

62257

ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
A. G. Perkins, Agent and Attorney,
for authority to publish increased
intraterminal switching charges for
Harbor Belt Line Railroad at Los
Angeles Harbor.

Application No. 43027

(Filed January 3, 1961;
Amended February 23 and
March 22, 1961.)

John MacDonald Smith and Walt A. Steiger, for
The Atchison, Topeka and Santa Fe Railway
Company, Union Pacific Railroad Company,
Pacific Electric Railway Company, and
Southern Pacific Company, applicants.

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

Charles H. Costello, for Continental Can Company,
Inc., interested party.

D. H. Marken, for Vegetable Oil Products Co., Inc.,
interested party.

R. A. Lubich and Ralph J. Staunton, for the Com-
mission's staff.

O P I N I O N

By this application The Atchison, Topeka and Santa Fe
Railway Company, the Union Pacific Railroad Company, the Pacific
Electric Railway Company, and the Southern Pacific Company seek
authority to establish increased rates for certain terminal switch-
ing services which they perform under the name of Harbor Belt Line
Railroad within the Los Angeles Harbor area. They allege that their
present rates are unduly low in that said rates do not return even

the direct costs of the services performed, and thereby cast an unwarranted burden on other of their operations.

Public hearings on the application were held before Examiner C. S. Abernathy at Los Angeles on February 17 and February 27, 1961. Evidence was presented by the assistant to the manager of transportation research for the Southern Pacific Company, by the general manager and by the joint terminal agent for the Harbor Belt Line operations. The matter was taken under submission for decision with the filing of a second amendment to the application on March 22, 1961.

The rate increases which are sought in this proceeding would apply only to the portion of applicants' operations as Harbor Belt Line Railroad which consist of the switching of shipments that move in intrastate commerce between origins and destinations within the Los Angeles Harbor area. Applicants have heretofore effected the same increases in their rates and charges for the switching of shipments that move in interstate commerce between origins and destinations within the harbor area. Other switching services which applicants perform as Harbor Belt Line Railroad, and which constitute about 90 percent of said operations, consist of the movement of carloads of freight between wharves and industries in the harbor area, on the one hand, to or from applicants' individual lines, on the other hand, via which said carloads are transported, or have been transported, to or from points outside of the harbor area, respectively. Charges for such services are assessed as part of applicants' charges for their respective line-haul operations and are not in issue in this matter.

Applicants' present rates and charges for the services involved herein are as follows:

INTRAZONE

| | <u>Rate in Cents per Ton of 2,000 Pounds</u> | <u>Minimum Charge per car</u> |
|--|--|-----------------------------------|
| Locally within zone: | | |
| East San Pedro } | 85 | \$18.40 |
| San Pedro } | | |
| Wilmington } | | |
| Except: | | <u>Per-Car Charge</u> |
| Empty private cars for repairs | | \$9.20 |
| Between wharves and Crescent | | |
| Wharf & Warehouse Co. | | 9.20 |

INTERZONE

| | <u>Rate in Cents per Ton of 2,000 Pounds</u> | <u>Minimum Charge per car</u> |
|---|--|-----------------------------------|
| Between Wilmington zone and San Pedro zone } . . . | 102 | \$18.40 |
| East San Pedro zone } . . . | | |
| Between San Pedro zone and East San Pedro zone . . . | 154 | 25.55 |

The rates and charges which applicants seek to establish are as follows:

LOCALLY WITHIN ZONE,
OR INTERZONE

| | <u>Rate in Cents per 100 Pounds</u> | <u>Minimum Weight (pounds)</u> |
|--------------------------------|---|------------------------------------|
| Other than tank cars | 11 8 7 | 40,000 60,000 80,000 |
| Tank cars | 8 6-1/2 | (a) (b) |

- (a) Minimum weight as per Rule 35, Western Classification.
 (b) Minimum weight as per Rule 35, Western Classification,
 but not less than 100,000 pounds.

| <u>Commodity</u> | <u>Rate in Cents per 100 Pounds</u> | <u>Minimum Weight (pounds)</u> |
|--|---|------------------------------------|
| Containers, or Parts thereof, iron, steel or tin, viz: Cans, empty, Can Bottoms, Can Ends, Can Tops, or used empty carriers for these articles returning, carloads. | 13 | 28,000 |

Except as otherwise indicated, the foregoing rates and charges apply, or would apply only in connection with switching movements of freight in carload quantities. Applicants also publish rates and charges for the switching of freight in less carload quantities and for diversion, reconsignment, stopping-in-transit, and certain other services. No changes are sought in such rates and charges.

