

ORIGINAL

Decision No. 75135

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application for authority to make effective increases in local and joint rail and rail-highway freight rates and charges.

Application No. 50445
(Filed July 30, 1968)

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 commodities between and within all points and places in the State of California (including, but not limited to, transportation for which rates are provided in Minimum Rate Tariff No. 2).

Case No. 5432
(Order Setting Hearing In Decision No. 74619, dated August 27, 1968)

And related matters.

Cases Nos. 5330, 5433, 5435, 5436, 5437, 5438, 5439, 5440, 5441, 5603, 5604 7857, 7858

Charles W. Burkett, Larry W. Telford, Leland Butler and Ralph R. Le Pera, for applicants.
Richard E. Costello, A. Wallace Tashima, Alden L. Stock, Keith M. Brown, J. R. Copeland, for Spreckels Sugar Company, Union Sugar Division of Consolidated Foods Corporation, and Holly Sugar Corporation; Marvin R. Johns, for Georgia Pacific Corporation; Malcolm Young, for California Beet Growers Association; and Thomas E. Duffy and Sydney Levin, for Institute of Scrap Iron and Steel; protestants.
W. R. Donovan and K. L. Mallard, for California and Hawaiian Sugar Company; D. R. Ranche, for Standard Brands Incorporated; William Mitze, for American Cement Corporation; E. J. Bertana, for Pacific Cement and Aggregates; James A. Gilsdorf, for Kaiser Sand & Gravel; S. A. Moore and George Cooper, for Kaiser Cement & Gypsum Corporation; Ralph Hubbard, for California Farm Bureau Federation; Eugene H. Rhodes, for Monolith Portland Cement Company; George B. Shannon, for Southwestern Portland Cement Company; E. J. Bertana, for Pacific Cement & Aggregates; W. N. Greenham by Fred J. Corsello, for Pacific Motor Trucking Company; Raymond E. Healy, for Cannery League of California; Arthur D. Maruna, H. F. Kollmyer and A. D. Poe, for California Trucking Association; Norman I. Molaug, for J. C. Penny Company; R. A. Morin, by Milton A. Walker, for Fibreboard Corporation; Jefferson H. Myers, for San Francisco Port Authority; John T. Reed, for California Manufacturers Association; Ronald M. Zaller, for Continental Can Company, Inc.; and W. P. Tarter, for William Volker & Company; interested parties.
Dale R. Whitehead, for the Commission staff.

O P I N I O N

These matters were heard on September 16 and October 7, 8 and 9, 1968, at San Francisco, before Examiner Mallory. The matters were submitted upon the filing of concurrent briefs on October 29, 1968. Briefs were filed by applicant, by the California Beet Growers Association, and jointly by Spreckels Sugar, Union Sugar and Holly Sugar Companies.

Pacific Southcoast Freight Bureau, on behalf of carriers participating in its tariffs, seeks authority to increase local and joint all-rail and joint rail-highway freight rates and charges applicable to California intrastate transportation, except certain rates which historically have been maintained at levels of the minimum rates prescribed by the Commission for highway carriers. The amount of the sought increases are set forth in Exhibits 1, 2, 3 and 4, and are the same as those authorized by the Interstate Commerce Commission (ICC) to apply as interim rates on interstate rail traffic, pending completion of a full investigation by that agency as to the revenue needs of the nation's rail carriers in Ex Parte 259 - Increased Freight Rates, 1968.¹ The increases sought in these proceedings generally amount to 3 percent. Lesser percentages of increase or maximum increases are sought for certain specified commodities.

On August 27, 1968, the Commission ordered that a hearing be held in the several minimum rate proceedings, concurrently with the application herein, for the purpose of determining whether common carriers should increase their rates maintained on the level of

¹ Applicants request that this Commission hold the record open for additional evidence following further action by the ICC in Ex Parte 259. The increases sought by the railroads in that proceeding average 5 percent.

rail rates pursuant to "alternative application of common carrier rates" provisions of the various minimum rate tariffs.

