

ORIGINALDecision No. 54303

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 general commodities)
 (commodities for which rates are pro-)
 vided in Minimum Rate Tariff No. 2).

Case No. 5432
 Order Setting Hearing
 Dated April 17, 1956

John MacDonald Smith, for Southern Pacific Co.,
 Northwestern Pacific Railroad Co., and
 Petaluma and Santa Rosa Railroad Co.,
 respondents.

Arlo D. Poe and J. C. Kaspar, for California
 Trucking Associations, Inc.; Roger Tilbury
 and Clarence R. Greenup, for United Log Truckers
Association; Turcotte and Goldsmith by Jack O.
Goldsmith, for various lumber retailers;
Meyer Kapler, for Tarter, Webster and Johnson;
 and James Quintrall for Western Motor Tariff
 Bureau; interested parties.

Grant L. Malquist and Robert A. Lane, for the
 Commission's staff.

O P I N I O N

On April 17, 1956, the Commission ordered that hearings be held in Case No. 5432 for the purpose of receiving evidence to determine whether the minimum rates for the transportation of lumber between points in California should be revised.

Public hearings were held before Examiner Jack E. Thompson at San Francisco.

The Transportation Division of the Commission at the outset of the hearings stated that it was undertaking a comprehensive study of the costs and transportation conditions attendant upon the

transportation of lumber and forest products between points in California. The studies were not then completed; however, investigations made during the course of the studies together with information received from carriers and shippers indicated to the staff that in many cases the presently established minimum rates on lumber are too high.¹ The staff recommends that minimum rates be established on an interim basis for the transportation of lumber, plywood, shoo, timbers and veneering subject to a minimum weight of 42,000 pounds.

A Senior Transportation Engineer of the Commission's staff presented an exhibit showing his estimates of the cost per 100 pounds of transporting lumber by motor vehicle for various lengths of haul in California. A summary of his estimates appears in the margin below.² The estimates are based upon the expenses, as of approximately May 1, 1956, of carriers engaged in transporting lumber from the areas of production to various points in the state. The engineer

¹ Petition No. 70 in Case No. 5432, filed October 25, 1955, by the California Trucking Associations, Inc., requested the Commission to instruct its staff to make such studies as may be necessary to formulate proper revisions in the minimum rates for the transportation of lumber. The petition was dismissed April 17, 1956, when the Order Setting Hearing here involved was issued.

2

Summary of the Full Cost per 100 Pounds
for Various Lengths of Haul

<u>One Way Constructive Mileages</u>	<u>Operating Ratio</u>	
	<u>100%</u>	<u>90%</u>
0	\$0.035	\$0.040
30	0.082	0.091
75	0.142	0.159
200	0.302	0.338
350	0.482	0.540
550	0.736	0.825

v

stated that his estimates might not reflect transportation conditions where the point of origin was not in the principal lumber cutting areas; for example, the transportation of lumber from Los Angeles Harbor or San Francisco Bay ports. In the field studies made by the engineer and his associates, it was found that lumber was transported generally in truck and trailer equipment with flat beds or lumber rolls. The average lading was around 45,000 pounds. The maximum load carried was 53,180 pounds. Loading and unloading were performed principally by fork lift trucks. According to the engineer, loading and unloading of lumber by fork lift truck takes approximately $2\frac{1}{2}$ hours. Loading from jacks onto lumber rolls and unloading by rolling the load off takes somewhat less time; however, the possibility of damage to the lumber has caused the decrease of that type of loading and unloading. He stated that the loading and unloading of plywood and veneering takes about $3\frac{1}{2}$ hours and shook approximately $4\frac{1}{2}$ hours. The cost estimate is predicated upon $2\text{-}3/4$ hours for loading and unloading.

A rate expert of the Commission's staff presented an exhibit showing suggested minimum rates for shipments subject to a minimum weight of 42,000 pounds. The rates developed are between the 90 percent and 100 percent operating ratio costs that were developed by the engineer. The margin of profit in the suggested rates is greater for shorter distances than for longer distances. The witness stated that rail competition and the use by truck carriers of rail rates in combination with the minimum rates under the alternative application of common carrier rate provisions of Minimum Rate Tariff No. 2 were the principal considerations for his suggesting rates closer to full operating costs in the higher mileages. The rate expert stated that he had made an analysis of 109 shipments that were transported by

19 carriers. He found that the average weight transported was 45,350 pounds. He suggested that the rates be limited in application to shipments originating in Del Norte, Siskiyou, Modoc, Humboldt, Tehama, Shasta, Lassen, Plumas, Butte, Trinity, Mendocino, Glenn, Sierra, Yuba, Sutter, Colusa, Lake, Sonoma, Placer, Nevada, El Dorado, Amador, Alpine, Calaveras, Tuolumne and Mariposa Counties, and points in Madera and Fresno Counties east of a line drawn through Raymond, Friant, Minkler and Orange Cove. This territory, he stated, contains the principal lumber producing areas in California. He suggested that the rates be applicable in connection with movements beyond railhead or established depots when constructing combinations with common carrier rates under Item No. 210 series of Minimum Rate Tariff No. 2.

