

ORIGINAL

Decision No. 42611

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )	
BEKINS VAN LINES, INC., CALMAY VAN )	
LINES, INC., COAST VAN LINES, INC., )	
W. RAY JAMES, doing business as )	Application No. 29559
JAMES VAN LINES, and LYON VAN LINES, )	
INC., to Increase Long Distance )	
Moving Rates and Increase Minimum )	
Weight. )	

Appearances

D. P. Bryant, for Bekins Van Lines, Inc.  
J. W. Barker, for Calmay Van Lines, Inc.  
Harold J. Blaine, for Lyon Van Lines, Inc.  
Ross G. VanGundy and Earl Booker, for James Van Lines.  
C. G. Anthony, in propria persona, interested party.  
Charles C. Miller, for Monterey Bay Draymen's Association,  
 Interested party.

O P I N I O N

Bekins Van Lines, Inc., Calmay Van Lines, Inc., Coast Van Lines, Inc., Lyon Van Lines, Inc., and W. Ray James, doing business as James Van Lines, are engaged in the business of transporting, as highway common carriers, used household goods and related commodities between points within California. By this application, as amended, they seek authority to establish, on less than statutory notice, increased rates and charges.

Public hearing of the application was had before Commissioner Potter and Examiner Abernathy at Los Angeles on August 19, 1948.

Applicants allege that their present rates do not return revenues sufficient to return the cost of the highway common carrier.

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services which they perform. They state that their rates generally correspond to those established by the Commission as minimum rates for the transportation of used household goods; that the minimum rates do not reflect all of the costs normally incurred by any specific carrier; and that their rates are thereby low in relation to the cost of operation. They say that their operating expenses have increased substantially in recent months, particularly with respect to expenses for labor, equipment, and materials and supplies; moreover, they are being called upon to transport an increasing number of small shipments, which assertedly are relatively more costly to handle. Applicants declare that as a result of these several adverse circumstances they have been incurring substantial losses since the first of 1948, and that unless the losses can be offset by increases in rates, as herein sought, their ability to continue their highway common carrier operations will be jeopardized.

Applicants submitted exhibits which included financial statements, rate studies, and analyses of tonnage of the shipments transported. Operating statements included in the exhibits, covering the six-month period ending with June 30, 1948, set forth results as reflected in applicants' books. Three of the applicants also submitted modified statements to show the results which would have obtained had their current level of revenues and expenses prevailed throughout the period. These operating statistics, together with the indicated operating ratios, are summarized in the

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Only the intrastate highway common carrier operations are involved in this proceeding. Bekins Van Lines, Inc. and Lyon Van Lines, Inc. also transport used household goods and related articles in interstate commerce. Calmay Van Lines, Inc. operates as a warehouseman of these commodities. All of the applicants hold permits from this Commission to operate as radial highway common carriers between points within this state. Coast Van Lines, Inc., which was not represented at the hearing, informed the Commission by letter that it wishes to withdraw from the proceeding. In so far as applicable to Coast Van Lines, Inc., the application will be dismissed for want of prosecution. The term "applicants," as used hereinafter, does not include that company.

table below:

TABLE NO. 1

	<u>Gross Revenues</u>	<u>Operating Expenses</u>	<u>Profit or (Loss)</u>	<u>Operating Ratio</u>
<u>Bekins Van Lines, Inc.</u>				
Book record	\$984,624	\$1,081,970	\$(97,346)	109.9%
Book record, modified	995,752	1,091,363	(95,611)	109.6%
<u>Lyon Van Lines, Inc.</u>				
Book record	671,745	726,317	(54,572)	108.1%
Book record, modified	674,653	735,638	(60,985)	109.0%
<u>James Van Lines</u>				
Book record	35,054	40,883	(5,829)	116.6%
Book record, modified	36,115	41,376	(5,261)	114.6%
<u>Calmay Van Lines, Inc.</u>				
Book record	64,095	86,314	(22,219)	134.7%
Book record, modified	*	*	*	

\* Figures not supplied.

Applicants' witnesses declared that the operating losses shown in the foregoing table resulted from the long-distance highway common carrier operations under rates involved herein.<sup>2</sup> The witness for Calmay Van Lines, Inc. asserted that the highway common carriers find it necessary for competitive reasons, particularly for large shipments, to charge rates generally no higher than the minimum rates established by the Commission. This witness, and a witness for Bekins Van Lines, Inc., submitted comparisons of the minimum rates with cost figures submitted by a transportation engineer of the Commission's staff in another proceeding<sup>3</sup> to show that the minimum rates are less than costs. Both Bekins Van Lines, Inc. and Lyon Van Lines, Inc. perform a considerable volume of interstate transportation. Witnesses for these companies were of the opinion that their interstate long-distance operations were not burdening the intrastate operations. A witness for Bekins Van Lines, Inc. compared the intrastate rates with

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"Long-Distance moving" as defined in applicants' tariffs means the transportation of a shipment for constructive distance exceeding 30 miles. Transportation of shipments for lesser distances is considered as "local moving." It was asserted that applicants engaged in but little "local moving."