The last general increase in California intrastate rail freight rates was authorized in Decision No. 73520, dated December 7, 1967, in Application No. 49493 (Ex Parte 256 increases). Prior to that decision, no general increases had been authorized since Decision No. 61440, dated February 7, 1961, in Application No. 42837.

Specific protests were made with respect to the sought increases in the rates on sugar beets and Portland cement. Protestant sugar beet refiners made a motion that the application be dismissed; said motion was taken under submission.

At the hearing on October 8, 1968, the rail carriers announced that in consideration of the position of the sugar beet interests, the carriers desired to modify their proposals so as to limit the increase on sugar beets to 3 percent, as originally proposed, but subject to a maximum increase of 5 cents per ton of 2,000 pounds.² Assertedly, the proposed maximum increase of 5 cents per ton will reduce the effective increase on sugar beets by varying amounts ranging from 1 percent to 2.29 percent, depending upon the length of haul. Said maximum increase is not acceptable to the sugar beet growers and sugar producers, which urge that no increase on sugar beets be authorized in this proceeding.

The producers of Portland cement request that a flat increase on all cement rates of one fourth of 1 cent per 100 pounds (5 cents per ton) be established in lieu of the proposed 3 percent increase in bulk cement rates. The cement producers argue that in several prior increase proceedings, flat increases per ton on

² Said maximum increase of 5 cents per ton is proposed only in connection with California intrastate traffic.

cement were established in consideration of the marketing practices of and competition between cement mills; that the same marketing and competitive conditions exist today; and that the flat increase proposed by cement producers will produce approximately the same overall increase in revenues as would the 3 percent increase proposed by the rail carriers.

A representative of a major producer of rock, sand and gravel urged that the increases sought by the railroads be authorized. He stated that concrete aggregates producers in California recognize that the California railroads are in need of additional freight revenues to offset increased labor and other costs.

Railroads' Evidence

The financial data adduced by railroad applicants consisted of a showing of the estimated California intrastate revenues and expenses of the four largest railroads operating in the State and their subsidiaries. Assertedly, such railroads handle 97 percent of California intrastate rail traffic. Such data were developed by adjusting the estimated expenses for the year 1966 presented in Application No. 49493 (Ex Parte 256) to reflect cost levels as of April 1, 1968, and by adjusting revenues for the year 1966 to reflect the estimated amount of the Ex Parte 256 increases and the increases sought in this proceeding (Ex Parte 259-A). The methods followed by the railroad witness in separating intrastate and interstate revenues and expenses and in the development of current levels of expenses are described in detail in Decision No. 73520.

The estimated results of California intrastate freight operations of the major California railroads and their subsidiaries are set forth in Table 1, which follows:

TABLE 1

Estimated Freight Revenues, Expenses and Net
Railway Operating Income (Exclusive of Income Taxes)
Attributable to California Intrastate Traffic Adjusted
to April 1, 1968, With Allowances For Sought Increases

	<u>Revenues</u> (+000)	<u>Expenses</u> (+000)	<u>Net</u> <u>Railway</u> <u>Operating</u> <u>Income</u> (+000)
Southern Pacific	\$63,243	\$ 70,435	\$ (7,192)
Santa Fe	18,794	20,362	(1,568)
N W P	4,222	5,428	(1,200)
Western Pacific	2,573	3,341	(768)
Union Pacific	1,811	1,442	369
SD & AE	1,060	939	121
Sacramento Northern	436	636	(200)
Sunset	157	185	(28)
Central Calif. Tr.	145	332	(187)
Holton Inter Urban	129	140	(11)
Tidewater Southern	33	91	(58)
Petaluma & Santa Rosa	29	29	..
Visalia Electric	<u>2</u>	<u>1</u>	<u>1</u>
Totals	\$92,634	\$103,361	\$(10,727)

(Red Figure)

The witness stated that principal increases in operating expenses occurring in the period since the rail freight rates were last adjusted have been in wage rates, fringe benefits, payroll taxes, materials and supplies, and fuel. The witness testified that, based on his estimates, the railroads are suffering an annual loss on the handling of California intrastate freight traffic in excess of \$10.5 million, and that the increases in revenues of 3 percent sought in

this proceeding are not sufficient to cover the increases in expenses incurred in the period July 1, 1967 through April 30, 1968.

