

Decision No. 40489

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Bekins Van Lines, Inc., to increase) Application No. 28337
certain Rates and Charges.)

and

Related cases involving rates, rules,)
regulations, classifications, con-)
tracts, operations, and practices of)
highway common carriers as defined in)
the Public Utilities Act, radial) Cases Nos. 4246, 4434
highway common carriers and highway) and 4730
contract carriers as defined in the)
Highway Carriers' Act and carriers as)
defined in the City Carriers' Act,)
for the transportation of household)
goods and related property.)

Appearances

Jackson W. Kendall and Berol and Handler by
Marvin Handler, for Bekins Van Lines,
Inc.

Charles C. Miller, for Monterey Bay Draymen's
Association; James Cummins, for Market
Street Van and Storage Company; Frank
Loughran, for Yellowway Van Lines and
Nevil Storage Company.

O P I N I O N

By Application No. 28337, Bekins Van Lines, Inc., a highway
common carrier of household goods and related articles, seeks author-
ity to increase its rates for designated transportation and accessor-
ial services. By petition in Cases Nos. 4246, 4434 and 4730, it re-
quests an extension of time to comply with certain requirements of
Decision No: 39613 of November 4, 1946, relating to practices of
highway common carriers and their radial highway carrier affiliates
and agents.

A public hearing was had at San Francisco on April 18, 1947, before Examiner Mulgrew.

For "local moving" (transportation for not more than 30 miles) Bekins Van Lines' rate is \$5.00 per hour for an equipment unit, a driver, and not more than one helper. The rate for additional helpers is \$1.50 per man per hour. These rates are applicable for "local moving" between all points served by petitioner. They are, however, restricted to operations where, pursuant to his request therefor, a shipper is given exclusive use of the equipment unit. Rates in cents per 100 pounds varying with the weight of the consignment apply to "local moving" when exclusive use of equipment is not requested. Petitioner proposes to increase the \$5.00 rate to \$8.00 and the \$1.50 rate to \$2.50. No adjustment is here proposed in the weight rates.

Petitioner's rates for the accessorial services of packing, unpacking, crating or uncrating differ according to the locality in which the service is performed. In the San Francisco Bay area (San Francisco, Alameda and San Mateo Counties and Palo Alto and Richmond), the rate for these services is \$1.50 per man per hour when performed in connection with "local moving" and \$1.59 when performed in connection with transportation for greater distances. At all other points served, the corresponding rates are \$1.25 and \$1.33. The minimum charge for these accessorial services is \$1.06, regardless of the location of the point where the service is provided. Petitioner proposes to establish a uniform rate of \$2.50 per man per hour in lieu of its existing rates and to increase the minimum charge from \$1.06 to \$2.50.

Petitioner contends that its hourly "local moving" and accessorial service rates are not compensatory in the face of current operating expenses. A cost study prepared by its vice president purports to show that the cost of local moving operations with equipment, driver and one helper amounts to \$8.18 per hour in the San Francisco Bay area and to \$7.52 per hour in the Los Angeles area. In connection with accessorial service, the study discloses the expense incurred in employing "packers" (the designation for employees performing this work) amounts to \$2.77 and \$2.50 per hour, respectively. Costs for additional helpers are indicated as \$2.50 per hour at San Francisco and \$2.10 at Los Angeles. Virtually all of petitioner's operations are said to be conducted under wage agreements and other conditions which result in aggregate expenses substantially the same as those in either the San Francisco Bay or Los Angeles areas.

The cost estimates of petitioner's witness include expansion of the direct costs by 36.7 per cent to provide for "overhead costs." This basis reflects intercorporate arrangements between petitioner and its affiliate Bckins Van & Storage Company under which various services in connection with petitioner's operations are performed by the Van and Storage Company and compensation therefor paid on an agreed basis. It also reflects somewhat similar arrangements between petitioner and its agents in territory not served by the Van and Storage Company. The witness pointed out that because petitioner was engaged predominantly in "long distance moving" operations it operated the relatively large equipment units suitable for this service. The smaller equipment

normally used by "local moving" carriers, he estimated, could be operated in that service at costs from 40 to 70 cents per hour less than incurred with the use of petitioner's larger units.

The affiliate, a city and radial carrier, provides "local moving" service in the San Francisco Bay and Los Angeles areas, as well as in other cities and adjacent residential districts throughout the state, and acts as petitioner's agent in various communities. Elsewhere, petitioner is represented by other agents who likewise operate as city and radial carriers and provide local service. The affiliate and the other agents are also engaged in providing accessorial service in connection with the "long distance moving" operations of petitioner. To some extent they engage directly in "long distance moving" operations as radial carriers. Petitioner, its affiliate and its agents have made little or no effort to acquaint shippers of the service and rates available for "local moving" by petitioner. This business has been channeled into the radial carrier operations.

The "local moving" rates of Bekins Van and Storage Company, witnesses for petitioner testified, were \$7.00 per hour in the San Francisco Bay area and \$5.50 in the Los Angeles area. Its additional helper and accessorial service rates, they said, were \$2.50 per hour in San Francisco territory and \$2.00 in Los Angeles territory. All of these rates, they pointed out, are higher than petitioner's rates for like service. According to petitioner's vice president, an increase in the Bekins Van and Storage Company's Los Angeles area rates was under consideration by that company a few days prior to the hearing. He stated that he was not informed as to what decision, if any, had been reached. Petitioner's witnesses also said that other city and radial carriers in the San Francisco Bay and Los

Angeles areas maintained the same rates as Bekins Van and Storage Company for the services involved. They were not informed with respect to the rates applied in other areas.

We turn now to petitioner's request for an extension of time to comply with requirements of Decision No. 39613 (46 C.R.C. 803). Finding 11 of that decision outlines reasonable and proper practices "where highway common carriers are affiliated with radial highway common carriers and where highway common carriers engage radial highway common carriers as agents or representatives." Each such carrier is required, among other things, "to engage in joint undertakings when all of the services desired are offered to the public by one or more of such carriers only upon the shipper's specific request; to explain to all inquirers, when two or more such carriers provide service between the same points, what services are available and any differences in the character of the service and in the rates therefor; to issue all documents and keep all records on a strictly individual carrier basis; and, in these and all other respects, to conduct their carrier affairs so that there will be no doubt of which carrier is involved in one-carrier transactions and the nature and extent of individual carrier participation in joint undertakings." Petitioner urged that the time for compliance with these requirements be extended to May 1, 1947, or until a decision is reached in its application for increased rates hereinbefore discussed.

Witnesses for petitioner testified that there had been no specific demand for its "local moving" service, that its agents and particularly its affiliate had provided this service themselves upon requests not designating which carrier's service was wanted, and that no shipper had been refused service by Bekins Van Lines. The vice president said, on the other hand, if in compliance with

the foregoing requirements prospective shippers were informed of the lower rates available for service by Bekins Van Lines, the Van Lines would get as much business as it could provide equipment to perform service. He claimed that losses which would be incurred in this eventuality would put Bekins Van Lines out of business and at the same time demoralize the household goods carrier industry. He claimed that petitioner sustained a loss of \$50,000 from its 1946 operations. He attributed this loss to the "depressed condition" of its rates in relation to the cost of providing service. The general rate situation, he said, was under further study by petitioner and other carriers and rate proposals would be submitted to the Commission.¹ The witness also claimed that experience had shown that where carriers' operating under a compensatory rate had endeavored to compete with carriers maintaining rates below costs the former had not been able to obtain sufficient business to continue adequately to serve the public and the latter, in many instances, had been eventually forced out of business by the losses they had incurred.

If petitioner is authorized to establish the increased rates proposed here, the witness said, its rates would be either equal to or in excess of the current rates of other carriers and compliance with the requirements of Decision No. 39613 above quoted would not result in the dire consequences he predicted in the event of such compliance prior to the sought rate adjustments. He insisted that petitioner was not attempting to avoid any responsibility to the shipping public.

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A petition seeking adjustment of these rates has subsequently been filed. It is scheduled for hearing on July 2, 1947.

In Decision No. 39613, supra, the Commission held that affiliates' records, which reflect allocations of revenues and expenses along broad lines, fail to portray accurately the financial results of the operations of the individual carriers. Methods of keeping records and allocating revenues and expenses were required to be revised so as to do so. Moreover, Decision No. 39614 (46 C.R.C. 829) denied a carrier association petition for increased minimum rates pointing out that the operating results of highway common carriers without corresponding figures for their affiliates were of dubious probative value.

Petitioner's cost estimates include determinations of "overhead costs" based on allocations between affiliates and between petitioner and its agents on the broad lines above referred to. Its "direct costs" (cost exclusive of overhead expenses) for equipment, a driver and one helper are shown as \$5.18 per hour in the San Francisco Bay area and \$4.76 per hour in the Los Angeles area, for "local moving" operations with "long distance moving" equipment. "Direct costs" for additional helpers are \$1.58 and \$1.33 per man per hour, respectively, in those areas. In connection with accessorial services, the corresponding figures are \$1.75 and \$1.58 per man per hour. Petitioner's showing indicates that the rates proposed to be increased are too low under prevailing conditions. However, in the face of its "overhead cost" treatment and of its "local moving" expense figures reflecting costs for that service with "long distance moving" rather than "local moving" equipment, this showing does not demonstrate that rates as high as those proposed are justified.

Assuming that the maximum saving of 70 cents per hour would be experienced with the use of smaller equipment in "local

moving", petitioner's estimated full costs for such operations would be reduced to \$7.48 in the San Francisco area and \$6.82 in the Los Angeles area. Some further reduction in these estimates is warranted in view of the "overhead cost" situation above discussed. The "going" rate of carriers actively engaged in "local moving" operations in the San Francisco Bay area, \$7.00 per hour, does not, however, appear excessive for like service by petitioner in that area in the light of its cost showing and the other evidence of record. Similarly, the "going" rates of these other carriers for additional helpers and for accessorial service in San Francisco territory do not appear too high for petitioner's operations in view of this evidence. At other points throughout the state petitioner's expenses have been shown to be generally not less than its Los Angeles costs. For transportation between and accessorial service at such points rates as high as the San Francisco area rates have not been demonstrated to be justified. Rates higher than petitioner's existing rates but somewhat lower than the San Francisco rates will be authorized in recognition of the differences in costs disclosed by the showing made.

The rate proposals of petitioner being thus disposed of, its request for an extension of time to comply with requirements of Decision No. 39613, supra, pending such action requires no further attention.

Upon consideration of all the facts of record we are of the opinion and find that petitioner has justified increases in the San Francisco Bay area to \$7.00 per hour in its "local moving" rates and to \$2.50 per hour in its additional helper and accessorial service rates; increases to \$6.50 and \$2.25, respectively, at other points served; and increases in the minimum charges for accessorial services to \$2.50 in the San Francisco Bay area and \$2.25 at other points. We are of the further opinion and accordingly find that in all other respects petitioner's proposals have not been justified.

O R D E R

Based on the evidence of record and on the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that petitioner, Bekins Van Lines, Inc. be and it is hereby authorized, within sixty (60) days from the effective date of this order and on not less than five (5) days' notice to the Commission and to the public, to increase the hourly "local moving" rates published in Item No. 395-A of its Local Freight Tariff C.R.C. No. 8 to \$7.00 per hour for equipment with driver and not to exceed one helper and to \$2.50 per man per hour for additional helpers in Territory "A" and to \$6.50 and \$2.25, respectively, in Territory "B", subject to the territorial descriptions contained in Item No. 115 of the tariff; to increase the accessorial service rates published in Item No. 400-B of that tariff to \$2.50 and \$2.25 per man per hour for service performed in said Territories "A" and "B", respectively; and to increase the minimum accessorial service charge published in connection with the Item No. 400-B rates to \$2.50 and \$2.25 in said Territories "A" and "B", respectively.

IT IS HEREBY FURTHER ORDERED that, except to the extent shown in the preceding ordering paragraph, the relief sought by petitioner be and it is hereby denied.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 28th day of June, 1947.

Harold H. Kille
Justin D. Callahan
Walter J. Farrell
A. J. [unclear]
Herbert H. Potter
 Commissioners