

Decision No. 59939**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Plywood Trucking Company, dba)
 GENERAL FREIGHT CORP., a California)
 corporation, for authorization to)
 transport salt for the Leslie Salt)
 Company and Morton Salt Company)
 from the San Francisco Territory to)
 the Los Angeles Basin Territory at)
 rates below minimum prescribed by)
 Cal. P.U.C. Minimum Rate Tariff)
 No. 2.)

Application No. 41631

Norman R. Moon, Raymond D. Lewis, William A. Dornenburg and Ralph S. Schmitt, for General Freight Corp., applicant.
D. Livengood, for West Coast Salt & Milling Co.; David M. Miller, for Western Salt Co., and Long Beach Salt Co.; Frank A. Riehle, Jr., for Pacific Salt & Chemical Co., protestants.
Robert A. Thompson, for The Atchison, Topeka and Santa Fe Railway Company; John MacDonald Smith and Ernest E. Portwood, for Southern Pacific Company; Arlo D. Poe, J. C. Kaspar and James Quintrall, for California Trucking Associations, Inc.; Joseph Gould, for Gould Transportation Co.; Jas. L. Roney, for Dart Transportation Service; Ralph Hubbard, for California Farm Bureau Federation; James S. Blaine, for Leslie Salt Company; and Ralph J. Graffis, for Morton Salt Company, interested parties.
A. R. Day and J. F. Specht, for the Commission staff.

O P I N I O N

By this application, filed November 3, 1959, Plywood Trucking Company, doing business as General Freight Corp., seeks authority as a highway contract carrier, under Section 3666 of the Public Utilities Code, to transport salt from the plants of Leslie Salt Company and Morton Salt Company, located at Newark, to points in the Los Angeles Basin Territory at rates less than the minimum rates otherwise applicable.

Public hearings were held at Oakland before Examiner William E. Turpen on January 27 and February 5, 1960.

Applicant proposes a rate of 43 cents per 100 pounds, subject to a minimum weight of 42,000 pounds, from Newark to all points of destination within the Los Angeles Basin Territory. The rate would also be subject to the condition that each shipper shall tender to applicant for such transportation a minimum of 6,000,000 pounds per year. This rate is the same as the railroad carload rate except for the minimum weight requirement which is 36,000 pounds for rail movements, and, under the alternative application provisions of Minimum Rate Tariff No. 2, may now be used by highway carriers when the consignee is located on a rail spur track. Under the minimum rates, when a shipment is delivered to a consignee not located on a rail spur, higher charges would apply.¹ In effect, applicant here seeks authority to assess the alternative rail rate whether or not the consignee is located on rail. Applicant also asked that the rate it seeks here be increased by 4 cents per 100 pounds if the railroads increase their rate by a 2-cent loading and 2-cent unloading charge recently authorized by the Commission.²

Applicant's president testified that originally his company sought the southbound salt movement as a back haul, but that now he has more traffic southbound than northbound.

Representatives of the two salt companies testified in support of the application. They said that at present their companies absorb the additional freight charges incurred on shipments

¹ In such cases either the Class D rate or a combination of the rail rate and Class D rate would apply. To points in the Los Angeles territory, the Class D rate amounts to 48 cents per 100 pounds. For points further away, the combination rail-truck rate produces lesser charges and amounts to 51½ cents per 100 pounds.

² Decision No. 59524, dated January 12, 1960, in Application No. 41280.

to consignees not located on rail spurs. Both of the witnesses introduced studies showing loading times on shipments of salt from their plants to points in the Los Angeles Basin Territory transported by applicant during a five-month period. The two studies covered a total of 117 shipments.

A traffic consultant introduced into evidence exhibits showing destinations, distances, weights and revenues of 126 shipments of salt transported by applicant during the period from July 1 to November 27, 1959, from Newark to points in the Los Angeles Basin Territory. Of the 126 shipments, 75 were transported by subhaulers. The exhibits showed the average distance per shipment to be 441.4 constructive miles, and the average weight per shipment to be 44,004 pounds. The witness also introduced an exhibit in which he attempted to develop applicant's cost of transporting salt. He developed the loading cost by using the average loading time as shown on the studies made by the two salt companies in determining the driver cost and vehicle cost. Drivers' wages used were those paid by applicant at Los Angeles. The hourly vehicle cost was taken from data developed by the Commission staff for a proceeding involving minimum rates for the transportation of beverages. The witness used the same cost figure for the unloading cost as he developed for the loading cost, as no separate study had been made. The line-haul cost was developed by using the data per mile in the beverage study referred to above. The total direct costs so developed by the witness were expanded by 10½ per cent to include indirect costs. This factor, according to the witness, was also taken from the beverage study.

On cross-examination of the witness, it was developed that the study contained a number of deficiencies that results in an underestimation of the cost. These deficiencies include the

following: failure to include delay time in the loading cost; use of Los Angeles wages whereas the wages at Newark may be higher; failure to consider the load factor on a round-trip basis; no provision for deadheading of equipment to or from the loading or unloading point; and omission of an expansion to provide for the so-called gross revenue expenses.

Officials of three salt companies operating in southern California protested the granting of the application. Their position was that the special rate treatment would give applicant an advantage over other truck lines and would also give Leslie Salt Company and Morton Salt Company an unfair competitive advantage over the southern California salt companies. Although the California Trucking Associations, Inc., Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company, all entered appearances as interested parties, the counsel for each of these parties urged that the application be denied on the grounds that the circumstances had not been shown to be different from general conditions, that the cost study introduced by applicant was defective, and that the costs were not shown to be those of applicant.

Section 3666 of the Public Utilities Code requires that in authorizing a rate less than the minimum the Commission shall find that the proposed rate is reasonable. A showing that the proposed rate will exceed the cost of providing the service is indispensable to such a finding. As has been pointed out previously, applicant's study was shown to be deficient in a number of respects. Furthermore, the cost study is largely based on cost data taken from a previous study made by the Commission staff. Applicant did not show that these cost factors reflect the same costs as experienced by applicant. From the evidence of record, it is clear that the

cost study presented does not show the cost to applicant of transporting salt from Newark to points in the Los Angeles Basin Territory. Also, the record does not contain any other evidence which would show that the proposed rate is reasonable.

Upon consideration of all the facts of record, the Commission is of the opinion, and hereby finds, that the less-than-minimum rate sought herein has not been shown to be reasonable. The application will be denied.

O R D E R

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

IT IS ORDERED that Application No. 41631 be, and it is hereby, denied.

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

Dated at San Francisco, California, this 12th day of April, 1960.

[Signature]
President

[Signature]

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Commissioners