Evidence Re Portland Cement

Representatives of four Portland cement companies operating production facilities in California testified in opposition to the proposed increases on Portland cement. The witnesses testified that their companies ship a portion of the output of their cement mills by rail; that practically all such shipments are in intrastate commerce; that increases authorized in Decision No. 73520 (Ex Parte 256 increases) were substantially greater than the percentages alleged in the proceeding leading to that decision; that marketing practices in the cement industry require that cement mills absorb freight rates in excess of the rate from the closest mill to destination; and that a flat increase rather than a percentage increase in rates is preferable to cement producers.

Assertedly a flat increase in rates will retain the current competitive advantage (or disadvantage) of location of cement mills, and such an increase will insure that freight charges will not exceed the amount sought to be recovered, as assertedly was the case in connection with rates established pursuant to Decision No. 73520.

The witnesses proposed that a flat increase of 5 cents per ton be established for Portland cement. The witnesses stated that the preponderance of the rail shipments of cement are to points where the present rate is 9-1/2 cents or less. A three percent increase in a rate of 9-1/2 cents amounts to 1/4 cent per 100 pounds (5 cents per ton). Therefore, a flat increase of 5 cents per ton will produce, for the preponderance of rail cement shipments, the same amount of additional revenue as is sought in the application

herein. The witnesses also testified that the flat increase proposed by the cement mills is the same as the maximum increase proposed by railroads for sugar beets.

This proposal was not specifically opposed by the railroads.

Evidence Re Sugar Beets

Protestant beet sugar growers and beet sugar refiners presented evidence through three witnesses.

The executive manager of the California Beet Growers Association testified on behalf of the 3,500 California sugar beet farmers which are members of that association. The witness testified that any increase in the rail carload commodity rates on sugar beets will be passed on to the growers in the form of deductions from the amount that refiners pay to growers for their beets. Growers of sugar beets assertedly are caught in the same cost-price squeeze as other agricultural commodities grown in California, in that increases in costs of production, transportation or marketing of farm products cannot be passed on to the consumer in the form of higher prices for the product. The record shows that for distances in excess of approximately 50 miles, all sugar beets are moved in railroad service.³ The witness testified that growers have changed their shipping practice and have improved the facilities at receiving stations where railcars are loaded in cooperation with the railroads.

The assistant traffic manager of a beet sugar refining company testified on behalf of his employer and other beet sugar refiners operating in California. The witness stated that sugar

³ For lesser distances sugar beets are moved to the refinery in trucks.

beets are the largest single farm commodity moving by railroad in California intrastate traffic; and that said traffic generates freight revenues ranging from \$5 million to \$7.5 million annually. The witness testified that sugar beets are generally handled in special train movements which foster economies not available to other carload rail traffic, such as: direct movements which eliminate intermediate switching, and multiple-car billing. Also agreements have been made which eliminate the necessity of weighing cars, thus reducing carriers' costs.

A consulting transportation economist testifying on behalf of protestant beet sugar refiners presented in evidence studies showing his estimates of out-of-pocket costs and fully distributed costs for the movement of sugar beets in California. These studies also showed that in 1967 the average loading of sugar beets in California was 70.2 tons per car, the average length of haul was 213 miles, the average revenue per car was \$181, and the average revenue per ton was \$2.58.

The witness stated that the ratio of 1967 revenues under 1967 rail freight rates to out-of-pocket costs in his study is 163 percent, and the ratio of revenues under the rates proposed herein to out-of-pocket expenses is 168 percent. The witness testified that these ratios are in excess of the ratios applicable to the carload movement of sugar beets between other points in the West. According to the witness, the average revenue for handling sugar beets in Western Territory, as reflected in ICC Statement 1-68, for the year 1967 was 77 percent of out-of-pocket costs,

The witness also developed a study of the fully distributed costs of moving sugar beets by rail in California. The witness asserted that sugar beet revenues for the year 1967 were exactly at the level of the fully distributed costs as developed in his study.

