

ORIGINAL

Decision No. 56499

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of J. P. HAYNES for authority to increase "all freight" rates between Los Angeles and Los Angeles Harbor, and certain specific commodity rates applying from and to the same and related points.

Application No. 38838

John MacDonald Smith, Robert A. Thompson, and Charles A. Zubieta, for applicant.

R. L. McMichael, for Pacific Electric Railway Company, interested party.

J. C. Kaspar, by James Quintrall, for California Trucking Associations, Inc., interested party.

Lloyd W. Gragg, for Kaiser Gypsum Co., Inc., protestant.

James A. Gayle and Glen R. Baker for Union Oil Company of California, interested party.

Clifford Worth, for Fibreboard Paper Products Corporation, protestant.

John F. Specht, Carl B. Blaubach, and A. C. Porter, for the staff of the Public Utilities Commission of the State of California.

O P I N I O N

J. P. Haynes is Agent for the Pacific Southcoast Freight Bureau, a tariff publishing agency for common carriers by railroad operating within California and adjacent states. By this application he seeks authority on behalf of carriers parties to

Pacific Southcoast Freight Tariff Bureau Tariff No. 300, Cal. P.U.C. No. 102, and various other tariffs to increase certain commodity rates in said tariffs for transportation between points in southern California.

Public hearings on the application were held before Examiner C. S. Abernathy at Los Angeles on May 22 and on June 17, 1957. Subsequently, on September 21, 1957, applicant requested that the matter be reopened for further hearing. In response to this request a further hearing was held before Examiner C. S. Abernathy at Los Angeles on January 16, 1958. Evidence in support of the sought increases and related adjustments was submitted by applicant through employees of The Atchison, Topeka and Santa Fe Railway Company, the Pacific Electric Railway Company, the Southern Pacific Company and the Union Pacific Railroad Company. Evidence in opposition to the application was presented by representatives of Kaiser Gypsum Co., Inc., and of Fibreboard Paper Products Corporation. Members of the Commission's staff participated in the development of the record.

In general, the increases in rates which are sought center about commodity rates which apply between the Los Angeles harbor area and Los Angeles and between the harbor area and other industrial areas in the Los Angeles basin territory. Assertedly, such rates involve the principal movements within the basin territory. According to testimony of the carrier witnesses who were called in applicant's behalf, the rates in most instances do not return the out-of-pocket costs of the service. Increases are sought to

establish the rates at more compensatory levels. Applicant also proposes increases in related rates to avoid violation of the long-and-short-haul prohibitions of the State Constitution and of the Public Utilities Code or to preserve prevailing rate relationships in the rate structure for the area as a whole. Applicant states that in no instance would the resulting rates exceed reasonable maximum levels.

Data to show costs of rail transportation service within Los Angeles basin territory were presented by the assistant manager of transportation research for the Southern Pacific Company. These data, the assistant manager said, had been developed from special studies of the costs of the Southern Pacific, the Santa Fe, the Union Pacific, and the Pacific Electric companies. In his studies the witness undertook to develop only out-of-pocket costs. He estimated that full costs, including allowance for profit, would be about 55 percent greater than the out-of-pocket costs.¹ The figures which were presented concerning average out-of-pocket costs of rail transportation service within the basin territory vary to some extent according to carrier. In the table below, are set forth the lowest of the out-of-pocket costs which were developed for any of the four carriers involved:

¹ This estimate was based on operations of the Southern Pacific Company for the year 1956 when the company earned about 4 percent on its capital of \$1,024,817,000. Assertedly, revenues of approximately 155 percent of out-of-pocket costs are necessary to maintain earnings at a corresponding level.