The California Trucking Associations, Inc., opposed the proposals of the staff in a number of particulars, including the application of the rates to shooK, veneer and plywood, the minimum weight of 42,000 pounds and the use of the rates in combination with rail rates under the provisions of Item No. 210 series. Its director of research testified that he had canvassed a substantial segment of the carriers engaged in hauling forest products, both members of the association and nonmembers, respecting the proposals of the staff. In general, their views were that the minimum weight should be 46,000 pounds, the rates should be limited to lumber, railroad ties and timbers, not exceeding 24 feet in length and that the rates should not be applicable in making combination rates.

The director of research testified he continuously receives data from members for statistical analyses. By use of electronic data processing machines he analyzed data to determine the average weights of truckload shipments of lumber. He found that the majority

of lumber moving on modern motor vehicle equipment was in shipments of 46,000 pounds or more. Maximum loadings were as high as 55,000 pounds. He stated that on July 1, 1956, after the date reflected in the engineer's cost study, there became effective the Federal Highway Revenue Act which imposes upon highway carriers additional taxes on equipment, fuel and tires. The taxes, in his opinion, were of sufficient magnitude that the rates proposed by the staff, particularly those in the higher mileage brackets, would not return the cost of performing service.

The director of research proposed that the rates suggested by the staff, with certain modifications, be established. The modifications include a minimum weight of 46,000 pounds, the limitation of the application of the rates to lumber, timbers and railroad ties, not exceeding 24 feet in length, and a rule providing that the rates not be used in combination with other rates where the point of origin is not in the lumber producing areas. With respect to the latter, he stated that there is a large volume of lumber moving from Los Angeles Harbor to various points in southern California. If the proposed rates were authorized to be used in combination with the rail rates, in many instances the result would be a reduction in the minimum rates on such traffic. According to the witness, transportation conditions, particularly traffic congestion, are different in connection with this traffic from the conditions attendant to the transportation of lumber from the areas of production.

The traffic manager of a large lumber shipping concern testified that it had four affiliates located in Stockton and Fresno which would not be within the area covered by the proposed rates. The affiliates ship lumber and shoo in truckload quantities; one

of them has three to four truckload shipments per day destined to Los Angeles. He was opposed to the modifications proposed by the California Trucking Associations, Inc. He stated that shoox and plywood are forest products and if shipments of those commodities can meet the required minimum weight they should enjoy the lower rate. According to the witness, lumber retailers usually order lumber in quantities amounting to the minimum truckload, which is presently 34,000 pounds or, roughly, 16,000 board feet. Many retailers, particularly the smaller operators, would find it difficult to handle the purchase of over 20,000 board feet, which is the amount of footage involved in 46,000 pounds.

Conclusions

It appears that the rates contained in Minimum Rate Tariff No. 2 are higher than reasonable minimum rates for the transportation of lumber in truckload quantities from the lumber producing areas in this state, in that the present rates are predicated upon minimum weights of 30,000 pounds and 34,000 pounds. Rates based upon greater truckload minimum weights should be established. The rates proposed by the rate expert are close to the full costs developed by the engineer. The cost estimates are conservative but, nevertheless, appear to reflect the cost of transporting lumber from areas of production by carriers operating in a reasonably efficient manner under conditions prevailing on May 1, 1956. The taxes imposed by the Federal Highway Revenue Act, which became effective July 1, 1956, appear to be of sufficient magnitude that revenues resulting from the rates proposed for a shipment of 42,000 pounds would not return to the carriers the cost of performing the service under present conditions. This holds particularly in the transportation for distances exceeding

300 miles as it is in the greater mileages that the proposed rates approach the costs at 100 percent operating ratio developed by the engineer, and, for the distances of 350 miles and 550 miles the engineer's cost estimates are predicated upon a round-trip average load of 43,500 pounds. The evidence presented by the California Trucking Associations, Inc., is persuasive that the proposed rates should be subject to a minimum weight greater than 42,000 pounds. Considering the record as a whole, it appears that the proposed rates, subject to a minimum weight of 43,000 pounds, are reasonable for the transportation of lumber from the areas of production.