The record shows that the entire movement of sugar beets in intrastate commerce is handled over the tracks of the Southern Pacific Company (SP) and its connection, the Ventura County Railroad Company (VC). The SP presented two witnesses to rebut the evidence presented by the beet sugar interests. SP's General Superintendent of Transportation described in detail the manner in which sugar beets are handled by SP; the type, age and condition of the cars used; and the seasonal variations in the requirements for said rail cars. According to the witness, a fleet of gondola cars are assigned to sugar beet transportation in California and Arizona; except for sporadic use in woodchip service, said cars are used exclusively for sugar beets; the gondola cars were specially built for said service in 1948 and 1949; the remaining life of said cars is about five to six years; replacement costs are about \$15,000 each; use of the cars varies, depending upon weather conditions, from 9 to 10 months per year; and there are great variations in car use between the peak and off-peak requirements of the sugar refineries.

The witness also testified that expedited service is given to the movement of trainloads of sugar beet cars from the points where the cars are assembled into a train to the destination beet sugar refineries.

SP's Freight Traffic Manager, Rates and Divisions, compared rate levels maintained by the railroads on other agricultural commodities with those maintained on sugar beets. The witness testified that a random sampling was made of actual movements of farm products, and that the rates for such movements were then determined and compared with representative movements of sugar beets. The witness explained that the rates on sugar beets are generally

lower than for other heavy moving agricultural commodities such as grain.

Position of the Parties Re Sugar Beets

Protestant beet sugar refiners oppose the 3 percent interim increase on the ground that no emergency exists which would justify the granting of such interim increase. They urge that the Commission defer action on this application until the ICC has taken final action on the nationwide freight rate increases now pending before that Commission in Ex Parte No. 259. On this point, they point out that this Commission, on its own behalf and on behalf of the People of the State of California, has actively opposed the railroad general rate increases pending before the ICC in Ex Parte 259.

Protestants specifically and strongly oppose any rate increase on sugar beets on the ground that the existing rates are unreasonably high and there is no justification for any increase.

Protestants also urge that applicants' cost evidence of record is fatally defective in that the factors used as a basis for the separation of California intrastate freight revenues and expenses from other revenues and expenses are out-of-date in that said factors do not reflect current traffic patterns, heavier car loadings, and methods of handling the traffic. Protestants also challenge the development of current revenues and expenses from data used in a prior proceeding rather than using the most recent actual data which are available.

The railroads argue that they are in urgent need of additional revenues; that even with the proposed increases, California intrastate net railway operating income for the major railroads and their subsidiaries will be \$800,000 less than that projected for the

year 1967 in Decision No. 73520; and such decrease in net rail operating income results from increases in expenses in the year's period in excess of the 3 percent increase in revenues proposed herein.

The railroads also argue that separation procedures, although bottomed upon traffic factors for the year 1956, were applied against actual revenues and expenses for the year 1966. The railroads contend that such separation procedures are not out-of-date. Changes in lengths of haul, tons per carload, and other factors have occurred uniformly in connection with both intrastate and interstate traffic; thus the relationships between intrastate and interstate traffic determined in the 1956 study are still appropriate.

The railroads also argue that the California intrastate rate structure is depressed in relationship to other traffic; and that a substantially greater increase than that sought herein would be required in order that carriers may recover all of the increased expenses attributable to California intrastate traffic. Such increase was not requested because of the railroads' policy of not seeking increases on intrastate traffic of a greater percentage than for interstate traffic.

Concerning sugar beets, the railroads argue that the instant proceeding is a revenue proceeding, in which the overall revenue requirements of the California railroads are under consideration, and that such a proceeding is not an appropriate vehicle in which to determine the extent to which adjustments of commodity rates may be required. (Citing Decision No. 73520, supra, and Decision No. 58226, 57 Cal. PUC 129.) The railroads also argue that, in any event, the current level of beet sugar rates is not

unreasonable or otherwise unlawful, either in comparison with costs of transportation or with rates on other farm products.

