipments are transported.³ It appears insofar as the count of shipments is concerned that shippers should not be prevented from including those shipments which are delivered from the shortline territory to points outside; otherwise, shippers who are located near the boundaries of the territory and those whose trading areas overlap the boundaries may be seriously prejudiced by the proposed limitations. With reference to shipments which weigh more than 1,200 pounds or 2,000 pounds, it appears that shippers should also be permitted to include such shipments in the count of the minimum number of shipments to which the increased charges would not apply. As has been pointed out heretofore, the showing upon which applicants' rely to justify their proposals is primarily one of costs. On this basis the record is clear that the shipments of the heavier weights can be handled more economically, relatively, than can the smaller shipments. In the circumstances it does not appear reasonable that such shipments should not be counted in arriving at the minimum number of shipments that would be required as a prerequisite for exemption from the proposed increased charges. Neither does it appear reasonable that

³ For example, under their proposals applicants would assess a total charge of \$42.00 for the transportation of 20 first class shipments weighing 100 pounds each whereas their total charge for transporting 25 like shipments would be \$34.50.

applicants should assess higher aggregate charges for the transportation of fewer than 10 or 25 shipments, as hereinabove discussed, than they would concurrently assess in the aggregate for transporting 10 or 25 shipments. If their charges in the latter instance are sufficient, it seems incontrovertible that such charges would also be sufficient for a lesser amount of transportation service under the same conditions.

In connection with their requests for authority to establish increased charges applicants also submitted certain related proposals which have not been mentioned heretofore. These include (a) the assessing of an additional charge of 15 cents per shipment with respect to shipments of 100 pounds or less which are shipped freight collect; (b) the cancellation of a minimum charge which applies at present to shipments of more than 100 pounds; (c) the establishment of a rule making the increased charges herein sought apply to all shipments of 700 pounds or less which are shipped freight collect; (d) the establishment of a rule requiring two or more shipments received at one time from one shipper for one consignee to be counted as one shipment for the purposes of determining the applicability of the sought additional charges; (e) the establishment of the increased charges on less than statutory notice, and (f) departure from the long-and-short haul provisions of Section 460 of the Public Utilities Code and of Section 21 of Article XII of the State Constitution.

It appears that the proposed charge of 15 cents per shipment is justified by additional costs incurred in the handling of the freight-collect shipments involved and that the charge should be authorized. The proposed cancellation of the minimum charge which applies at present to certain shipments of more than 100 pounds should be denied. Such cancellation would result in lesser charges than

those which apply as minimum under minimum rate orders of the Commission. No justification was advanced for this reduction. The proposals concerning application of the increased charges to all shipments of 700 pounds or less shipped freight collect and concerning the count of shipments from one consignor to one consignee at one time should be denied as being outside the scope of this proceeding. These proposals were made during the course of the hearing in this matter and no prior notice thereof had been given to interested parties. Publication, on less than statutory notice, of the increased charges and other tariff changes which are hereinafter authorized is justified by applicants' need for additional revenues and should be authorized. The sought departures from the long-and-short haul provisions of the Public Utilities Code and of the Constitution appear to be warranted by the special cost circumstances shown to prevail within the shortline territory and should be authorized also.

Upon consideration of applicants' proposals herein and the evidence relating thereto, it is concluded and found as a fact that the increased charges and the rule changes and related matters which are authorized in the following order have been shown to be justified. To this extent the application will be granted. In other respects it will be denied.

INTERIM ORDER

Based on the evidence and on the conclusions contained in the preceding opinion,

IT IS HEREBY ORDERED that:

1. Southern California Freight Lines and Southern California Freight Forwarders be and they hereby are authorized: (a) to amend their Local and Joint Freight and Express Tariff No. 4, Cal. P.U.C. No. 4, to establish, on not less than five days' notice to the

Commission and to the public, the charges and the rules and regulations pertaining thereto which are set forth in Appendix "A" attached hereto, which appendix is by this reference made a part hereof; and (b) to depart from the provisions of Section 21 of Article XII of the Constitution of the State of California and of Section 460 of the Public Utilities Code to the extent necessary to establish the charges herein authorized.

2. The exercise of the authority herein granted be and it is subject to observance of the following conditions and limitations:

- (a) Subject to the territorial limitations specified in Appendix "A", the charges and the related rules and regulations herein authorized for shipments of 100 pounds or less may be applied only to that transportation for which charges are currently provided in Columns "A" and "C" of Paragraph 1(e) of Rule 140-Z contained in the aforesaid tariff of Southern California Freight Lines and Southern California Freight Forwarders.
- (b) With establishment of the charges, rules and regulations herein authorized, the charges which are set forth at present in Column "A" of Paragraph 1(e) of Rule 140-Z of the aforesaid tariff, and the rules and regulations pertaining specifically to said charges in Column "A", of paragraph 1(e) of Rule No. 140-Z shall be canceled in their entirety. (Rules and regulations pertaining to charges in Column "A" of Paragraph 2 of Rule 140-AA shall be retained.)
- (c) With establishment of the increased charges and surcharges herein authorized, Southern California Freight Lines and Southern California Freight Forwarders shall concurrently establish in their aforesaid tariff Cal. P.U.C. No. 4 an appropriate rule of the following purport to apply in conjunction with said charges:

Where, in connection with transportation performed within a calendar week for one shipper from one point of origin, lesser charges apply in the aggregate for the transportation of a greater number of shipments than for a fewer number of shipments (the shipments actually transported), the fewer being included in the greater, the lesser charges in the aggregate shall apply as maximum for the transportation of the fewer shipments (the shipments actually transported).

