

ORIGINALDecision No. 65263

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 AMERICAN TRANSFER CO., a corporation,
 for authority to charge rates for the
 transportation of solidified roofing
 asphalt from Oildale to points in the
 Los Angeles area, less than those
 prescribed in Minimum Rate Tariff
 No. 2 - Section 3666.

Application No. 45105
 (Filed January 11, 1963)

Handler, Baker & Mastoris, by Marvin Handler, for
 applicant.
Robert K. Dubrow, for Golden Bear Oil Co., intervenor.
J. K. Miller, A. D. Poe and J. X. Quintrall, for
 California Trucking Association, interested party.
Eric A. Mohr and John F. Specht, for the Commission
 staff.

O P I N I O N

This application was heard and submitted before Examiner
 Thompson at San Francisco on March 25, 1963. There are no protests.

Applicant seeks authority to transport solidified roofing
 asphalt from Oildale to points in the Los Angeles area at rates
 less than the minimum rates. The proposed rate to all points in
 the Los Angeles area is 25 cents per 100 pounds, minimum weight per
 load 50,000 pounds. The minimum rates for the transportation of
 solidified roofing asphalt from Oildale to the various points in
 the Los Angeles area are between 29 cents per 100 pounds and 36
 cents per 100 pounds, minimum weight 40,000 pounds. Applicant
 intends to perform the transportation at the proposed rate as a
 highway contract carrier for Golden Bear Oil Co.

Testimony was given by the assistant to applicant's president, the secretary of Golden Bear Oil Co., and a certified public accountant experienced in transportation cost analyses who was engaged by applicant. Exhibit 1 is a map of Los Angeles and vicinity on which there is delineated the scope of the destination area (designated by applicant as the Los Angeles area) to which the proposed rate would apply. Exhibit 2 contains summaries of applicant's financial statements and an estimate of the cost of providing the service at the proposed rate. California Trucking Association and the Commission's staff participated in the proceeding but did not offer evidence.

Applicant transported several truckloads of solidified roofing asphalt from the plant of Golden Bear Oil Co. at Oildale to points in the Los Angeles area. The point served most distant from Oildale was Stanton, which is a point approximately ten miles north of Huntington Beach and nine miles northwest of Santa Ana. The equipment used by applicant was a tractor and two semitrailers connected in a train. The semitrailers were flat beds and were 21 feet, 6 inches in length. Data concerning the test trips were furnished the accountant. He estimated income and expenses for the transportation of one shipment at the proposed rate. The expenses were estimated for a trip of 290 round-trip miles. The point in the Los Angeles area most distant from Oildale is Santa Ana. The round-trip distance between those points is 294

miles. The shortest round-trip distance involved (between Oildale and San Fernando) is about 130 miles. The following is a summary of the accountant's estimates:

Revenue per trip:		
50,000 pounds @ 25¢ cwt.		\$125.00
Expenses per round trip:		
Driver expense	\$42.20	
Equipment expense	53.04	
Administrative expense	6.41	
Insurance expense	4.40	
Operating taxes	<u>2.29</u>	
	Total	<u>108.34</u>
Operating Income		\$ 16.66
Operating Ratio		86.7%

The accountant used the wage rates set forth in the wage agreement governing the employment of drivers by applicant. Those wage rates were to become effective July 1, 1963; however, due to a "cost of living clause" in the contract, the wage rates which will become effective July 1, 1963 will be approximately four cents per hour higher than those set forth. The effect of this adjustment upon the estimated driver expense per trip is something less than fifty cents.

The administrative expense estimated by the accountant reflects only those expenses shown in the applicant's ledger under the account for administrative and general expense. The operating results estimated by the accountant do not give consideration to other expenses of applicant, including expenses relating to traffic and advertising and to supervision of drivers and mechanics. The accountant testified that generally he found that carriers engaged

in operations similar to those of applicant have indirect expenses on the order of 12 to 15 percent of direct expenses.

Adjustments to the accountant's estimates to show an increase of 50 cents per trip in driver expense and an indirect expense of \$11.50 instead of the \$6.41 for administrative expense, results in an estimated net income for a 290-mile round trip of \$11.07. On the other hand the estimated expenses appear to be overstated in certain respects. The accountant used a time factor per round trip of 10½ hours, whereas the test runs indicate that a 290-mile round trip may be accomplished in around 9½ hours. The estimated depreciation expense is based on the cost of new equipment recently purchased by applicant to which the accountant accorded service lives of 6 years for the tractor and 8 years for the trailing equipment which are shorter lives than are considered normal. The equipment on which the depreciation expense is based has a payload capacity of over 27 tons. The revenue estimate is based upon a payload of 25 tons. The accountant's estimate of the results of operation is conservative and also is based upon the transportation of property to a point in the Los Angeles area which is the most distant from Oildale. We find that the transportation at the proposed rate would be compensatory.