According to cost evidence which was submitted by the assistant to the manager of transportation research for the Southern Pacific Company, the average direct, or out-of-pocket, costs which are incurred in the switching of carload shipments between origin and destination within the Los Angeles Harbor area are \$44.70 per car. These costs apply to movements in box cars and in tank cars alike. In addition, car rental charges apply in connection with the box car movements which increase the average direct or out-of-pocket costs for said movements to \$57.13 per car.

Applicants' revenues under present rates were reported by the joint terminal agent for the Harbor Belt Line operations as follows:

| <u>Commodity</u> | <u>Type of Car</u> | <u>Average Revenues per Car</u> | |
|--------------------|--------------------|---------------------------------|------------------|
| | | <u>Intrazone</u> | <u>Interzone</u> |
| Chemicals | Tank | \$27.35 | |
| Petroleum Products | " | 23.92 | |
| Coconut Oil | " | 25.64 | \$30.83 |
| Soybean Oil | " | | 31.35 |
| Fish Oil | " | | 30.91 |
| Caustic Soda | " | 43.74 | 52.29 |
| Tin Cans | Box | | 18.40 |

These revenue figures reflect applicants' actual operations during the four months through April, 1960. The joint terminal agent

calculated that had the sought rates been in effect during this period the corresponding revenues would have been as follows:

| <u>Commodity</u> | <u>Type of Car</u> | <u>Average Revenues per Car</u> | |
|--------------------|--------------------|---------------------------------|------------------|
| | | <u>Intrazone</u> | <u>Interzone</u> |
| Chemicals | Tank | \$51.49 | |
| Petroleum Products | " | 45.03 | |
| Coconut Oil | " | 48.27 | \$48.37 |
| Soybean Oil | " | | 49.18 |
| Fish Oil | " | | 48.48 |
| Caustic Soda | " | 66.90 | 66.64 |
| Tin Cans | Box | | 36.40 |

It is clear from the foregoing data that under present rates applicants' revenues fall substantially short of returning the direct, or out-of-pocket costs, of the switching services involved. In the circumstances it appears that applicants rightly allege that the rates are unduly low. With respect to the revenues which would be realized under the sought rates, it appears that in a number of instances said revenues would hardly more than cover the direct costs of the services, and would, as a consequence, provide relatively little in the way of compensation for the indirect costs of the services or for profit.¹ Consideration being given to the relationships of the proposed rates to the direct costs and to the quantities of freight to which they would apply, we are of the opinion and find and conclude that except as noted below the sought increases in rates and charges have been shown to be justified. To this extent increases in applicants' rates and charges will be authorized.

¹ This conclusion stems from the fact that a large number of the shipments transported move in tank cars in quantities of 50,000 to 60,000 pounds. Under the proposed rates the charges on such shipments would be from \$40 to \$48 per shipment. Thus it is apparent that only the shipments in excess of 60,000 pounds would return revenues much in excess of the out-of-pocket costs. The charge which would apply to a shipment of 100,000 pounds would be \$65.