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Exhibit No. 974 in Case No. 4730.

interstate rates observed by both his company and Lyon Van Lines, Inc., indicating that the revenues per mile returned by the interstate rates exceed those returned by the intrastate rates. From this comparison, and from his opinion that interstate operating costs are less than intrastate costs, the witness concluded that the interstate operations are the more profitable of the two long-distance services.<sup>4</sup> A witness for Lyon Van Lines, Inc. submitted a study made of revenues and of direct costs applicable to intrastate and interstate traffic to show that intrastate transportation produces revenues of 53 cents per mile at a cost of 26 cents per mile, whereas interstate transportation produces revenues of 65 cents per mile at a direct cost of 17 cents per mile.

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*8.31.48*

A transportation engineer of the Commission's staff also submitted evidence relating to the operations of the four applicants. He introduced, among other data, a record of operating revenues and expenses from January 1, 1947, to June 30, 1948. According to this exhibit both Bekins Van Lines, Inc. and James Van Lines have suffered losses continuously throughout the period. The operations of Lyon Van Lines, Inc. have likewise been unprofitable except for the third and fourth quarters of 1947 when the company was able to earn profits as indicated by operating ratios of 96.96 and 95.89 per cent for the two quarters, respectively. For Calmay Van Lines, Inc. the exhibit records an operating ratio of 193.19 per cent for the three months ending March 31, 1948, and 124.86 per cent for the succeeding three months.<sup>5</sup>

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<sup>4</sup> The witness said that operating conditions in interstate transportation are generally more favorable than in intrastate transportation. One reason he advanced in support of this conclusion is that faster schedules can be maintained in interstate operations with the result that hourly vehicle costs are lower.

<sup>5</sup> The record shows that Calmay Van Lines, Inc. commenced operations in January, 1948.

In their original application, applicant companies sought authority to effect a 20 per cent increase in their mileage rates and specific point-to-point rates, and to increase their minimum charge per shipment from \$5.00 to the charge for transporting 1000 pounds at the applicable rates. At the hearing in this proceeding the companies amended their application to limit the proposed increases to shipments of less than 4000 pounds, and to fix as their minimum charge for shipments picked up and delivered within one mile from their routes, as defined in their tariffs, the charge for transporting a shipment of 500 pounds at the applicable rates. For shipments picked up and delivered at points beyond one mile from their principal routes, applicants request authority to establish the charge for transporting 1000 pounds at the applicable rates as the minimum charge. It was explained that the amendment to limit the proposed increase to shipments of less than 4000 pounds was prompted by competitive considerations in order to avoid excessive diversion of the larger shipments to other carriers. With respect to the proposed minimum charges, it was asserted that such charges were justified by the cost of performing such service. The witness for Calmay Van Lines, Inc. expressed the view that shipments of less than 500 pounds should not be shipped by highway common carriers of used household goods, but instead should be crated and shipped as freight. Estimates to indicate the increased revenue anticipated from the sought rates were submitted by applicants as follows:

Bekins Van Lines, Inc.	24.3%
Lyon Van Lines, Inc.	12.8%
James Van Lines	21.3%
Calmay Van Lines, Inc.	11.7%

Applying these percentage increases to the modified revenue figures for these four companies as set forth in Table No. 1, supra, operating results before allowance for income taxes would be as follows:

TABLE NO. 2

	Gross Revenue	Operating Expenses	Profit or (Loss)	Operating Ratio
Bekins Van Lines, Inc.	\$1,113,367**	\$1,091,363	\$22,004	98.02%
Lyon Van Lines, Inc.	697,416*	735,638	(38,222)	105.48%
James Van Lines	43,807	41,376	2,431	94.45%
Calmay Van Lines, Inc.	71,594**	86,314**	(14,720)	120.56%

\* Increase applied to intrastate revenues only.

\*\* Book record figures, adjusted to reflect revenue increase.

A witness for Bekins Van Lines, Inc. submitted figures to show that an increase of 28.8 per cent in the company's intrastate revenues would be required to restore its intrastate long-distance transportation operations to a profitable basis and result in an operating ratio of 93 per cent.