Table No. 1
Average Out-of-Pocket Costs for
Carload Traffic Moving between Points Listed
(Costs in cents per 100 pounds)

Between And	Los Angeles			Los Angeles Harbor		
	40,000 lb.	60,000 lb.	80,000 lb.	40,000 lb.	60,000 lb.	80,000 lb.
Anaheim	20.0			19.0		
Burbank	19.0			16.0	11.0	8.3
Chatsworth	18.0			16.0		
Downey	22.0			20.0		
El Monte	17.0			15.0		
El Segundo	15.0	10.00	7.8			
Inglewood	13.0	8.8	6.6			
Long Beach	14.0	9.3	7.1			
Los Angeles	-			15.0	10.0	7.8
Pomona	17.0			15.0		
San Fernando	16.0			15.0		
San Gabriel	16.0			15.0		
Torrance	15.0	10.0	7.7	14.0	9.2	6.9

Applicant's proposals herein are that various commodity rates which are below out-of-pocket costs be increased to levels which are approximately the same as or are somewhat higher than the out-of-pocket costs for transporting shipments of 40,000 pounds or more. The proposals include cancellation of some rates which are subject to minimum weights of less than 40,000 pounds or the cancellation of commodity rates in favor of class rates. In instances where the proposed rates would be subject to minimum weights of less than 40,000 pounds, applicant proposes rates which would result in per-car charges approximately the out-of-pocket costs of transporting shipments of 40,000 pounds. In Table No. 2 below are shown examples of the present and proposed rates. The present and proposed rates are set forth in greater detail in Exhibit No. 11 of record.²

² The exhibit lists about 3,000 sought rate adjustments. Although the exhibit purports to set forth the proposed commodity rates, the rates which are sought in fact are 5 percent higher than those shown in the exhibit. The exhibit also lists certain increases in rates to or from East Long Beach. These increases were not set forth in the original proposals and were withdrawn.

Table No. 2
Examples of Present and Proposed Commodity Rates for Transportation Between Points Listed
(Rates in Cents Per 100 Pounds)

And Between	Los Angeles						Los Angeles Harbor					
	40,000 lb.		60,000 lb.		80,000 lb.		40,000 lb.		60,000 lb.		80,000 lb.	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
"ALL FREIGHT"												
Burbank							16	17	12	13	9.5	10.5
El Segundo							11	14	8	10	7	8.5
Los Angeles							11	14	8	10	7	8.5
Torrance							11	14	8	10	7	8.5
LUMBER												
Burbank	9(34)	13(34)					11(34)	18(34)		13	9	10.5
Chatsworth	11(34)	14(34)					15(34)	18(34)				
Downey	9(34)	13(34)					9(34)	14(34)				
Los Angeles							8.5(34)	15(34)	8	10	7	8.5
GRAIN												
Burbank							13(36)	17	12	13	9½	10.5
Chatsworth							13(36)	18(36)				
Los Angeles							8.5(36)	11	8	10	7	8.5
San Fernando							11.5(36)	18(36)				
PLASTERBOARD												
Anaheim	11	11					11	14				
Chatsworth	14	14					16	16				
Los Angeles							11	14	8	9	7	8
San Gabriel	12	12					13	13				
FOODSTUFFS (Canned)												
Anaheim							11	14				
Los Angeles							12(30)	14	9(50)	10	7	8.5
STEEL (Structural)												
Burbank					9.5	9.5	22(30)	17	14(50)	13	10	10.5
Los Angeles							12(30)	14	9(50)	10	7	8.5
San Fernando					10	10	22(30)	19			12	12

(a) Present rates
(b) Proposed rates

(30) Minimum Weight 30,000 pounds
(34) Minimum Weight 34,000 pounds

(36) Minimum Weight 36,000 pounds
(50) Minimum Weight 50,000 pounds

The record shows that the sought rate increases and related adjustments have been under consideration and study for several years; that during this time they have been given widespread publicity amongst shippers that would be affected thereby; that applicant has conducted hearings and conferences on the proposals with shippers, and that the sought adjustments and increases are the result of such investigations, studies, and conferences. In addition to the publicity which was given the proposals by applicant, notices of the hearings before this Commission were published in the Commission's calendar and were sent to persons and organizations believed to be interested. No one other than the representatives of Kaiser Gypsum Co., Inc. and of Fibreboard Paper Products Corporation appeared in opposition to the application.

