

ORIGINALDecision No. 70173

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC SOUTHCOAST
FREIGHT BUREAU under the shortened
procedure tariff docket for authority
to reduce rate on Petroleum Wax, noibn,
in tank cars, subject to designated
provisions, from Group 2 (Oakland,
California) to Anaheim, Highgrove,
Pomona and Riverside, California.

Application No. 47405
(Filed March 11, 1965)

Albert T. Suter, for Pacific South-
coast Freight Bureau, applicant.
Arlo D. Poe, J. C. Kaspar and H. F.
Kollmyer, for California Trucking
Association, interested party.
Robert C. Labbe and George L. Hunt,
for the Transportation Division
of the Commission's staff.

O P I N I O N

Decisions Nos. 32608 and 33948, dated December 5, 1939,
and February 25, 1941, respectively, require common carrier rail-
roads to maintain rates which are not less than those designated
therein as minimum for the transportation of refined petroleum
products in tank cars. By the above-numbered application, The
Atchison, Topeka & Santa Fe Railway Company (ATSF), Southern
Pacific Company (SP), Pacific Electric Railway Company (PE),
Union Pacific Railroad (UP), and The Western Pacific Railroad
Company (WP) seek authority through their tariff agent, Pacific
Southcoast Freight Bureau, to assess lower rates than the pre-
scribed minimum rates in connection with the transportation of

petroleum wax, not otherwise indexed by name, in tank cars, from Oakland group points to Anaheim, Pomona, Highgrove and Riverside.¹

Public hearing on the application was held before Examiner Abernathy at Los Angeles on June 29, 1965. Evidence was presented by the assistant traffic manager of rates and by a cost analyst for the Southern Pacific Company, and by a traffic counselor for the Standard Oil Company. Representatives of the California Trucking Association and of the Transportation Division of the Commission's staff participated in the examination of the witnesses. The record was closed with the receipt of a late-filed exhibit on July 6, 1965.

According to the application, the rates which apply as minimum for the transportation of petroleum wax in tank cars from Oakland group points to Anaheim, Pomona, Highgrove and Riverside are 38 cents, 41 cents, 45 cents and 43-1/2 cents per 100 pounds, respectively, minimum weight 52,000 pounds. The rate which applicants are assessing at present for said transportation is 55-1/2 cents per 100 pounds, minimum weight 52,000 pounds (R 35).² The rate which applicants are seeking authority to assess is 35 cents per 100 pounds, minimum weight 142,000 pounds (R 35).

1 The Oakland group points include Oakland, Pinole, Richmond, Rodeo, Oleum, Port Costa, Martinez, Avon and Port Chicago.

2 The notation "R 35" refers to Rule 35 of the Western Classification which provides that the minimum weight of the shipment shall be computed on the capacity of the car used. Where a minimum weight is also shown the weight to be used for the computation of freight charges shall be computed on the capacity of the car or on the weight shown, whichever is the greater.

Applicants' proposals in this matter stem from a reduction which was made in January 1965, in the rates for the transportation of petroleum wax in tank cars from Midwest origins to California destinations. The rates were reduced from \$1.42 per 100 pounds to \$1.10 per 100 pounds. This reduction followed an earlier reduction of 19 cents per 100 pounds, making a total reduction of 51 cents per 100 pounds in the rates for petroleum wax from the Midwest to California. The reduced rates are subject to a minimum weight of 142,000 pounds. They thereby reflect a relatively recent development in the transportation of liquids in bulk, namely the utilization of so-called jumbo tank cars which have a capacity of about 22,000 gallons -- about twice the capacity of normal tank cars.

Subsequent to the reductions in rates from the Midwest, applicants herein published a rate of 35 cents per 100 pounds, minimum weight 142,000 pounds (R 35), for the transportation of petroleum wax in tank cars from the Oakland area to Los Angeles and Los Angeles Harbor. This rate was published as an alternative to a rate of 48 cents per 100 pounds, minimum weight 52,000 pounds (R 35), which applicants then maintained, and do currently maintain, for the transportation of petroleum wax from the Oakland area to Los Angeles and Los Angeles Harbor. The lower rate was published in response to representations of a producer of petroleum wax in the Oakland area that a reduction in the then applicable rates to Los Angeles and vicinity was needed to assist said producer in meeting the competition of petroleum wax producers shipping to Los Angeles markets under the reduced rates from the Midwest.

