

66723

**ORIGINAL**

Decision No. \_\_\_\_\_

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
PACIFIC SOUTHCOAST FREIGHT BUREAU  
for authority to increase certain  
rates and minimum weights on plaster,  
plasterboard and related articles  
from and to points in the Los  
Angeles Basin area.

Application No. 45729  
(Filed September 3, 1963)

In the Matter of the Investigation  
into the rates, rules, regulations,  
charges, allowances and practices of  
all common carriers, highway carriers  
and city carriers relating to the  
transportation of any and all commo-  
dities between and within all points and  
places in the State of California  
(including, but not limited to, trans-  
portation for which rates are provided  
in Minimum Rate Tariff No. 2).

Case No. 5432  
(Order Setting Hearing  
dated October 1, 1963)

And related matters.

Case No. 5435  
(Order Setting Hearing  
dated October 1, 1963)

A. T. Suter, for applicant.  
C. D. Gilbert, A. D. Poe and James X. Quintrall  
for California Trucking Association; Clifford  
Worth, for Fibreboard Paper Products, Inc;  
Lloyd W. Gragg and Loren D. Olson, for Kaiser  
Gypsum Company, interested parties.  
R. A. Lubich and Henry E. Frank, for the  
Commission staff.

O P I N I O N

In Application No. 45729 Pacific Southcoast Freight  
Bureau seeks authority on behalf of rail carriers participating  
in Pacific Southcoast Freight Bureau Tariff No. 273-D, ICC No.  
1709, to increase carload rail rates on plaster, plasterboard and  
related articles, from, to and between points in the Los Angeles  
Basin area. Order Setting Hearing dated October 1, 1963, in Cases  
Nos. 5432 and 5435 was issued for the purpose of determining whether

common carriers maintaining, under outstanding authorizations permitting the alternative use of rail rates, rates below the specific minimum rate levels otherwise applicable, should be authorized and directed to increase such rates to the level of the rail rates which may be established pursuant to Application No. 45729, or to the level of the specific minimum rates, whichever is lower.

These matters were heard on a common record; public hearing was held on December 5, 1963, in San Francisco, before Examiner Mallory. The matters were submitted on that date. No one appeared in opposition to the application. Interested parties and the Commission staff participated by examination of applicant's witnesses.

An assistant freight traffic manager and a transportation analyst from the Southern Pacific Company presented evidence in support of the application. The assistant freight traffic manager explained the nature of the sought rate adjustments. The gypsum products involved are wallboard, lath, plaster, and blocks. The principal commodity is gypsum wallboard. The producing points for these commodities in California are located at Los Angeles, Long Beach, Plaster City, Midland, Antioch and Newark. Producing points in Arizona and Nevada also market gypsum products in the Los Angeles Basin area. The adjustment of which the proposed California intrastate rates are a part includes carload rail rates on gypsum products to California from origins outside California. The witness stated that publication from such interstate origins has been and will be withheld pending action of this Commission in Application No. 45729, as applicant desires to observe a concurrent effective date with respect to the proposed interstate and California intrastate rates.

Applicant proposes to increase line-haul rates from Antioch, Newark, Redwood City, Los Angeles, Long Beach, Plaster City and Midland to the Los Angeles Basin area; and to increase switching rates within the Los Angeles and Long Beach switching limits. The level of the sought line-haul rates and minimum weights has been, for the most part, determined by increasing the minimum weight, where now lower, to 56,000 pounds for box cars and 70,000 pounds for bulk-headed flat cars, and establishing new rates at a minimum weight of 40,000 pounds in box cars and 70,000 pounds on bulk-headed flat cars based not less than 3 cents per 100 pounds higher than present 40,000-pound rates or 50,000-pound rates where 50,000-pound rates are in effect. The switching rates would be increased by providing a minimum weight of 56,000 pounds in connection with such rates, which will produce a higher charge than the present minimum charge stated in dollars per car. The sought adjustment assertedly is for the purpose of improving the revenue derived from noncompensatory or marginal rates and to bring about more efficient utilization of carriers' equipment. ✓

The transportation analyst presented testimony and exhibits concerning the development of estimated out-of-pocket costs for the movements of carloads of gypsum articles to points in the Los Angeles Basin area. The analyst used in the cost development only data relating to Southern Pacific Company operations. The witness explained that he considered Southern Pacific Company operations to be representative of the operations of other railroads with respect to carload transportation of gypsum articles between the points involved in the sought rate adjustment. He stated that he was familiar with such operations and the costs involved, and that while the separate cost factors incurred may

be different for operations over each railroad, the totals of such costs for each railroad approximate those incurred by Southern Pacific Company. In the cost development, the witness selected four movements as representative of the various lengths of haul involved in the adjustment. He determined estimated out-of-pocket costs for each of these movements and from these data projected costs for hauls for other distances. The switching costs are those developed in a recent complaint proceeding involving switching rates on gypsum wallboard at Los Angeles.

