

Decision No. 65277

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
M. A. NELSON for authority to in-)
crease "all-freight" rates between)
Los Angeles and Los Angeles Harbor,)
and certain specific commodity rates)
applying from and to the same and)
related points.)

Application No. 44202

Filed February 20, 1962

Frederick E. Fuhrman and Frederick G. Pfrommer, for M. A. Nelson, agent for applicant railroads The Atchison, Topeka & Santa Fe Railway Company, Los Angeles Junction Railway Company, Pacific Electric Railway Company, Southern Pacific Company and Union Pacific Railroad Company.

Leland E. Butler, for The Atchison, Topeka & Santa Fe Railway Company, applicant.

Marshall W. Vorkink, for the Union Pacific Railroad Company, applicant.

Gordon Larsen, for American Can Company, interested party.

Norman E. Arney, for Southern California Chapter of the Institute of Iron and Steel, interested party.

Richard B. Colby, for the Blue Diamond Company division of the Flintkote Company, interested party.

R. E. Dempster, for the Cabot Corporation and for the Traffic Managers Conference of California, interested parties.

Louis L. Fox, for The Quaker Oats Company, interested party.

Howard L. Frisbee, for the United States Gypsum Company, interested party.

David K. Graham, for Permanente Cement Company, interested party.

Ralph Hubbard, for the California Farm Bureau Federation, interested party.

R. T. Hunt, by G. L. Burke, for Richfield Oil Corporation, interested party.

Henry E. Jordan, by Raymond H. Bredenkamp, for the City of Long Beach, interested party.

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

Carl L. Wadsworth, for Bethlehem Steel Company, interested party.

Lauren M. Wright, for Riverside Cement Company division of American Cement Corporation, interested party.

R. J. Carberry and Carl B. Blaubach, for the Transportation Division of the Commission's staff.

O P I N I O N

By this application The Atchison, Topeka & Santa Fe Railway Company, the Los Angeles Junction Railway Company, the Pacific Electric Railway Company, the Southern Pacific Company and the Union Pacific Railroad Company seek authority through their tariff publishing agent, M. A. Nelson, to increase their rates for the transportation of various commodities within southern California.

Public hearings on the application were held before Examiner Abernathy at Los Angeles on October 17, 18 and 19, 1962.

The rates which are in issue herein apply for the transportation of numerous commodities between numerous points of origin and destination within that part of southern California that lies within a distance of about 75 miles from the Los Angeles Harbor area. Applicants allege that said rates do not return even the out-of-pocket costs of their services. They state that what they seek by their proposals in this matter are increases in their rates to a level that will enable them to realize their out-of-pocket costs plus some additional margin for overhead and profit, so that their other traffic will not be burdened by the services involved.

The portion of applicants' traffic that would be mainly affected by the increases in rates which are sought is that which moves between Los Angeles and the Los Angeles Harbor areas under "all freight" rates. Applicants' showing in this matter, insofar as their costs of service are concerned, centers around said "all freight" movements. In the table below are set forth estimates which applicants submitted of their costs of transporting representative "all freight" shipments. Also are set forth the present "all freight" rates that apply to said shipments and the corresponding rates that would be established under applicants' proposals.

Estimated Costs of Transportation by other than Tank Cars; Present and Proposed Rates

(in cents per 100 pounds)

<u>Commodity</u>	<u>Weight of Shipment (in pounds)</u>	<u>Origin of Shipment</u>	<u>Destination of Shipment</u>	<u>Carrier(a)</u>	<u>Costs</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Tires	40,000	Los Angeles Harbor	Los Angeles	ATSF	17.3	15½	17½
Animal Feed	40,000	" " "	" "	UP	16.9	15½	17½
" "	60,000	" " "	" "	SP	13.9	11	13½
" "	60,000	" " "	" "	UP	11.4	11	13½
Machinery	80,000	" " "	" "	SP	10.5	9½	11½
Chemicals	80,000	" " "	" "	SP	10.5	9½	11½
Plywood	80,000	" " "	" "	PE	10.8	9½	11½
All carload movements	40,000	" " "	" "	SP	21.2	15½	17½
" " "	60,000	" " "	" "	SP	14.2	11	13½
" " "	80,000	" " "	" "	SP	10.8	9½	11½
Cans	40,000	" "	Los Angeles Harbor	UP	18.1	15½	17½
Fibreboard Boxes	60,000	" "	" " "	ATSF	12.2	11	13½
Machinery	60,000	" "	" " "	SP	14.2	11	13½

- (a) ATSF - The Atchison, Topeka & Santa Fe Railway Company
 UP - Union Pacific Railroad Company
 SP - Southern Pacific Company
 PE - Pacific Electric Railway Company

The cost figures which are set forth in the table above represent only the out-of-pocket costs of the movements indicated. Applicants did not undertake to show what the full costs would be. Assertedly, there is no sound nor practicable method by which costs other than the out-of-pocket costs can be allocated to a specific movement of a specific commodity. As an indication of the volume of the other costs, however, a witness for the Southern Pacific Company reported that for the year 1961 the full freight costs of that company exceeded its out-of-pocket costs by about 25 percent.