These same objectives are the purpose of the rate reductions which are sought in this matter. According to testimony of the traffic counselor for Standard Oil Company of California, petroleum wax is marketed in Southern California under extremely competitive conditions. The reductions in rates which were made from Midwest origins have resulted in a distinct advantage, relatively, for Midwest producers over producers in the Oakland area. The establishment of the reduced rates which are sought by this application assertedly would restore the same rate relationships with respect to the transportation involved that prevailed prior to the rate reductions from the Midwest.

According to figures which were submitted by applicants through the rate and cost witnesses, the sought rate of 35 cents per 100 pounds, minimum weight 142,000 pounds (R 35), would return revenues of \$497 per carload transported as compared to revenues of \$288.60 per car which are earned under the present rate of 55½ cents per 100 pounds, minimum weight 52,000 pounds (R 35). The revenues under the sought rates are more than 30 per cent in excess of the out-of-pocket costs of performing the services involved. Upon this basis applicants conclude that the sought rate will be satisfactorily compensatory.

Discussion

Insofar as applicants' proposals pertain to the transportation of petroleum wax from Oakland group points to Pomona, Highgrove and Riverside, the minimum rate of 31 cents per 100 pounds, minimum weight as provided in R 35 by Decision No. 33948, supra, between Oakland group points and various specified points in Los Angeles and vicinity, may be applied by intermediate application under certain conditions. However, in view of our findings and conclusions hereinafter further discussion of this point is unnecessary.

The data which applicants submitted to show that the sought rate would return revenues in excess of 30 percent of the out-of-pocket costs applicable to the transportation were developed mainly upon the cost experience of the SP, the short line carrier between Oakland and the Los Angeles area. Said data are convincing that the rate would contribute to the earning position of the SP. Obviously, the SP's interests would be better served by the establishment of the rate than they would be through withholding the rate and foregoing the traffic.

With respect to the transportation of wax over the lines of the ATSF and of the UP, it appears that the 35-cent rate to Anaheim would provide said carriers with a return over costs which would be as great as, if not greater than, the return that they presently realize under the same rate to Los Angeles and Los Angeles Harbor. From a distance standpoint, it appears that Anaheim is about the same distance from or closer to, the Oakland group point via the ATSF or via the ATSF and UP than in Los Angeles and Los Angeles Harbor.

The rate sought in this application has been shown to be justified by transportation conditions. Authority to establish said rate will be granted. To the extent that the authority herein granted would apply to the PE, said authority will be granted to the SP. Official notice is taken of the fact that the PE has been merged with the SP and that the SP has adopted the tariffs of the PE.

Applicants asked that in connection with the establishment of the 35-cent rate they also be granted authority to deviate from the long- and short-haul prohibitions of Article XII, Section 21 of the State Constitution and of Section 460 of the Public Utilities Code. This request was made mainly on the grounds that there is no need at this time for publication of the rate to intermediate destinations.

Applicants' reasons for their request are not a valid basis for limiting the rate to nonintermediate application. The competition stemming from the reduced rates from the Midwest (which competition is the motivating factor in this matter) is not confined to Anaheim, and/or to Pomona, Highgrove and Riverside. The record shows that the reduced rates apply to destinations throughout California. The reductions in rates which applicants are able to accomplish through the transportation of shipments of 142,000 pounds or more should not be withheld from those located along applicants' routes to the destinations involved herein. The sought deviation authority will be denied.

O R D E R

IT IS ORDERED that:

1. The Atchison, Topeka & Santa Fe Railway Company, the Southern Pacific Company, the Union Pacific Railroad and The Western Pacific Railroad Company are authorized to establish a rate of

35 cents per 100 pounds, minimum weight 142,000 (R 35), for the transportation of petroleum wax, not otherwise indexed by name, in tank cars from Oakland group points, as designated in Footnote 1 of the above Opinion, to Anaheim, Pomona, Highgrove and Riverside.

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

3. In all other respects, Application No. 47405 is denied.

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

Dated at San Francisco, California, this 4th day of JANUARY, 1966.

Fredrick B. Holcomb
President

Paul E. Hatch

George T. Traver

August

William G. Beard
Commissioners