

ORIGINALDecision No. 61440

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California railroads
and certain connecting common car-
riers for authority to increase local
and joint rail and joint rail-
highway and rail-water freight rates
and charges.

Application No. 42837

In the Matter of the Investigation	)	Case No. 5432
into the rates, rules and regulations,	)	Petition for Modification 204
charges, allowances and practices of	)	Case No. 5433
all common carriers, highway carriers	)	Petition for Modification 13
and city carriers relating to the	)	Case No. 5435
transportation of any and all commodi-	)	Petition for Modification 23
ties between and within all points and	)	Case No. 5436
places in the State of California	)	Petition for Modification 38
(including, but not limited to, trans-	)	Case No. 5438
portation for which rates are provided	)	Petition for Modification 26
in Minimum Rate Tariff No. 2)	)	Case No. 5439
	)	Petition for Modification 10
	)	Case No. 5440
	)	Petition for Modification 11
And Related Matters.	)	Case No. 5441
	)	Petition for Modification 46
	)	Case No. 5603
	)	Petition for Modification 11
	)	Case No. 5604
	)	Petition for Modification 8

Charles W. Burkett, Jr., Walter G. Treanor, Robert A. Thompson, and Marshall W. Vorkink, for applicants.
J. C. Kaspar, A. D. Poe and J. X. Quintrall, for California Trucking Associations, petitioner.
Lloyd W. Gragg and Loren D. Olsen, for Kaiser Gypsum Co., Inc.; Keith M. Brown, for Spreckels Sugar Company and California Beet Growers Assn., Ltd.; Enright, Elliot & Betz, by Joseph T. Enright, and Waldo A. Gillette, for Monolith Portland Cement Co.; Gardner P. Pond, for Safeway Stores, Inc., Traffic Department; W. G. Higgins, for Pacific Cement and Aggregates, Inc.; Harry E. Ross, for California Packing Corp.; David M. Wade, for Calaveras Cement Company; James L. Metrick, for American Can Co.; Eugene A. Read, for California Manufacturers Association; Frank E. Lawless, Division Traffic Manager, for Masonite Corporation; W. R. Donovan, for C & E Sugar Refining Corporation; Thomas B. Kircher, for Spreckels Sugar Company; E. J. Muzio, for Miles Motor Transport System; S. A. Moore, for Permanente Cement Company; Ralph Hubbard, for California Farm Bureau Federation; Pete J. Antonino, for Rheem Mfg. Company; Jack P. Sanders, for Cannery League of California and Gerber Products Company; R. A. Morin, for Fibreboard Paper Products Corp.; John P. Mellman, for Johnson & Johnson; and B. M. Martin, for Union Sugar Division, Consolidated Foods Corp.; interested parties.
R. C. Ellis, for California Motor Express Ltd., and California Motor Transport Co., Ltd.; and Armand Karp, for Callison Truck Lines, Inc.; respondents and interested parties.
A. R. Day and J. W. Mallory, for the Commission staff.

O P I N I O N

By application filed November 9, 1960, the California railroads and certain connecting highway carriers and vessels seek authority to increase their local rail, joint all-rail, joint rail-highway and joint rail-water freight rates and charges applicable to California intrastate traffic. The increases sought generally are one-half cent per 100 pounds on rates and charges not exceeding 65 cents and one cent per 100 pounds on rates and charges greater than 65 cents. There are a number of exceptions, exclusions and hold-downs in connection with the proposed increases. Generally speaking those involve rates and charges which were suspended in whole or in part by the Interstate Commerce Commission in its decision of October 20, 1960 in Ex Parte No. 223, Increased Freight Rates 1960, and also rates and charges which are maintained at the level of the minimum rates prescribed for highway carriers. The latter rates and charges were involved in Case No. 5432, Petition for Modification No. 181, and were increased pursuant to authority granted in Decision No. 60621, dated August 23, 1960.

Public hearings were held before Commissioner C. Lyn Fox and Examiner J. E. Thompson at San Francisco on December 14, 15 and 16, 1960. Evidence was presented by applicants. Interested parties and the Commission's staff participated by cross-examining witnesses. There were no protestants and no one at the hearing opposed the granting of the authority sought.

The last general increase in California intrastate railroad rates was authorized April 7, 1959, 57 Cal. P.U.C. 117. Applicants presented evidence showing that subsequent thereto, they have experienced further increases in the cost of doing business.

The four major railroads operating in California presented exhibits showing estimates of the operating results of their own California intrastate operations and the intrastate operations of affiliated lines under the proposed rates, using 1959 as a base year. Those estimates are set forth in Table I below.