The opposition of Kaiser Gypsum Co., Inc. and of Fibreboard Paper Products Corporation was directed toward increases and adjustments which applicant seeks in the rates for plasterboard. These companies operate plants for the manufacture of plasterboard at Long Beach and Los Angeles respectively.³ They opposed the sought rate increases on the grounds that the increases would lessen their geographical advantage, ratewise, which they have in the Los Angeles basin territory over competing manufacturers of plasterboard whose plants are located outside of the territory. Moreover, they took exception to proposals of applicant to cancel certain commodity rates for plasterboard in order that present class rates apply.

³ Kaiser Gypsum Co., Inc. also produces plaster at Long Beach. It likewise opposed increases and adjustments which applicant seeks in the rates for plaster.

They asserted that the class rate structure largely reflects truck competitive conditions and does not adequately take into account conditions which apply to plasterboard movements by rail.

The evidence in this matter is convincing that the commodity rates which are in issue herein are generally below the out-of-pocket costs of performing the services for which they apply. Clearly, the continued maintenance of such rates would result in the erosion of the capital resources of the carriers and/or the shifting of the burden of the rates to other traffic. On the record here presented there appears no special nor extenuating circumstances which would warrant the imposition of such a course upon the carriers by denial of the sought increases. As to the increases themselves, the evidence shows that for the most part the rates, including the increases, would not be compensatory in the sense that they would return full costs of the service plus a reasonable allowance for profit. In the circumstances the Commission is of the opinion, and finds that, excepted as stated below, the sought increases and the related adjustments in the rates have been shown to be justified.

These conclusions and findings apply to the rates for plaster and plasterboard as well as to rates for other commodities, notwithstanding the objections which were raised to increases in the rates for plaster and plasterboard. Although increases in the rates for plaster and plasterboard will have the effect of diminishing present geographical advantages of Kaiser Gypsum Co. Inc., and of Fibreboard Paper Products Corporation over other plaster and plasterboard manufacturers located outside of Los Angeles basin territory, this fact does not justify denial of rates which more nearly approximate the costs of the services performed. With respect to the

form of the rates for plaster and plasterboard, however, it appears that cancellation of the commodity rates and the assessing of class rates instead has not been justified on this record. It appears that continued publication of the rates as commodity rates would serve to provide a more integrated and reasonable rate structure for the transportation of plaster and plasterboard. Applicant's proposals in this respect will be denied.

O R D E R

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

IT IS HEREBY ORDERED that

1. J. P. Haynes be and he hereby is authorized to amend the tariffs listed in paragraph 2, below, to establish and effect on behalf of the carrier parties thereto, revisions in the rates and provisions of said tariffs as follows:

- a. To cancel present commodity rates for commodities other than plaster and plasterboard to the extent that such cancellations are proposed in Exhibit No. 11 of record in this proceeding, and to assess class rates in lieu of said commodity rates. The commodity rates for plaster and plasterboard which are retained in accordance with the provisions of this paragraph may be increased to correspond to the class rates which would otherwise apply for the same transportation.
- b. To establish commodity rates which are five percent more than the rates shown as proposed commodity rates in Exhibits Nos. 1 and 11 of record in this proceeding.
- c. To effect other tariff revisions as proposed in Exhibits Nos. 1 and 11.
- d. With respect to transportation to or from East Long Beach, the authority herein granted by paragraphs a, b, and c may be exercised only in connection with that transportation to or from East Long Beach for which revisions in the applicable tariff provisions are proposed in Exhibit No. 1 in this proceeding.

2. The tariffs to which reference is made in paragraph 1 herein are as follows:

Pacific Southcoast Freight Bureau Tariffs

No. 33-Q
No. 48-U
No. 65-M
No. 88-T
No. 244-D
No. 250
No. 252-D
No. 257
No. 271
No. 272
No. 273-A
No. 274
No. 278
No. 281-A
No. 286-A
No. 300

The Atchison, Topeka and Santa Fe Railway Company Tariffs

No. 5881-L
No. 9788-M

Southern Pacific Company Tariffs

No. 635-E
No. 825-E

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 herein, the above-numbered application be and it hereby is denied.

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

Dated at San Francisco, California,
this 8th day of April, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners