

ORIGINALDecision No. 72777

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of AMERICAN TRANSFER COMPANY for
authority, under Section 3666 of
the Public Utilities Code, to
assess and collect transportation
charges based on rates lower than
the minimum rates heretofore
established by the Commission. }

Application No. 48874
Filed October 18, 1966

William H. Kessler, for applicant.
C. R. Looney, for Pittsburgh Plate
Glass Company; Edwin R. Nelson, for
Kaiser Refractories; Jack K. Miller,
Arlo D. Poe and H. F. Kollmyer, for
California Trucking Association,
interested parties.
Robert W. Stich and B. I. Shoda, for
the Commission staff.

O P I N I O N

By Decision No. 71499, dated November 1, 1966 in this proceeding, American Transfer Company was authorized, on an interim basis, to transport crushed dolomite rock for Pittsburgh Plate Glass Company (Pittsburgh) from the quarry of Kaiser Refractories (Kaiser), at Natividad, to said glass company's plant near Fresno, at a rate less than that prescribed as minimum. The authorization was limited to a period of six months, to permit the development of experience under the rate in question and to receive evidence at a public hearing, on the basis of which to make final disposition of the matter. By Decision No. 72430, dated May 16, 1967, the interim authority was extended for an additional period of two months to July 21, 1967.

Public hearing was held before Examiner Bishop at Fresno, on March 30, 1967. Evidence on behalf of applicant was presented through its vice president, its accountant, Pittsburgh's manager of rates and Kaiser's rate and service supervisor. A representative of California Trucking Association and members of the Commission's Transportation Division staff assisted in the development of the record.

The procedures employed in, and the circumstances surrounding the transportation in question have been set forth in Decision No. 71499, above, and need not be repeated. The applicable minimum rate, as provided in Minimum Rate Tariff No. 7, is \$4.32 per net ton, subject to a minimum weight of 23 tons. The sought rate, for which interim authority has been granted, is \$3.80 per ton, minimum weight 54,000 pounds. The highway distance via route of operation from the Kaiser quarry at Natividad to Pittsburgh's plant near Fresno is 152 miles.

The record shows that the movement of dolomite under the authorized rate began on December 27, 1966 and had continued, to the date of hearing, at the rate of one trip per day. For this transportation the carrier uses a tractor and two hopper trailers. Fifty-five trips were made through March 17, 1967. The average weight (arithmetic mean) was slightly over 58,000 pounds, just below legal maximum weight.

A round trip was made within eight hours, including one half hour each for loading and unloading. One set of equipment is devoted exclusively to this haul. When the volume increases to two trips per day one set will still be sufficient, using a second driver for the second trip.

The vice president and the accountant both testified with respect to a revenue and cost study which they had prepared. The revenue received during the period of the 55 trips hereinabove mentioned averaged \$110.48 per trip, or 35.18 cents per mile of round-trip operation. The expense data were also developed on a per-mile basis, and purport to reflect full costs, exclusive of income taxes. The total cost figure produced by the study was 29.55 cents per mile, reflecting an operating ratio of 84.0 percent.

Examination of the witnesses revealed that certain adjustments are necessary in the cost study in order for it to have validity as a guide to the degree of profitableness of the operation in question.¹ Depreciation expense was calculated as if for new equipment, whereas the truck was purchased new in 1963 and transferred from other operations, and the trailers (both new in 1963) were purchased in 1966. Also depreciation expense per mile assumed approximately 150,000 miles per year, contemplating two trips per day, instead of one trip per day actually experienced. This element of expense has been recalculated using the remaining life of six years assigned by the carrier, and using a factor of 75,000 miles per year. In the development of the payroll expense items of social security and federal and state unemployment insurance taxes, the witnesses used a lump percentage figure which was insufficient to reflect the requirements of the law. Adjustment has accordingly been made.

While such items as wages and certain payroll expenses, fuel cost and items which are directly related to revenue are

¹ A pro forma cost study was attached to the application. This, necessarily, was entirely reflective of the carrier's system operations from which averages had been calculated. Actual experience had not yet been obtained on the dolomite operation.

indicated as costs actually incurred, other items purport to be based on system averages. Some of these reflect a percentage relationship to revenues as developed from the carrier's annual expense and revenue statement for the fiscal year ended June 30, 1966. No basis for relating such items directly to the movement here in issue was shown. However, in the aggregate they comprise only a minor part of the total expenses incurred in the dolomite operation.

According to the vice president, the actual costs incurred in equipment maintenance and repairs were almost negligible during the test period of 55 trips and were far less than is reflected by the system average utilized in the study. The record discloses further that the item of tire expense, which was also based on the system average was twice entered into the cost compilation, being shown as a separate item and also included, rather strangely, in the aggregate figure for administrative expense. The duplication has been eliminated. The revenue and costs per mile of operation were arrived at by using, for the round trip, double the constructive mileage distance of 157 miles instead of double the actual mileage of 152 miles.² The necessary adjustments have been made.