- (d) With establishment of the increased charges herein authorized for shipments of 100 pounds or less, Southern California Freight Lines and Southern California Freight Forwarders shall concurrently

amend Rule 140-Z of their aforesaid tariff Cal. P.U.C. No. 4 to provide that unless Rule 140-Z or Rule 140-AA otherwise specifies, the charges which appear in Column "B" of Paragraph 1(e) of Rule 140-Z (with the minimum number of shipment provisions deleted) shall apply as minimum for transportation for which charges are not set forth in Appendix "A" attached hereto. ✓

3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

4. Except as is otherwise provided in this order or opinion Application No. 38289 be and it hereby is denied. ✓

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

Dated at San Francisco, California, this 18th day of November 1956.

T. E. Pfeiffer
President
Paul J. ...
...
R. Hardy
S. Lynn Fox
Commissioners

APPENDIX "A" TO DECISION NO. 54274
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Authorized Charges, Rules and Regulations

<u>Weight of Shipment</u>		<u>Charge</u>	
<u>Over</u>	<u>But Not Over</u>	(1)	(2)
0 pounds	25 pounds	\$1.10	\$.95
25 pounds	50 pounds	1.35	1.20
50 pounds	75 pounds	1.60	1.45
75 pounds	100 pounds	1.80	1.65
<u>Over</u>	<u>But Less Than</u>	<u>Surcharge per Shipment</u>	
		(1)	(2)
100 pounds	700 pounds	\$.60	\$.50

1. The charges and surcharge which are set forth under Column (1) above apply to shipments which include commodities subject to classification ratings of first class or higher; the charges and surcharge which are set forth under Column (2) above apply to shipments which are subject to classification ratings of second class or lower or to shipments which are transported under commodity rates.

2. The charges and surcharges herein authorized apply for the transportation of property between points within shortline territory as described in Paragraph 5 below, when fewer than 10 shipments (each shipment weighing 200 pounds or more, or billed as if weighing 200 pounds), or when fewer than 25 shipments, are tendered in one calendar week by one shipper at one point of origin in shortline territory for transportation by Southern California Freight Lines and/or Southern California Freight Forwarders. Each component part of a split-pickup shipment or a split-delivery shipment shall be counted as one shipment toward making up the number of 10 shipments or the number of 25 shipments referred to herein.

3. The charge for a shipment of more than 100 pounds and less than 700 pounds (when such shipment is subject to the surcharges herein provided) shall be the sum of (a) the charge computed at the applicable class or commodity rate multiplied by the weight of the shipment and (b) the applicable surcharge. In no event shall the charge so computed be less than the charge authorized hereinabove for a 100-pound shipment of like character, nor shall the charge so computed for a shipment weighing less than 700 pounds exceed that for a shipment weighing 700 pounds.

4. Shipments of 100 pounds or less (other than those shipments subject to minimum charges applicable to shipments transported under rates, rules and regulations named in Section 4 of Southern California Freight Forwarders Local and Joint Freight and Express Tariff No. 4, Cal. P.U.C. No. 4) shall be subject to an additional charge of 15 cents per shipment when transported "Freight Collect" between points in shortline territory.

5. Shortline Territory, as referred to herein, means that territory served by Southern California Freight Lines and/or Southern California Freight Forwarders within the following boundaries:

Beginning at the point where the Ventura - Santa Barbara County Line meet the Pacific Ocean thence northerly and easterly along the Ventura County Line to a point where it meets the Los Angeles County Line near Gorman; thence easterly along the northern boundary of Los Angeles County to its intersection with the western boundary of San Bernardino County; thence southerly along the Los Angeles - San Bernardino County boundary to its intersection with U. S. Highway 66; thence easterly along U. S. Highway 66 to the City of San Bernardino; thence easterly, southerly and westerly along unnumbered highways thru Highland, East Highlands, Mentone, Yucaipa and Calimesa to U. S. Highway 99; thence southeasterly along U. S. Highway 99 to 1000 Palms Post Office, including points along the 29 Palms Highway to 29 Palms, the Desert Hot Springs Road to Desert Hot Springs and State Highway 111 from Whitewater to and including Palm Desert; thence northwesterly along U. S. Highway 99 to the City of Beaumont; thence southwestly along an imaginary line to the point where U. S. Highway 395 intersects the northern boundary of San Diego County; thence westerly and southwestly along the northern boundary of San Diego County to the point where it meets the Pacific Ocean; thence northerly along the shoreline of the Pacific Ocean to point of beginning. Territory shall include all points within a lateral area extending ten miles on either side of Highways named.

End of Appendix A.