

ORIGINAL

Decision No. 59252

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA FREIGHT LINES
and SOUTHERN CALIFORNIA FREIGHT
FORWARDERS for authority to publish
less than Minimum Rates under pro-
visions of Section 452 of the Public
Utilities Code.

Application No. 41013

Clifford J. Bodington and Donald H. Wolff,
for Southern California Freight Lines,
applicant.

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

A. R. Day and Thomas W. Morley, for the Com-
mission's staff.

O P I N I O N

At issue in this proceeding is a proposal of Southern California Freight Lines, a highway common carrier, to establish a rate of 40 cents per 100 pounds, minimum weight, 45,000 pounds, for the transportation of liquid starch and liquid washing compounds from Chemurgic (a shipping point near Turlock) to various destinations in and about the City of Los Angeles. The proposed rate is less than that which has been prescribed in Minimum Rate Tariff No. 2 as the minimum rate for the transportation involved.¹

¹ In the application Southern California Freight Forwarders, an express corporation and an affiliate of Southern California Freight Lines, joins in the proposals. It appears, however, that this carrier does not serve Chemurgic and should not be considered as an applicant in this proceeding.

Applicant seeks the reduced rate as a measure to forestall the loss of traffic which it now enjoys and which amounts to about three million pounds annually. Assertedly, the shipper involved, the Chemurgic Corporation, will undertake to perform the transportation with trucking facilities of its own if the proposed rate is not established. Applicant states that the loss of such traffic would seriously impair its ability to maintain its operations between the Turlock/Modesto area and the Los Angeles area on a profitable basis. Applicant further states that the proposed rate would be amply compensatory -- that revenues under the rate would be \$180 per 45,000-pound load, and that corresponding costs of service would be \$149, thus providing a profit of \$31 per load transported.

Public hearing on the application was held before Examiner C. S. Abernathy at San Francisco on July 8, 1959. Evidence was presented by applicant's traffic manager, by its comptroller, by the president of Chemurgic Corporation, and by a representative of the California Trucking Associations, Inc.

The testimony of the traffic manager was directed principally to the circumstances which prompted the proposed reduction in rate. In general, he reiterated various of the allegations of the application which are set forth above. The comptroller outlined the basis by which the costs of the service were computed. For the most part these costs were developed on the basis of average line haul costs per ton which applicant and its affiliated companies have experienced in performing southbound transportation service from the San Francisco Bay area to the Southern California area during a four-week period in January and February, 1959. In other

respects the costs were based on estimates and on percentages of the gross revenues anticipated under the proposed rates.

The president of the Chemurgic Corporation asserted in effect that under the present rates his company is being prejudiced against in the marketing of its products in the Los Angeles area.

At present it is paying the same rate on its shipments to Los Angeles as competitors who are located in the San Francisco Bay area pay on like shipments. Thus, he said, his company is being deprived of the advantage of its nearer location to Los Angeles. He confirmed applicant's allegations that he had informed applicant that his company would perform its own transportation if the proposed rate is not established. He said, however, that he had made no studies of what costs his company would incur in that event.

The California Trucking Associations, Inc., participated in the proceeding as an interested party. A representative of the Associations questioned whether the showing made by applicant provides a basis upon which the proposed rate may be authorized. By references to prior decisions of the Commission in similar matters he pointed out that applicant's showing does not provide information which the Commission has indicated as essential -- that the costs of the specific services involved are not shown since the costs which applicant presented are largely costs incurred in providing non-related services;² that since the showing was developed upon costs of southbound movements only, it does not dispose of the question of whether additional costs would apply in connection with the

² Direct Delivery System, Ltd., 54 Cal. P.U.C. 377.

northbound, return movements of the vehicles which would be required in the service.³ With respect to the question of whether the nearer location of Chemurgic's plant to Los Angeles requires a lower rate than that which applies on competing movements from the San Francisco Bay area, the representative of the Associations pointed out that the lesser distance is not necessarily a controlling circumstance, since factors other than distance also enter into the determination of what constitutes a reasonable rate.⁴

The reduced rate which applicant proposes to publish may be authorized upon a finding that it is justified by transportation conditions.⁵ A direct consideration in this connection is whether the rate would be reasonably compensatory or whether its establishment would burden other traffic. Applicant's showing in this regard is not persuasive that the proposed rate would, in fact, return the costs of service plus some provision for profit. Although the cost data which applicant submitted seem to indicate that the rate would be profitable, the record is clear that even in the development of these data, important cost factors were not taken into account. For

³ Re Reduced Rates, Smith Transportation Co., Decision No. 52390, Case No. 5438, December 20, 1955.