The staff proposed that the rates apply to shipments of shoo, plywood and veneering. The record shows that the loading and unloading, including tarping, of those commodities requires somewhat longer time than in the case of lumber. The cost estimates are conservative and do not reflect the additional time required for the loading and unloading of those commodities. Timber and railroad ties, however, have loading characteristics similar to lumber. The rates will be limited in application to the transportation of lumber, timbers and railroad ties. It appears that the type of equipment reflected in the cost study is not conducive to efficient operations when transporting lumber or timbers exceeding 24 feet in length. In that respect the suggestion of the California Trucking Associations, Inc., will be adopted.

The testimony and arguments regarding the application of the rates in combination with rail rates have been carefully weighed and considered. It is clear that the operation considered by the engineer involves only the movement of lumber from the areas of production or to use his words "the initial movement from the cutting

areas to the distribution areas." The rates in the lower mileage brackets do not reflect the cost of transporting lumber under heavily congested traffic conditions nor the labor cost per hour involved in short movements of lumber in the urban areas. The rates, therefore, should not be applicable in combinations with other rates as provided in Item No. 210 series of Minimum Rate Tariff No. 2 except where the component of the combination involved has as its point of origin a point within the production area.

It was proposed that the rates apply only from certain specified counties which as a whole embrace the timber producing areas in the state. The traffic manager pointed out that, in some cases, wholesalers and manufacturers in the specified counties that compete with the companies he represents located in Stockton and Fresno would enjoy a lower rate even though Stockton and Fresno would be intermediate to destination. Designation of the lumber producing areas in a manner other than suggested by the staff is not practical. It appears, however, that the delineation of the territory as suggested could cause unfairness with respect to lumber wholesalers and manufacturers located outside of and within a short distance of the described area. Because of such situations, the rates should be made intermediate in application by a rule providing for the application of said rates from a point outside the area of production for the distance determined under the provisions of Distance Table No. 4 which results in the shortest constructive mileage from a point within the production area to the point of destination via the point of origin.

Upon consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that the

rates, rules and regulations set forth in the order which follows are just, reasonable and nondiscriminatory rates for the transportation of lumber, timbers and railroad ties. While the rates are proposed as interim rates, the record does not show when the staff will have completed its studies. Case No. 5432 is a continuing proceeding and hearings may be set at any time to receive evidence respecting the rates for the transportation of lumber. Characterizing the rates provided by this order as interim is not necessary.

O R D E R

Based upon the evidence of record and on the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED:

1. That Minimum Rate Tariff No. 2 (Appendix D of Decision No. 31606, as amended) be and it is hereby further amended by incorporating therein, to become effective May 15, 1957, Ninth Revised Page 56 Cancels Eighth Revised Page 56, which page is attached hereto and by this reference is made a part hereof.

2. That tariff publications authorized to be made by common carriers as a result of the order herein may be made effective not earlier than May 15, 1957, on not less than five days' notice to the Commission and to the public if filed not later than sixty days after said date.

3. That in all other respects said Decision No. 31606, as amended, shall remain in full force and effect.

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

Dated at San Francisco, California, this 9th day of April, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]
[Signature]
Commissioners