As originally proposed, the sought rates would apply to applicants' operations as Harbor Belt Line Railroad without exception. It appearing, however, that the resultant charges for transportation within the Los Angeles Harbor area would be higher in some instances than charges which applicants assess for the transportation of like shipments between points within the harbor area and points outside of the harbor area, applicants modified their proposals to provide that in such instances the lower charges would apply to the transportation within the harbor area. In this same connection there should be two other limitations on the rates and charges which applicants would establish. In addition to publishing rates and charges as Harbor Belt Line Railroad, applicants also publish class rates which apply to their operations individually throughout the state, including those conducted within the Los Angeles Harbor.² The less-carload and carload rates which are so published produce lower charges, in some instances, for transportation within the harbor area than those that would apply to like transportation under applicants' proposals. In view of the charges that apply for applicants' transportation services under the class rates, it appears that higher charges should not be authorized for the same transportation that applicants would perform as Harbor Belt Line Railroad. Also, in instances where applicants would establish carload rates which would result in higher charges than those which accrue under less-carload rates which applicants publish for their Harbor Belt Line operations, said higher charges should not be authorized.

² Said rates and charges are set forth in Freight Tariff 255-G of Pacific Southcoast Freight Bureau, Agent.

Another exception which should be made in connection with applicants' proposals deals with the rates that would apply to transportation by tank car. As previously stated above, the rate which would apply for such transportation would be 6½ cents per 100 pounds, minimum weight 100,000 pounds. Shipments of lesser quantities would be subject to a rate of 8 cents per 100 pounds, based on the capacities of the car used. In connection with movements by box car applicants propose a rate of 7 cents per 100 pounds, minimum weight 80,000 pounds. Thus an 80,000 pound shipment moving by tank car would be subject to a charge of \$64, whereas a shipment of the same weight moving by box car would be subject to a charge of \$56. On this record the establishment of such higher charges for movements by tank car than for movements of the same quantities by box car does not appear justified. Therefore, in connection with the establishment of the proposed rates for transportation by tank car, applicants will be required to establish also a rate of 7 cents per 100 pounds, minimum weight 80,000 pounds, for said transportation.

The remaining exception pertains to the increases which applicants would make in their charges for the switching of empty private cars for repairs. Their present charges are \$9.20 per car. The charges that they would apply are those that they would establish for the switching of loaded cars and which are dependent upon the weights of the lading therein. Clearly, such a basis of charges is not appropriate for the movement of empty cars. The sought increases in this respect should be denied.

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 HEREBY ORDERED that:

1. Subject to the exceptions and conditions specified below, The Atchison, Topeka and Santa Fe Railway Company, the Union Pacific Railroad Company, the Pacific Electric Railway Company, and the Southern Pacific Company be, and they hereby are, authorized to amend their Terminal Tariff No. 1, which applies to their operations at Los Angeles Harbor as Harbor Belt Line Railroad, to establish the rates and charges which are set forth and identified hereinabove as sought rates and charges, and which are also set forth in the first and second amendments to the above numbered application.

Exceptions and Conditions:

- a. The authority herein granted may not be used by the above-named carriers to establish and publish, for the transportation of property which they perform as Harbor Belt Line Railroad,
 - (1) rates and charges which are higher in volume or effect than the rates and charges which said carriers individually or jointly maintain and assess for transportation services which they otherwise perform in connection with the movement of property of like character and quantity between points on their lines within the Los Angeles Harbor area, or between said points within the Los Angeles Harbor area, on the one hand, and points on their lines outside of the Los Angeles Harbor area, on the other hand;
 - (2) rates and charges for carload shipments which are higher in volume or effect than the rates and charges which said carriers maintain and assess as Harbor Belt Line Railroad for the transportation of less-carload shipments of the same kind of property between the same points.

- b. The exercise of the authority herein granted pertaining to the establishment of increased rates and charges as sought in this matter for the transportation of property in tank cars is subject to the condition that with the establishment of said rates and charges applicants shall concurrently establish a rate of 7 cents per 100 pounds, minimum weight 80,000 pounds, which shall also apply to said transportation in tank cars.
- c. The authority herein granted may not be used by the above-named carriers to effect increases in their present per-car charges for the movement of empty private cars for repairs.
2. Except as is otherwise provided herein, the above-numbered application be, and it hereby is, denied.

The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 11th
day of July, 1961.

Everett A. Ross
President
W. H. Mitchell
E. J. Linton
George A. Grover
Frederick B. Holcomb
Commissioners