

Decision No. 67614**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of KARLSON BROS. TRUCKING SERVICE,)
a corporation, to increase rates)
and charges. }

Application No. 46152
(Filed January 28, 1964)

Willard S. Johnson, for applicant.
H. W. Hange, for National Can Corporation,
interested party.
Henry E. Frank and E. M. Jennings, for the
Commission staff.

O P I N I O N

This application was heard before Examiner Lane at San Francisco on May 28, 1964 on which date it was submitted. Copies of the application and the notices of hearing were served in accordance with the Commission's procedural rules. Evidence in support of the application was introduced by a certified public accountant and by applicant's secretary. A representative of one interested party and members of the Commission staff assisted in developing the record through cross-examination of applicant's witnesses. No one opposed granting of the application.

Among other things, applicant (Karlson) is a highway common carrier engaged in the transportation of iron and steel articles between various points in California. By this application, Karlson seeks authority to make an adjustment which results in an increase in its rates on tin plate from Pittsburg, on the one hand, to Empire and Modesto, on the other hand. It maintains rates of 12 cents per 100 pounds, minimum weight 120,000 pounds per shipment, and 16½ cents

per 100 pounds, minimum weight 80,000 pounds per shipment, on the traffic in question.^{1/} It seeks to cancel the 12-cent rates and to apply the 16½-cent rates instead.

The accountant introduced into evidence a study of the costs to applicant of performing services between Pittsburg and Modesto. He said that his study showed that service was unprofitable under the current rate, but would return a small profit under the proposed rate. The witness stated that his company performs accounting services for Karlson which he personally supervises. He asserted that applicant keeps a continuous record of its costs for its various operations. On the basis of actual records, the witness developed the full cost to applicant of transporting tin plate between the points in question. The witness applied these costs to twenty actual shipments handled by applicant between August 8 and December 20, 1963 and developed the following operating figures for the traffic herein involved:

Statement Showing Operating Results
On Twenty Shipments of Tin Plate
Between Pittsburg and Modesto.

	<u>Under Current Rates</u>	<u>Adjusted to Reflect Proposed Rate Increase</u>
Total Revenue	\$1,122.19	\$1,540.58
Total Operating Expense	1,484.21	1,503.71
Net Operating Income (or Loss)	<u>(362.02)</u>	<u>36.87</u>

^{1/} These rates are published on behalf of applicant in Item No. 1423 of Western Motor Tariff Bureau, Inc., Agent, Local Freight Tariff No. 101, Cal. P.U.C. No. 4.

Applicant's secretary testified that the rates in question are on the same level as rail carload rates and were published to make applicant's rates competitive with rail rates. Applicant's equipment is capable of handling about 51,000 pounds of tin plate each. The witness said that rates based on rail rates, subject to a 120,000-pound minimum, are unprofitable to applicant unless shipments are made in sufficient tonnage fully to utilize the carrying capacity of each unit of equipment used. He asserted that applicant worked out arrangements for shippers to load and consignees to unload shipments before publishing the 120,000-pound rates. Such rates were not published to all rail-competitive points served by applicant, but only to those points where applicant could maintain close supervision and control over equipment.

According to the secretary, applicant enjoys traffic to many points under 120,000-pound rates wherein shipments are arranged to utilize the full carrying capacity of its equipment. With respect to shipments to Modesto, the witness said that there is but a single consignee at that point able to receive shipments of 120,000 pounds or more of tin plate. He said that this consignee controls the weight of its inbound shipments and generally limits them to about 120,000 pounds. As a consequence, the witness stated the 12-cent rate to Modesto is unprofitable.

The witness said that cancellation of the Modesto rate would not deprive the involved consignee of the benefits of the rate or of service inasmuch as the rate is maintained by rail carriers. In addition, he said that highway permit carriers are free to assess the rail rates under provisions in Minimum Rate Tariff No. 2 for alternative application of common carrier rates.

The rate to Empire was said to be a companion rate to the rate to Modesto. According to the evidence, there is no consignee at Empire in a position to receive 120,000-pound shipments of tin plate and applicant has never handled any such shipment to Empire.

A representative of National Can Corporation, the involved consignee at Modesto, appeared at the hearing and assisted in developing the record but offered no objection to the adjustment in rates herein sought.

It is clear from the evidence that the rate to Modesto sought to be canceled is unprofitable to applicant and that the application of the higher proposed rate would return to applicant a nominal profit on the involved traffic. It is also clear from the evidence that the rate to Empire serves no useful purpose insofar as applicant's service is concerned. Based on the evidence, the Commission finds that cancellation of the rates as sought, and the increases in rates resulting therefrom are justified.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Karlson Bros. Trucking Service, a corporation, is authorized to establish the increased rates as proposed in Application No. 46158. Tariff publications authorized to be made as a result of the order herein 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 herein granted shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 28th day of July, 1964.

Frederic B. Hellhoff
President

John P. ...

Walter ...

George G. Trover

William L. ...
Commissioners