Applicants' proposals involve adjustment of more than 1,000 different rates.¹ From a revenue standpoint, the principal adjustments are the increases which would be made in the "all freight" rates and related increases in other commodity rates. About 35 percent of the proposed adjustments are of this type. In about 20 percent of the instances the adjustments would consist only of increases in the minimum carload weights upon which the present rates are based. Present commodity rates would be canceled, leaving class rates to apply, in about 45 percent of the instances. In a few instances -- a very small percentage -- the adjustments consist of the cancellation of present commodity rates in favor of other commodity rates. ✓
✓
✓

As indicated hereinbefore, applicants' main objective in this matter is the establishment of rates that will return sufficient revenues to cover the out-of-pocket costs of applicants'

¹ With the exception of some changes which were made at the hearings on this matter, applicants' present and proposed rates are set forth in Appendix "A" attached to the application.

services plus some additional amounts for overhead and profit. Correlative objectives are (a) the establishment of rates that will promote greater and more efficient utilization of applicants' equipment and (b) the cancellation of commodity rates which are no longer required by transportation conditions. Applicants expect to achieve greater utilization of their equipment as a result of the increases in minimum carload rates which they seek to establish. Regarding the rate cancellations which are proposed, applicants' witnesses testified in effect that the commodity movements under the rates involved have become so sporadic that the retention of commodity rates for said movements is not warranted. With the cancellation of such commodity rates, applicants' class rates would apply for the transportation affected. Estimated additional revenues which the four principal carriers would realize annually from the sought rate adjustments are as follows:

Atchison, Topeka & Santa Fe Railway Company	\$27,476
Pacific Electric Railway Company	70,234
Southern Pacific Company	4,560
Union Pacific Railroad Company	21,731

The record shows that prior to the filing of this application hearings were held on the matters involved by applicants' tariff agent. Parties believed to be interested were notified of said hearings and given opportunity to present their views. Prior to the hearings held before the Commission on this application notices of such hearings were also sent by applicants to various interested parties. In addition to the publicity given to the proposals by applicants, notices of the hearings before this Commission were published in the Commission's calendar. At the latter hearings no one presented evidence or argued in opposition to the application.

The authority which applicants seek in this matter should be granted with a minor exception. The record is clear that the costs of applicants' principal services under the rates in issue herein exceed their revenues from said rates. If applicants are to be compensated for their costs without burdening other traffic, increases in the rates should be permitted. The increases which applicants propose in their rates for their principal services do not appear excessive, inasmuch as the evidence indicates that in relation to the costs of the services the rates contain only a small provision for profit, if any. We find that such increases have been shown to be justified.

Increases in the rates for applicants' principal services of necessity entail increases in the rates for applicants' other services if applicants' rate structure as a whole is to be maintained on a reasonable and nondiscriminatory basis. The record in this respect shows that in arriving at the rates which they propose to establish applicants undertook to maintain a reasonable progression between the increased rates that would be established, on the one hand, between Los Angeles and Los Angeles Harbor (the core of the adjustments) and the rates which will continue to apply unchanged, on the other hand, between Los Angeles/Los Angeles Harbor and points at and beyond the perimeter of the area for which the increases in rates are sought. We find that these rate increases which are proposed as concomitant adjustments to the increases in rates for applicants' principal services have been shown to be justified.

The increases which applicants seek to make in their ~~minimum carload weights~~ are, in substance, modifications of a

number of the rate increases which would otherwise apply under applicants' proposals, since the rates which applicants would assess in connection with the increased weights are the same as present rates or they are increased by lesser amounts than the increases in rates which would be made generally. As indicated previously herein, these increases in carload weights are proposed as incentives toward heavier loading, and thereby more efficient usage, of applicants' equipment by the users of applicants' services. Applicants' proposals in this respect make available to their shippers a part of the economies achieved through the heavier loadings. We find that the increases in carload weights are justified.

We also find justified the increases in rates which would result under applicants' proposals to cancel various commodity rates, thereby leaving class rates to apply as the applicable rates. The record shows that to a large extent the movements of the commodities in question have ceased to exist. In the circumstances a continuation of commodity rates for these movements is not warranted.

Applicants' proposals as set forth in the application include a request for authority to cancel their commodity rates for the transportation of phosphate of sodium from Los Angeles to Los Angeles Harbor and Long Beach and from Rioco to Los Angeles, Los Angeles Harbor and Long Beach. Applicants indicated at the hearing that this request was made in error. The application will be denied in this respect.

At the close of the hearings in this matter a representative of the Commission's Transportation Division moved that

in the event the increased rates and other tariff charges which applicants seek to establish be authorized in whole or in part, highway common carriers and petroleum irregular route carriers be authorized and directed to make corresponding increases in their rail competitive rates between the same points. Assertedly, under the so-called alternative provisions of the Commission's minimum rate tariffs applicants' rates are the minimum reasonable rates for highway carriers; were not highway common carriers and petroleum irregular route carriers authorized and directed to adjust their rates to conform to those of applicants', their rates would be held below a reasonable minimum level.

The motion will be granted. Inasmuch as the rate adjustments which are involved are, in effect, adjustments pursuant to the minimum rates, the adjustments will be directed by separate order in the appropriate minimum rate proceeding.

O R D E R

IT IS HEREBY ORDERED that:

1. The Atchison, Topeka & Santa Fe Railway, the Los Angeles Junction Railway Company, the Pacific Electric Railway Company, the Southern Pacific Company and the Union Pacific Railroad Company be and they hereby are authorized to amend their tariffs to establish increased rates and to effect other changes in said tariffs in accordance with their proposals as set forth in Exhibit No. 1 (as amended) in this proceeding.

EXCEPTION:

No change may be made, pursuant to the authority herein granted, in the rates for the transportation of phosphate of sodium, not otherwise indexed by name, as set forth in Item No. 2713 of Pacific South-coast Freight Bureau Tariff No. 300, M. A. Nelson, Agent.

2. 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 23rd day of April, 1963.

George L. Trover
President

[Signature]
[Signature]

Frederick B. Hallock

William M. Bennett
Commissioners