TABLE I

Estimated Results of California Intrastate
Operations for 1959* Adjusted to Reflect
Expenses as of July 31, 1960 and
To Include Proposed Rate Increases

Thousands (000) of Dollars

<u>Railroad</u>	<u>Freight</u>		<u>Passenger</u>		<u>Net# Income</u>
	<u>Revenue</u>	<u>Expense</u>	<u>Revenue</u>	<u>Expense</u>	
Southern Pacific	50,390	58,338	14,847	24,563	(17,664)
Northwestern Pacific	7,580	6,801	58	225	612
Pacific Electric	4,133	7,109			(2,976)
San Diego & A. E.	961	411			550
Holton Inter.	83	57			26
Sunset	69	130			(61)
Petaluma & S. R.	46	158			(112)
Visalia Electric	9	16			(7)
S. P. Group Total	63,271	73,020	14,905	24,788	(19,632)
Western Pacific	1,870	3,502	96	240	(1,776)
Sacto. Northern	385	688			(303)
Tidewater So.	64	86			(22)
C. C. Traction	66	232			(166)
W. P. Group Total	2,385	4,508	96	240	(2,267)
A.T. & S.F. Rwy.	17,374	17,808	3,370	8,729	(5,793)
U. P. R. R.	2,456	2,265	94	93	192
Total	85,486	97,601	18,465	33,850	(27,500)

* Separations formula based upon study of 1956 waybills.

Before provision for income taxes.

() Indicates red figure.

Applicants used the direct and indirect expense method developed by the Commission's staff in the prior proceeding to

separate expenses assignable to California intrastate traffic. Other than that, they used the same methods of allocation and separation described in Appendix A of Decision No. 58226, 57 Cal. P.U.C. 130. As we stated in said decision, the separations methods and procedures followed are imperfect; however, they are a pioneering effort and while further improvements or refinements in the methods may be developed in future proceedings, we conclude that the general plan which applicants followed in developing the estimates herein is appropriate for the purpose of estimating revenue requirements in this proceeding.

The estimates of the gross revenue appear to be understated. Applicants did not consider the increases authorized by Decision No. 60621, dated August 23, 1960. Failure to incorporate those increases in the estimates would not appear to substantially affect the end results. The Southern Pacific Company transports more California intrastate less-than-carload freight than all of the other railroads combined. The amount of annual increase in revenue which would accrue to Southern Pacific on less-than-carload traffic as a result of the increases authorized in Decision No. 60621 it was estimated would not exceed \$75,000.

Upon consideration of all of the facts and circumstances of record, we are of the opinion and find that the increases sought are justified. The revenue estimates and the evidence as a whole were directed to all of the rate increases specified in the application. Counsel for applicants stated that applicants intended to establish only those increases corresponding to increases authorized by the Interstate Commerce Commission in Ex Parte 223; that in connection with certain rates, that federal agency had authorized increases pending investigation of those rates subject to later refunding by

the railroads, and applicants do not intend to increase those rates until the increases are finally approved by the Interstate Commerce Commission. Counsel suggested that we herein authorize the increases already authorized by the ICC and hold the proceeding open so that at such time or times in the future as the Interstate Commerce Commission completes its investigations and authorizes certain increases in interstate rates on a permanent basis, we may, by supplemental order, authorize like increases in intrastate rates.

The opening statement by applicants' counsel must be construed as an amendment to the application limiting the amount of the increases in intrastate rates to no greater than corresponding increases in interstate rates. Such an assertion may have deterred persons at the hearing from protesting or opposing the granting of authority to provide greater increases on intrastate counterparts. We shall impose such a limitation upon the authority to effect the increases.

Regarding the petitions of the California Trucking Associations, Inc., the rates involved therein are rates maintained by motor carriers under the alternative provisions of outstanding minimum rate orders to meet rail competition. Those rates are lower than other rates established by the Commission as minimum reasonable rates and are lawful only because of the said alternative provisions of the minimum rate tariffs which permit the common carriers to meet the competition from other common carriers who are authorized to publish and maintain rates lower than the otherwise established minimum rates. The lower rail rates will be increased pursuant to authority granted herein; therefore, common carriers should be directed to increase rates maintained under said alternative provisions to the level of the increased rail rates. The increases necessary to maintain the competitive relationships are justified.

Applicants seek authority to publish the increased rates and charges in the same form as authorized by the Interstate Commerce Commission for interstate rates and to make said increased rates effective on five days' notice. They also seek authority to depart from the long- and short-haul provisions of the Constitution of the State of California and of the Public Utilities Code to the extent necessary to effect the proposed increases. From the evidence of record we find that the authorities sought are reasonable and should be granted.