Item No.	SECTION NO. 3			COMMODITY RATES (Continued) In Cents per 100 Pounds						
	LUMBER AND FOREST PRODUCTS									
Column 1 - Rates apply to Forest Products and Building Woodwork, as described in Item No. 660. (See Note 1.) Column 2 - Rates apply to Cedar, Fir, Pine or Redwood: Lumber, Railroad Ties and Timbers; length not to exceed 24 feet. (See Notes 1 and 2.)										
MILES	RATES			MILES	RATES					
	Column 1	Column 2(3)			Column 1	Column 2(3)				
	Minimum Weight	Minimum Weight	Minimum Weight		Minimum Weight	Minimum Weight	Minimum Weight			
	But Not Over	But Not Over	But Not Over		But Not Over	But Not Over	But Not Over			
	20,000 Pounds	30,000 Pounds	43,000 Pounds		20,000 Pounds	30,000 Pounds	43,000 Pounds			
	(1)	(2)								
0	3	10	10 $\frac{1}{2}$	7 $\frac{1}{2}$	4	190	200	43	37	32
3	5	10	10 $\frac{1}{2}$	7 $\frac{1}{2}$	4 $\frac{1}{2}$	200	220	47	38	34
5	10	10	10 $\frac{1}{2}$	7 $\frac{1}{2}$	5	220	240	50	40	37
10	15	10 $\frac{1}{2}$	11 $\frac{1}{2}$	7 $\frac{1}{2}$	5 $\frac{1}{2}$	240	260	54	42	39
15	20	10 $\frac{1}{2}$	11 $\frac{1}{2}$	7 $\frac{1}{2}$	6	260	280	58	47	42
20	25	11 $\frac{1}{2}$	12 $\frac{1}{2}$	8 $\frac{1}{2}$	7	280	300	62	49	44
25	30	11 $\frac{1}{2}$	12 $\frac{1}{2}$	8 $\frac{1}{2}$	8	300	325	66	52	47
30	35	12 $\frac{1}{2}$	13 $\frac{1}{2}$	9	9	325	350	Over 325 miles class rates apply		50
35	40	13 $\frac{1}{2}$	13 $\frac{1}{2}$	10 $\frac{1}{2}$	10	350	375			53
40	45	15	15	10 $\frac{1}{2}$	11	375	400			56
45	50	16	16	11 $\frac{1}{2}$	12	400	425			59
50	60	17	17	11 $\frac{1}{2}$	13	425	450			62
60	70	18	20	11 $\frac{1}{2}$	15	450	475			65
70	80	21	21	16	16	475	500			68
80	90	22	17	17	17	500	525			71
90	100	24	21	19	19	525	550			74
100	110	25	22	20	20	550	575			76
110	120	28 $\frac{1}{2}$	23	21	21	575	600			78
120	130	29 $\frac{1}{2}$	24	23	23	600	625			80
130	140	30 $\frac{1}{2}$	25	24	24	625	650			82
140	150	34 $\frac{1}{2}$	28 $\frac{1}{2}$	25	25	650	675			84
150	160	37	29 $\frac{1}{2}$	27	27	675	700			86
160	170	39	29 $\frac{1}{2}$	28	28	700	725			88
170	180	40	33 $\frac{1}{2}$	29	29	725	750			90
180	190	42	34 $\frac{1}{2}$	31	31	750	-			(4)

*690-I
 Cancels
 690-H

- (1) Rates apply to shipments not subject to rates flagged (2).
- (2) Rates apply only (a) to shipments between points of origin and destination both of which are within San Francisco Bay Counties Territory as described in paragraph 3 $\frac{1}{2}$ of Item No. 270; and (b) to split pickup or split delivery shipments between points of origin and destination all of which are within said San Francisco Bay Counties Territory.
- (3) Rates in Column 2 are not subject to surcharges provided in Supplement No. 33.
- (4) Add to the rate for 750 miles 2 cents per 100 pounds for each 25 miles or fraction thereof in excess of 750 miles.

NOTE 1.- For charges for weighing shipments, see Item No. 670.
For estimated weights, see Item No. 680.

#NOTE 2.- Column 2 rates apply only from points of origin located in the following described areas (See Exception):

- (a) All points in the Counties of Del Norte, Siskiyou, Modoc, Humboldt, Tehama, Shasta, Lassen, Plumas, Butte, Trinity, Mendocino, Glenn, Sierra, Yuba, Sutter, Colusa, Lake, Sonoma, Placer, Nevada, El Dorado, Amador, Alpine, Calaveras, Tuolumne and Mariposa, and
- (b) The area consisting of that portion of the Counties of Fresno and Madera lying easterly and northerly of an imaginary line drawn through Orange Cove, Minkler, Friant and Raymond.
- (c) Column 2 rates may be applied under the provisions of paragraph (a) of Item No. 210 when constructing combinations with common carrier rates only in connection with movements beyond railhead or established depots when the shipment originates at a point located within one of the origin areas described in paragraphs (a) and (b) above. The rates in Column 2 may not be applied under the provisions of paragraphs (b) and (c) of Item No. 210.

EXCEPTION:-Column 2 rates may be applied in lieu of Column 1 rates from points of origin not within the origin areas described in paragraphs (a) and (b) above when the Column 2 rate for the distance from a point within the areas described in paragraphs (a) and (b) above to the point of destination via the point of origin of the shipment results in a lower aggregate charge.

* Change)	
& Reduction)	Decision No. 54203
// Addition)	

EFFECTIVE MAY 15, 1957

Issued by the Public Utilities Commission of the State of California,
San Francisco, California.
Correction No. 712