Discussion

This Commission has consistently held that a showing of the California intrastate revenues and expenses of applicant railroads is essential to a determination of whether a general increase in rail intrastate rates is justified. In line with this holding, the railroad introduced comprehensive separation studies in Application No. 38557 (Decision No. 58226, April 7, 1959, 57 Cal. PUC 117). These studies, modified to reflect certain revisions proposed by the Commission staff, were found to be reasonable by the Commission, although they contained certain imperfections (57 Cal. PUC 117, at page 129). Said procedures have been used in each general rate increase proceeding since that date. The last proceeding of this type was Decision No. 73520, supra.

Some of the underlying data used in the separation studies were predicated on traffic flow information for the year 1956. The use of such data was attacked by protestants as being outmoded and not reflective of current average weights per car and lengths of haul. The railroads countered by indicating that changes in traffic patterns are applicable uniformly to both intrastate and interstate traffic, thus causing no change in the relationship of intrastate to interstate traffic. The record herein indicates that some of the underlying factors used in the separations study may not be currently valid. However, the record does not show in what respect changes in such basic data affect the reliability of the separations study, or in what respect these procedures should be modified. The data in this record and in prior proceedings obviously has several impediments and the separations should be brought up-to-date.

However, while not wholly satisfactory, the separation procedures used by applicant do show such a poor net revenue position for California traffic that it can be assumed that only with major shifts in the resulting expense allocations will California intrastate revenues exceed expenses.

The railroads, through the use of separation procedures indicated above, have shown that their California intrastate expenses for freight service exceed the revenues therefrom under the rates proposed in the application herein. The railroads also have shown that the increase in expenses incurred since the rates were last adjusted pursuant to Decision No. 73520, supra, exceed the revenues sought to be recovered herein. These factors lead to a finding that the railroads are in urgent need of a general increase in intrastate rates to help reduce their deficit net revenue position on California intrastate traffic. From this stems a further finding: that, in the absence of special circumstances, all California intrastate traffic should bear a fair share of said additional revenue requirements.

We turn now to protestants' contention that the application herein seeks interim relief and that such relief is not justified. Protestants argue that the applicant railroads' overall operations, both interstate and intrastate, are relatively healthy financially. Protestants thus contend that applicants are not in any financial emergency which would require the granting of emergency interim relief herein. Protestants urge that this Commission has consistently held that a finding that a financial emergency exists is a prerequisite to the granting of interim relief. The railroads point out that it has been their policy not to seek increases on intrastate traffic greater than on interstate traffic, even though

it would appear that greater increases were warranted. They state that the corollary of this policy should be that once an interstate general increase becomes effective the carriers should be promptly permitted to make the same increase effective on intrastate traffic, particularly in California where the rate structure is so depressed. In view of the findings above that the sought increases are justified to meet the revenue needs of the railroads on their California intrastate traffic, the contentions of protestants with respect to the granting of interim relief in this proceeding have no merit.

Protestants also urge that the general rate increase, if granted, should not apply to sugar beets. They supported this position with evidence designed to show that the handling of rail sugar beet traffic is more efficient than for other farm commodities; that in California the relationship of rate levels to costs is more favorable than in other Western States; and that the growers of sugar beets, who will ultimately bear the increase in freight charges, cannot absorb any additional marketing costs. On the other hand, the showing made by protestants indicates that the relationship of fully distributed costs to the rate levels on sugar beets is on a par.

The railroads contend that all traffic should bear a portion of the revenue needs of the railroads. The railroads also contend that the evidence shows that the rates on sugar beets are within the zone of reasonableness as compared with rates maintained on other agricultural commodities moving in California.

The record shows that special conditions surround the movement of sugar beets which make such movements more efficient to handle than other farm commodities. It is incumbent that a showing be made in connection with rate comparisons involving different

commodities that the transportation services performed are comparable. The record indicates that sugar beets move in a different manner from other farm products. Therefore, the rate comparisons furnished by the railroads have little probative value.

While the ratio of out-of-pocket costs to revenue on sugar beet traffic in California exceeds such ratios on other sugar beet traffic in the Western District, this comparison, alone, does not show that California sugar beet rates exceed maximum reasonable rates. Such a comparison does indicate that California sugar beet rates are above minimum reasonable rates. An additional comparison looking to a determination of whether sugar beet rates are excessive is the ratio of fully distributed costs to revenues. Sugar beet revenues are approximately equal to fully distributed costs and provide no margin for profit. Therefore, we find that sugar beet rates, increased as proposed herein, will not exceed maximum reasonable rates.

Applicant requests authority to make the increases effective on five days' notice. In view of the losses now being sustained by the rail lines and as such increases are in effect on interstate traffic, authority to establish the increased rates on ten days' notice is justified and should be granted. The long- and short-haul relief requested in the application is justified and should be granted.

With respect to the issues in order setting hearing in Decision No. 74619, the rates of common carriers now maintained at the level of the present rail carload rates should be increased to the level of the increased rail carload rates or to the level of the applicable minimum rates (whichever are lower) for the reasons set forth in Decision No. 73520, supra.

In consideration of the record herein and the foregoing findings of fact, in summation we find:

1. Applicant seeks authority to increase California intra-state local and joint all-rail and joint rail-highway freight rates and charges by the same amounts and subject to the same conditions, including refunding provisions established by applicant on interstate traffic in its Tariff of Increased Rates and Charges X-259-A; except for those rates historically maintained on the levels of motor carrier minimum rates; and except for sugar beets, to which a lower maximum increase is sought.

2. The proposed increases, except in connection with carload rates on Portland cement and sugar beets, have been shown to be justified. An increase of 1/4 cent per 100 pounds on Portland cement in carloads, and an increase of 3 percent, maximum 5 cents per ton on sugar beets in carloads, has been shown to be justified.

3. The rates and charges of highway common carriers and other common carriers published and maintained on the level of present rail carload rates, are insufficient, unreasonable and not justified by transportation conditions to the extent such rates and charges are both lower than the increased rates authorized herein and below the applicable minimum rates.

We conclude that:

1. The application should be granted to the extent provided by the order herein.

2. Common carriers maintaining rates based on rail rates should be authorized and directed to increase those rates to the level of the increased rail rates or to the level of the otherwise applicable minimum rates, whichever is the lower.

3. Common carriers maintaining rates based on rail rates which rail rates have been canceled or changed should be required to adjust such rates to conform to the changed rail rates or to the minimum rates otherwise applicable.

4. Applicant and common carriers should be authorized to depart from the provisions of Section 460 of the Public Utilities Code and from the terms and rules of General Orders Nos. 80-A and 125 to the extent necessary to establish the increased rates authorized or required herein.

5. The motion to dismiss the application should be denied.

6. The request that this proceeding should be kept open pending the completion of the investigation by the ICC in Ex Parte 259 should be granted.

O R D E R

IT IS ORDERED that:

1. Pacific Southcoast Freight Bureau, on behalf of the carriers listed in Application No. 50445, is authorized to establish the increases in rates proposed in said application provided:

- a. That the authority granted herein shall not extend to the increasing of any of the rates described in Appendix A, attached hereto and by this reference made a part hereof.
- b. That the carload rates on sugar beets shall be subject to a maximum increase of 5 cents per ton.
- c. That the increase in the carload rates on Portland cement shall be 1/4 cent per 100 pounds.

2. Tariff publications authorized to be made as a result of the authority granted in Paragraph 1 hereof shall be filed not earlier than the effective date of this order and may be made

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

3. The carriers for whom applicant is agent are authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to effect the increases herein authorized.

4. Applicant is authorized to publish the increased rates and charges in its Tariff of Increased Rates and Charges X-259-A by appropriate supplement thereto. To the extent that departure from the terms and rules of General Order No. 125 is required to accomplish such publication, authority for such departure is hereby granted.

5. The authorities granted hereinabove shall expire unless exercised within sixty days after the effective date of this order.

6. The authorities set forth above are granted subject to the express condition that applicant and the carriers, on whose behalf it is participating herein, will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge; and that the filing of rates pursuant to the authority herein granted constitutes an acceptance by applicant and said carriers as a consent to this condition.