After the above-described adjustments have been made in the carrier's revenue and cost figures, the revenue per mile appears as 36.3 cents and the cost per mile as 31.2 cents, reflecting an operating ratio of 85.9 percent.

As the application discloses, it was expected that the movement of dolomite from Natividad to Pittsburgh's plant near Fresno would amount to two shipments per day. However, as of the

² Minimum Rate Tariff No. 7 provides that distance rates therein shall be determined by the use of actual mileages via routes of operations.

date of hearing the traffic still stood at one shipment per day. Pittsburgh's manager of rates was unable to state when the movement would increase to two trips per day. He pointed out that during the first few months of operation of a new glass plant there must be some experimentation and elimination of improper functioning in the various stages of the process. Up to the time of hearing no commercial sales of glass had been made, because the batches of glass thus far produced had not come up to standard. He confidently expected that the movement of dolomite from Natividad would eventually increase to two trips per day. With respect to the weight per shipment, this witness stated that, although that weight never falls below 56,000 pounds, his company prefers that the minimum weight be kept at 54,000 pounds as proposed in the application and as presently authorized, to permit some flexibility.

The Pittsburgh witness further testified that his company engages in proprietary trucking operations in other parts of the country and that it is financially able to purchase its own trucks for the haul here in issue. He was unable to state, however, whether or not Pittsburgh would convert to proprietary operation if the application should be denied.

No one opposed the granting of the application. Counsel for applicant stated that the carrier has no objection to the sought authority being made subject to annual review, and subject to the condition that if subhaulers are engaged by applicant to perform the transportation here in issue said subhaulers shall be paid the minimum rate as set forth in Minimum Rate Tariff No. 7.³

³ The record shows that applicant has not engaged subhaulers at any time in the dolomite operation, and that it does not intend to do so in the future.

The representative from the Commission's Rate Branch recommended that if deviation from minimum rates is authorized, the minimum weight per shipment shall be 28 tons and that use of the authorized rate shall be contingent upon a minimum volume of 280 tons per week. Pittsburgh's rate manager stated that a minimum quantity of 10 trips per week, or two trips per day, would be unacceptable to his company as it would render the sought rate of no value, since his company cannot possibly meet such a requirement under present conditions.

The analysis of applicant's cost study, hereinabove set forth, shows certain deficiencies in its development. Adjustments have been made where the necessary data were available. The adjusted operating ratio of 85.9 percent is sufficiently low to permit adequate recognition of expense factors which may not have been given their full effect in the study, and still leave sufficient margin to reflect a profitable operation. The adjusted cost figures are indicative of results of operating one round trip per day. When the traffic increases to permit two round trips per day with the assigned equipment, the results will be still more favorable.

The suggested modifications in the authorization as now provided on an interim basis appear reasonable except that which would require the transportation of a minimum quantity of 280 tons of dolomite per week. The record shows clearly that, under conditions prevailing at the time of hearing, such a requirement could not be met. The suggestion will not be adopted.

We find, after hearing, that the proposed rate, subject to a minimum weight of 28 tons and to the other conditions set forth in Appendix A hereof, is reasonable.

We conclude that the application should be granted to the extent provided in said Appendix A. Since the conditions under which service is performed may change at any time, the authority will be made to expire at the end of one year, unless sooner canceled, changed or extended by order of the Commission. Also, since the interim authority now in effect is scheduled to expire on July 21, 1967, the effective date of the order which follows shall be the date hereof.

O R D E R

IT IS ORDERED that:

1. American Transfer Company is hereby authorized to transport crushed dolomite rock for Pittsburgh Plate Glass Company between the points set forth in Appendix A, attached hereto and by this reference made a part hereof, at a rate less than the established minimum rate but not less than that set forth, and subject to the conditions shown, in said Appendix A.

2. The authority herein granted shall expire one year after the effective date of this order, unless sooner canceled, modified or extended by order of the Commission.

3. If, during the time in which said rate is in effect, any shipments embraced by said Appendix A are transported for account of American Transfer Company by a subhauler or subhaulers, said subhauler or subhaulers shall be paid the minimum rate or rates provided in Minimum Rate Tariff No. 7.

This order shall become effective on the date hereof.

Dated at San Francisco, California, this 18th

day of JULY, 1967.

Robert E. Mitchell
President

William L. Bennett

Howard

William J. ...

Jack P. ...
Commissioners

APPENDIX A

AMERICAN TRANSFER COMPANY

Commodity: Crushed dolomite rock, in hopper trucks.
From: Kaiser Refractories Quarry, Natividad.
To: Pittsburgh Plate Glass Company, 3333 South
Peach Avenue, in the vicinity of Fresno.
Rate: \$3.80 per net ton.
Minimum Weight: 28 net tons per shipment.

Note: The shipments for which this authorization
is provided shall, in all other respects,
be subject to the provisions of Minimum
Rate Tariff No. 7.

(End of Appendix A)