The assistant freight traffic manager presented exhibits showing comparisons of the present and sought rates with the estimated out-of-pocket costs of providing the transportation service. These comparisons showed that the present rates range from 70.2

percent below out-of-pocket costs to 68.2 percent above such costs. The majority of the present rates are below or only slightly above the cost estimates. The proposed rates range from 11.4 percent below to 68.2 percent above the estimated costs. The majority of the sought rates are above out-of-pocket costs.

A witness for a producer of gypsum products at Los Angeles testified that the marketing of such products is highly competitive. Therefore, it is essential to retain rate relationships which will permit all competing producers to market their products in the Los Angeles Basin area by making the rate adjustment from the out-of-state producing points effective concurrently with the adjustment sought in this proceeding. He urged that the Commission condition any authority granted in the application herein to require that the increase in rates authorized in the application shall be made effective concurrently with interstate rates from competing origins.

The representative from the California Trucking Association supported the application. Also, he requested that the Commission authorize and direct highway common carriers and other common carriers to increase their rates published on an alternative basis on the levels of the present rail rates to either the level of the rail rates which may be established pursuant to the application herein or to the level of the minimum rates, whichever is lower.

Discussion and Findings

The record shows that the present rail carload rates and minimum weights on gypsum articles are below or barely at the level of the estimated out-of-pocket costs of providing the transportation service. The record does not establish the relationship of the developed out-of-pocket costs to the full costs of providing the transportation service. It is clear, however, the sought rates would return out-of-pocket costs and provide some contributions to fixed costs. The proposed rates would not be in excess of maximum reasonable rates. The rate adjustment in Application No. 45729 is part of a larger adjustment involving rates to the Los Angeles Basin area from all competing producing points of gypsum products, which is designed to place the rate structure on a more compensatory level. In the circumstances, we find that the proposed increased rates and minimum weights set forth in Exhibits 1 and 2 in Application No. 45729 are justified.

To the extent that the charges involved are less than the specific minimum rates prescribed by the Commission for highway carriers, alternatively applied rail carload rates are lower than reasonable minimum rates for such highway carriers. Therefore, when the corresponding rail rates are increased, highway common carriers should be authorized and directed to increase their

alternatively applied rates to such higher level, or to the level of the specific minimum rates, whichever is lower. We further find that the increases in rates of highway common carriers to the level of the rates hereinafter authorized in Application No. 45729 or to the level of the specific minimum rates, whichever is lower, are also justified.

The Commission concludes that Application No. 45729 should be granted and that common carriers maintaining, under outstanding authorizations permitting the alternative use of rail rates, rates below the specific minimum rate levels otherwise applicable, should be authorized and directed to increase such rates to the level of the rail rates established pursuant to Application No. 45729, or to the level of the specific minimum rates, whichever is lower. The Commission also concludes that no purpose would be served by conditioning the authority hereinafter granted in Application No. 45729 to require that the increased rates authorized therein be made effective concurrently with related increased rates applicable to interstate commerce. It is clear that applicant intends to make every effort to publish both scales of rates concurrently. The order will provide that the authorized rates shall be made effective on thirty days' notice, the same period of notice in which the interstate rates may be made effective without special authority.

O R D E R

IT IS ORDERED that:

1. Applicant, Pacific Southcoast Freight Bureau, on behalf of all carriers participating in Pacific Southcoast Freight Bureau Tariff No. 273-D, is authorized to establish the increased rates and carload minimum weights proposed in Exhibits 1 and 2 in Application No. 45729. Tariff publications authorized to be made as a result of this ordering paragraph may be made effective not

earlier than thirty days after the effective date hereof on not less than thirty days' notice to the Commission and to the public.

2. The authority granted in ordering paragraph 1 of this order shall expire unless exercised within one hundred twenty days after the effective date of this order.

3. 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 paragraph 1 of this order, or to the level of the specific minimum rates, whichever is lower, and such adjustments shall be made effective not later than thirty days after the effectiveness of the increased rail rates. ✓

4. Common carriers referred to in paragraph 3 of this order are hereby authorized to depart from the provisions of Section 460 of the Public Utilities Code and Article XII, Section 21 of the Constitution of the State of California, to the extent necessary to make the adjustments authorized herein. Schedules containing the rates published under the authority granted in this order shall make reference to this order.

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

Dated at San Francisco, California, this 28<sup>th</sup> day of January, 1964.

William B. Burdell  
President  
George L. Trover  
Frederic B. Holloff  
Commissioners