7. Common carriers maintaining, under outstanding authorization permitting the alternative use of rail rates, rates below the specific minimum rate levels otherwise applicable, are authorized and directed to increase such rates to the level of the rail rates established pursuant to the authority granted in Paragraph 1 hereof

or to the level of the otherwise applicable specific minimum rates, whichever is lower.

8. Tariff publications required or authorized to be made by common carriers as a result of the preceding ordering paragraph may be made effective not earlier than the tenth day after the publication by applicant made pursuant to the authority granted in Paragraph 1 hereof, on not less than ten days' notice to the Commission and to the public; such tariff publications as are required shall be made effective not later than thirty days after the effective date of the tariff publications made by applicant pursuant to the authority granted in Paragraph 1 hereof.

9. Common carriers maintaining, under outstanding authorizations permitting the alternative use of rail rates, rates based on rail rates which have been changed or canceled and which are below the specific minimum rate levels otherwise applicable, are hereby directed to increase such rates to applicable minimum rate levels, and to abstain from publishing or maintaining in their tariff rates, charges, rules, regulations and accessorial charges lower in volume or effect than those established in rail tariffs or the applicable minimum rates, whichever are lower.

10. Tariff publications required to be made by common carriers as a result of the preceding ordering paragraph may be made effective not earlier than the effective date of this order on not less than ten days' notice to the Commission and the public and shall be made effective not later than sixty days after the effective date of this order.

11. In making tariff publications authorized or required by Paragraphs 7 through 10, inclusive, common carriers are authorized to depart from the terms and rules of General Order No. 80-A, to the extent necessary to comply with said orders.

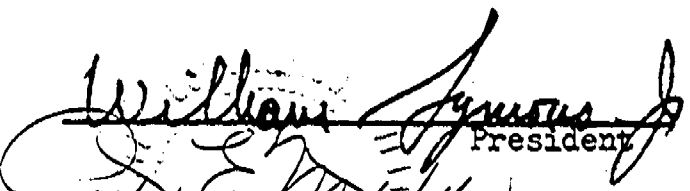
12. Common carriers, in establishing and maintaining the rates authorized hereinabove, are hereby authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorizations; such outstanding authorizations are hereby modified only to the extent necessary to comply with this order; and schedules containing the rates published under this authority shall make reference to the prior orders authorizing long- and short-haul departures and to this order.

13. The motion to dismiss the application herein is denied.

14. The record in this matter will be held open for receipt of additional evidence concerning the further action taken by the Interstate Commerce Commission in Ex Parte 259, Increased Freight Rates, 1968.

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

Dated at San Francisco, California, this 20th day of DECEMBER, 1968.



President



Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

-20- Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.

Appendix A

EXCEPTIONS TO AUTHORITY TO INCREASE RATES

Increases do not apply to the rates and charges described below:

1. The following rates, charges and provisions of Pacific Southcoast Freight Bureau, Agent Tariff 294-E (ICC No. 1775):
 - (A) Items 1-B, 280-E, 410-C (Paragraphs A and B), 420-C, 510-H, 550-H and 765-B.
 - (B) All Class Rates in Section 1
 - (C) Item 3530-F (Rates of 61 cents and 69 cents only); Items 4140-F and 4180-E
2. The following rates, charges and provisions of Pacific Southcoast Freight Bureau, Agent Tariff No. 300-A (ICC No. 1819):
 - (A) Carload rates on Sugar in following items which are flagged with a (510) reference:

Items 3400-A to 3560-A, 10754-A, 10763-A, 10766-B to 10781-B, 10784-A and 10787-A, 10853-B, 10859-A to 10883-A, 10889-A to 10895-A, 10901-A, 10904-A, 10913-A to 10919-A, 10925-A, 10928-A, 10931-B, 10934-A, 10937-A, 10946-A to 10964-A, 10970-A
 - (B) Item 510-A
3. Minimum LCL charges in Item 205-I of Pacific Southcoast Freight Bureau, Agent Tariff 1016 (ICC No. 1590).