⁴ Valley Motor Lines, Inc., Valley Express Company, 54 Cal. P.U.C. 532.

⁵ " ... no common carrier ... may establish a rate less than a maximum reasonable rate for the transportation of property for the purpose of meeting the competitive charges of other carriers or the cost of other means of transportation which is less than the charges of competing carriers or the cost of transportation which might be incurred through other means of transportation, except upon such a showing as is required by the commission and a finding by it that the rate is justified by transportation conditions .. ."

Section 452, Public Utilities Code.

example, the rate which applicant seeks to establish would apply throughout the Los Angeles Territory, an area of 700 square miles or more, and would include unlimited split delivery service throughout the territory. In the development of its costs applicant did not take into consideration the costs of the split delivery service and include allowance therefor. To what extent applicant's costs should be adjusted cannot be determined from the data of record.

In other respects also the showing does not provide grounds for a finding that the proposed rate would be compensatory. As pointed out by the California Trucking Associations, Inc., the measure of the costs of the specific services which are involved is not supplied by the showing of the average costs of southbound transportation services from the San Francisco Bay area to the Los Angeles area which applicant and its affiliates perform. Also, the absence of information concerning what weight, if any, should be given herein to the costs of the northbound, return movements of applicant's vehicles is a further evidential deficiency that cannot be disregarded.

Aside from the question of whether the proposed rate would be adequately compensatory, and therefore reasonable from that standpoint, a question of the reasonableness of the proposal arises from the fact that the proposed rate would include unlimited split delivery service throughout the Los Angeles Territory. This proposal represents a distinct departure from provisions both of applicant's tariff and of Minimum Rate Tariff No. 2 which require that a split-delivery charge be assessed for the delivery of each component of a split-delivery shipment. Under the proposal applicant would enjoy an advantage which would not be available to its competitors or

other shippers. On this record it does not appear that such preference would be reasonable and that it could be established without violation of the prohibitions against unreasonable preference which are contained in the Public Utilities Code.⁶

Upon consideration of the evidence which has been submitted in this matter the Commission is of the opinion and finds that the reduced rate which applicant proposes to establish for the transportation of liquid starch and washing compounds has not been shown to be justified by transportation conditions. The application will be denied.

O R D E R

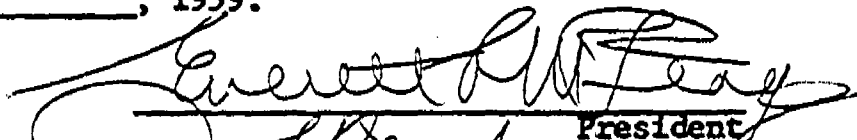
Based on the findings and conclusions set forth in the preceding opinion,


⁶ "No public utility shall, as to rates, charges, service, facilities, or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage. ..."
Section 453, Public Utilities Code.


IT IS HEREBY ORDERED that the above-numbered application in this proceeding be and it hereby is denied.

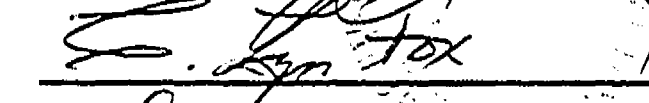
This order shall become effective twenty days after the date hereof.

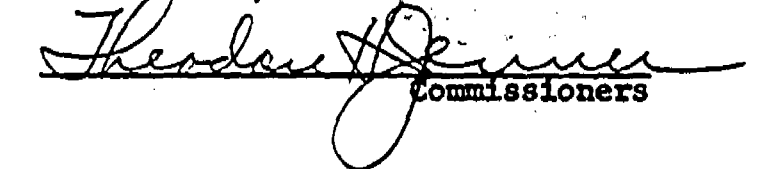
Dated at San Francisco, California, this 10th day of NOVEMBER, 1959.



President







Commissioners