Applicants' request that the proceeding be kept open and that the Commission make its order authorizing increases in certain rates following disposition of proceedings before the Interstate Commerce Commission involving the interstate counterparts of such rates is denied. Applicants will be authorized to effect increases no greater than those made effective on comparable interstate traffic. In connection with rates and charges on which the Interstate Commerce Commission has ordered investigation, and which are more particularly set forth in Appendix A hereof, applicants will be authorized to establish those increases in whole or in part, and to defer or partially defer exercising said authority for a period not to exceed 280 days.

O R D E R

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

IT IS ORDERED:

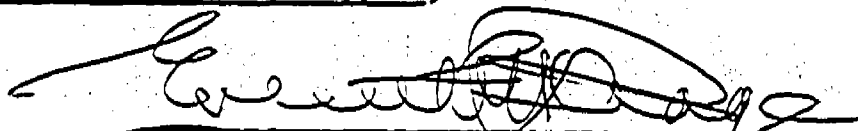
1. That applicants are authorized to establish, on not less than five days' notice to the Commission and to the public, the increases in rates and charges as proposed in the application filed in this proceeding.

2. That the increases authorized above shall not exceed increases in rates on interstate traffic between the same points.
3. That applicants are authorized to depart from the provisions of Article XII, Section 21 of the Constitution of the State of California and of Section 460 of the Public Utilities Code to the extent necessary to effect the increases herein authorized.
4. That applicants are authorized to publish the increased rates and charges in the same form as that authorized by the Interstate Commerce Commission for interstate rates in Docket Ex Parte No. 223. To the extent that departure from the terms and rules of Tariff Circular No. 2 is required to accomplish such publication, authority for such departure is hereby granted.
5. That except as otherwise provided herein the authority conferred above shall expire unless exercised within thirty days after the effective date of this order.
6. That applicants may defer, or partially defer, exercising the authority conferred above in whole or in part for a period not to exceed 280 days after the effective date of this order in connection with the rates and charges specified in Appendix A, which appendix by this reference is made a part hereof.
7. That the authorities herein granted are subject to the express condition that applicants will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates pursuant to the authority herein granted will be construed as a consent to this condition.
8. That common carriers maintaining, under outstanding authorizations permitting the alternative use of rail rates, rates below the specific minimum rate levels otherwise applicable, are authorized and directed to increase such rates on not less than ten days' notice to the Commission and to the public to the level of the rail rates established pursuant to the authorities granted herein or to the level of the otherwise applicable specific minimum rates, whichever is lower; and that such adjustments shall be made effective not later than thirty days after the effectiveness of the increased rail rates.

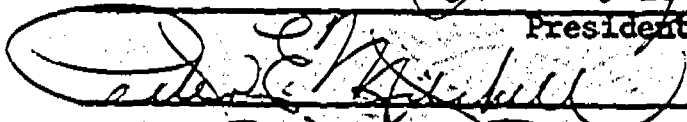
9. That in complying with the above directive, common carriers are authorized to depart from the provisions of Article XII, Section 21 of the Constitution of the State of California and Section 460 of the Public Utilities Code to the extent necessary.

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

Dated at San Francisco, California, this 7th day of FEBRUARY, 1961.




President









Commissioners

APPENDIX A

COMMODITY, CHARGE OR RULE	TARIFF REFERENCE	AMOUNT OF INCREASE OR CHANGE SOUGHT
Line-haul rates in cents per 100 lbs. on Fresh Fruits and Vegetables.	(1) Items 105 and 105-A.	Increase by $\frac{1}{2}$ cent per 100 lbs. on rates of 65 cents cwt and less, 1 cent per 100 lbs. on rates over 65 cents cwt.
Combination Rule.	(1) Rule 7.	Increase sepa- rately each factor of combinations of rates.
Minimum per car charge.	(1) Item 145 Para. (b).	\$40.00 per car.
Line-haul rates on Petroleum Coke.	(1) Item 105-A.	Increase by $\frac{1}{2}$ cent per 100 lbs. on rates of 65 cents cwt and less, 1 cent per 100 lbs. on rates over 65 cents cwt.
Coal and Briquettes.	(1) Items 125 and 130 and Note 4.	7¢ per net ton except 4¢ per net ton on Lignite Coal and Briquettes.
Iron Ore.	(1) Item 105-A.	Increase by $\frac{1}{2}$ cent per 100 lbs. on rates of 65 cents cwt and less, 1 cent per 100 lbs. on rates over 65 cents cwt.
Switching Charges.	(1) Item 165-C.	\$7.50 on inter- or intra-terminal and \$3 per car on intra-plant switching when charges paid by the shippers.

EXPLANATION OF REFERENCE NUMBER USED HEREIN:

(1) - Tariff of Increased Rates and Charges X-223
(TEA-ER ICC No. C-170).