

ORIGINAL

Decision No. _____

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 AMERICAN TRANSFER CO., a corporation,
 for an order authorizing departure
 from the rates, rules and regulations
 of Minimum Rate Tariff No. 2, under
 the provisions of Section 3666 of the
 Public Utilities Code.

Application No. 42812

Handler & Baker, by Marvin Handler, for American
 Transfer Co., applicant.

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

John F. Specht and R. J. Carberry, for the Commission's
 staff.

O P I N I O N

By the above-entitled application, filed November 1, 1960,
 American Transfer Co., a highway contract carrier, seeks authority,
 under Section 3666 of the Public Utilities Code, to transport steel
 from Pittsburg to Pinedale^{1/} for Vendorlator Manufacturing Co. at a
 rate lower than the applicable minimum rate.

Public hearing on the application was held before Examiner
 William E. Turpen at San Francisco on December 22, 1960. Evidence
 on behalf of applicant was presented by its president and by an
 accountant employed to make a study of the operation involved, and
 by the shipper's traffic manager. Representatives of the California
 Trucking Associations, Inc., and of the Commission's staff assisted
 in developing the record.

1/ Pinedale is located approximately 9 miles northeast of Fresno.

The record shows that applicant has been transporting steel from Pittsburg for Vendorlator Manufacturing Co. for some years. Until about two years ago deliveries were made to Fresno, but at that time the shipper moved its steel operations to the plant at Pinedale and the steel deliveries were thereafter made to Pinedale. Although the minimum rate named in Minimum Rate Tariff No. 2 for this transportation is 44 cents per 100 pounds, subject to a minimum weight of 36,000 pounds, as both consignor and consignee are located on rail spur, applicant has been assessing the railroad rate of 36 cents per 100 pounds, subject to a minimum weight of 40,000 pounds, under the so-called rule for the alternative application of common carrier rates provided in Minimum Rate Tariff No. 2. Applicant now seeks authority to assess a rate of 32 cents per 100 pounds, subject to a minimum weight of 48,000 pounds.^{2/}

An accountant presented in evidence and explained a study in which he developed the costs and revenues for 16 loads of steel transported by applicant from Pittsburg to Pinedale during the month of November, 1960. The costs and revenues were shown separately for each trip and included the costs and revenues for freight handled on the northbound trip. A summary showed that a total of 725,450 pounds of steel were transported southbound and 536,803 pounds of other freight were transported northbound on these 16 trips.^{3/}

^{2/} As originally filed, the application sought a rate of 28 cents per 100 pounds. This was amended at the hearing to the 32-cent rate.

^{3/} The northbound freight consisted of raisins, dried fruit, wine and pallets.

Operating results taken from this study are shown in the table below.

	<u>Under Present Rate</u>	<u>Under Proposed Rate</u>
Revenues:		
Steel (southbound)	\$2,611.61	\$2,465.06
Other Freight (northbound)	1,809.62	1,809.62
Total	<u>\$4,421.23</u>	<u>\$4,274.68</u>
Expenses	<u>3,383.78</u>	<u>3,372.40</u>
Net Operating Revenue*	\$1,037.45	\$ 902.28
Operating Ratio*	76.5%	78.9%

* Before provision for income taxes.

Examination of the data relating to individual trips shows in several instances that where the amount of northbound freight was small or nonexistent the costs exceeded the revenues, both under the present and the proposed rates.

The shipper's traffic manager stated that he has made preliminary investigation into the leasing of trucks with a view of conducting the steel transportation as a proprietary operation if the sought rate is not authorized. However, he said, no conclusions as to this action have been reached.

The minimum rates set forth in Minimum Rate Tariff No. 2 are presumed to be reasonable minimum rates for transportation conducted under the usual prevailing conditions. Section 3666 of the Code provides a means of recognizing that in some circumstances where transportation conditions are unusually favorable a lower rate can be found to be reasonable. A showing that the proposed rate will exceed the cost of providing the service is indispensable to such a finding. Applicant did not show that the conditions surrounding the transportation of steel involved here differ from or are more favorable than the conditions surrounding the transportation of steel

by other carriers. The study of revenues and costs shows that when applicant has a good size load of freight northbound, it can profitably transport a load of steel southbound at the sought rate. However, as mentioned previously, when the northbound load is small the costs exceed the revenues.

Applicant's showing in justification of the proposed rate rests upon the assumption that it will receive and transport northbound traffic, of commodities not herein involved, in balanced loads with the steel traffic which is in issue. The evidence shows, however, that applicant's experience is contrary to the assumption.

From the evidence of record it is clear that applicant has not shown that the proposed rate will provide revenues which would exceed the cost of performing the service. 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. 42812 be and it is hereby denied.

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

Dated at San Francisco, California, this 14th day of FEBRUARY, 1961.

Cecil W. Page
President
Walter Mitchell
E. J. Fox
George W. Hoover
Frederick B. Holzberg
Commissioners