Applicant presently transports liquid asphalt in bulk for Golden Bear Oil Co. The latter has only recently established facilities at its Oildale plant for the production of solidified roofing asphalt. It has competitors which are situated nearer to the Los Angeles area markets. It has contracted with a distributor to deliver

25,000 tons of the commodity to points in the Los Angeles area at a certain price. The principal points of delivery are warehouses of the distributor at Pomona, El Monte, Stanton and downtown Los Angeles. Golden Bear Oil Co. determined that the maximum transportation cost it can bear and place the roofing asphalt in the market is 25 cents per 100 pounds." It presently owns and operates a fleet of tank truck equipment. The secretary stated that the company is prepared to acquire flat-bed semitrailers and to perform the transportation if applicant is unable to provide the transportation at the proposed rate. Golden Bear Oil Co. has ordered an additional forklift truck which is to be delivered on April 1, 1963. It has also recently employed a forklift operator who has had experience in loading solidified roofing asphalt onto highway carrier equipment. Both the shipper and the applicant anticipate that the loading of applicant's trucks will be more efficient than it was at the times the test runs were made.

We find that the proposed rate is reasonable. The record shows that Exhibit 1 does not correctly depict the boundaries of the area applicant proposes to serve at the proposed rate. The applicant proposes to serve those points zoned for industrial use or for the construction of large buildings within an area bounded generally by Santa Monica, San Fernando, Pomona, Santa Ana and Huntington Beach. Such area will be described by metes and bounds using geographical boundaries and streets and roads used in connection with the description of zones in Distance Table No. 5.

ORDER

IT IS ORDERED that:

1. American Transfer Co., a corporation, is authorized to charge and collect rates less than the applicable minimum rates but not less than the rate set forth in Appendix A, attached hereto and hereby made a part hereof, for the transportation of solidified roofing asphalt for Golden Bear Oil Co. from Oildale to locations in the Los Angeles area described in said Appendix A.

2. The authority herein granted shall expire July 1, 1964, unless sooner canceled, modified or extended by order of the Commission.

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

Dated at San Francisco, California, this 23rd day of APRIL, 1963.

George T. Hoover
President

[Signature]

[Signature]

Frederick B. Hillhoff

William W. Bennett
Commissioners

APPENDIX A

AMERICAN TRANSFER CO.

Schedule of Minimum Rates for the
Transportation of Solidified Roofing Asphalt
for Golden Bear Oil Co.

Section 1

Item 10. Application of Rates - General

The minimum rates, rules and regulations set forth in Minimum Rate Tariff No. 2 are applicable on all shipments of solidified roofing asphalt except as specifically provided in Section 2.

Section 2

Item 20. Application of Rates

The rate in this section applies to each load transported and is subject to a minimum weight of 50,000 pounds per load. The rate is applicable only to the transportation of solidified roofing asphalt from the plant of Golden Bear Oil Co. at Oildale to points in the Los Angeles area described in Item 40.

Item 30. Exceptions to Rules in Minimum Rate Tariff No. 2

(a) The rate in this section is not applicable to split pickup shipments or to split delivery shipments. Each load transported shall be consigned from a single point of origin to a single point of destination without stops in transit.

Item 40. Description of Los Angeles Area

Los Angeles area includes all points within the area having the following exterior boundaries:

Beginning at the mouth of the Santa Ana River at the Pacific Ocean, northerly and westerly along the shoreline of the Pacific Ocean to a point due west of the intersection of Santa Monica Boulevard and Pacific Coast Highway, thence easterly from that point to Santa Monica Boulevard and easterly along said boulevard to Sepulveda Boulevard, northerly

along Sepulveda Boulevard and its extension on San Fernando Road to the city limits of the City of Los Angeles, easterly along said city limits to the boundary of Angeles National Forest, easterly along said boundary to its intersection with the boundary of the County of Los Angeles near San Antonio Dam, thence southerly along the boundary of the County of Los Angeles to its intersection with the boundary of the County of Orange, westerly along the common boundary of Orange and Los Angeles Counties to Brea Canyon Road, southerly along Brea Canyon Road to the northern limits of the City of Brea, thence easterly and southerly along said city limits to Imperial Highway, southeasterly along Imperial Highway and its prolongation to Orchard Drive, southerly along Orchard Drive to Orangethorpe Avenue (Esperanza Road), thence easterly on Orangethorpe Avenue to Imperial Highway, southerly along Imperial Highway to U.S. Highway 91, westerly along U.S. Highway 91 to State Highway 55 (Tustin Avenue), southerly along State Highway 55 to Santiago Boulevard, easterly and southerly along Santiago Boulevard to Chapman Avenue, easterly along Chapman Avenue to Newport Avenue, southerly and westerly along Newport Avenue to Skyline Drive, southeasterly along Skyline Drive to Red Hill Avenue, southwesterly along Red Hill Avenue to Lane Road, northerly along Lane Road to Newport Boulevard, westerly along Newport Boulevard to MacArthur Boulevard (Main Street), northerly along MacArthur Boulevard to Sunflower Avenue, thence westerly along Sunflower Avenue, Wakeman Avenue, Huntzinger Avenue and Ellis Avenue to the Santa Ana River, thence southwesterly along the Santa Ana River to the Pacific Ocean.

Item 50. Rate in Cents per 100 Pounds

25

(End of Appendix A)