Using the operating figures for the three months ended with June 30, 1948 as a base period, which time he considered to be representative of current conditions, the Commission engineer calculated the total revenue increases required to restore applicants' operations to a profitable earning position as reflected by operating ratios of 93 per cent and 95 per cent. These figures are shown in Table No. 3 below:

TABLE NO 3

Amount of Increase Required to Provide Operating Ratios of 93.0 Per Cent and 95.0 Per Cent.

Period: April 1, through June 30, 1948

	Bekins Van Lines	Lyon Van Lines	James Van Lines	Calmay Van Lines	Total Four Carriers
Operating Revenue	\$506,292	\$379,174	\$ 19,124	\$ 57,902	\$ 962,492
Total Expenses	<u>545,096</u>	<u>394,704</u>	<u>20,712</u>	<u>72,296</u>	<u>1,032,808</u>
Net Operating Loss	(\$ 38,804)	(\$ 15,530)	(\$ 1,588)	(\$ 14,394)	(\$ 70,316)
Percentage of total revenue increase required to result in an operating ratio of 93 per cent	15.76%	11.93%	16.44%	34.25%	15.38%
Percentage of total revenue increase required to result in an operating ratio of 95 per cent	13.32%	9.58%	13.99%	31.43%	12.95%

The engineer made separate calculations to show the percentage of revenue increase which would be required by Bekins Van Lines, Inc. and Lyon Van Lines, Inc., if only the intrastate revenues were to be increased sufficiently to provide over-all operating ratios of 93 and 95 per cent. He concluded that the intrastate revenue increases would be as follows:

	<u>Operating Ratios</u>	
	93%	95%
Bekins Van Lines, Inc.	<u>Increase</u> 34.89%	<u>Increase</u> 29.49%
Lyon Van Lines, Inc.	50.83%	40.82%

The engineer stated that he had not made any segregation of the interstate and intrastate operating figures of the two companies. He questioned, however, whether the companies' intrastate operations were as unprofitable as the combined figures indicate.

No one appeared in opposition to the granting of this application. All of the applicants expressed considerable concern over the extent of their losses, and urged that the Commission grant the sought authority as expeditiously as possible.

Although the evidence in this proceeding was related only to the intrastate highway common carrier operations of the four applicants, certain consideration must be given to other phases of the operations of applicants or of their affiliated companies. The record shows that the long-distance transportation services of Bekins Van Lines, Inc. and of Lyon Van Lines, Inc. are partly performed by related companies, Bekins Van & Storage Co. and Lyon Van & Storage Co., respectively, in connection with local moving and warehousing services which the latter companies provide. The long-distance moving

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On August 20, 1948, subsequent to the hearing, applicants filed a petition seeking authority to establish on an interim basis the sought increases pending final decision in this proceeding.

services account for the smaller part of the companies' combined revenues. The intrastate and interstate services of Bekins Van Lines, Inc. for the first six months of 1948 returned 23.9 per cent of the total revenues of Bekins Van Lines, Inc. and Bekins Van & Storage Co.; the intrastate and interstate services of Lyon Van Lines, Inc. over the same period produced 33.95 per cent of the total revenues of the two companies. Considered separately, the intrastate operations of Bekins Van Lines, Inc. accounted for but 11.6 per cent of the total and those of Lyon Van Lines, Inc. produced but 8.95 per cent of the total. The evidence shows that in accounting for the intrastate operations the two companies intermingle the revenue and expense figures applicable thereto with revenues and expenses applicable to interstate shipments and with revenues and expenses of their affiliates.<sup>7</sup> A number of the cost figures which the two companies submitted as applying to their long-distance transportation operations were developed on the basis of allocations. Consideration being given to the small proportion that the intrastate operations of the two companies bear to the total,

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<sup>7</sup> Combined operating results for the two groups of companies for the six months through June, 1948, were reported as follows:

	<u>Total</u> <u>Revenues</u>	<u>Expenses</u>	<u>Net</u> <u>Revenues</u>	<u>Oper-</u> <u>ating</u> <u>Ratio</u>
Bekins Van Lines, Inc. and Bekins Van & Storage Co.	\$4,152,973	\$3,494,101	\$658,872	84.13%
Lyon Van Lines, Inc. and Lyon Van & Storage Co.	1,984,040	1,893,720	90,320	95.45%

(Figures are before allowances for federal income taxes)



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it is evident that the fairness of the various allocations should be clearly established by affirmative evidence to show that they provide acceptable bases for rate-making purposes. It is noted that neither Bekins Van Lines, Inc. nor Lyon Van Lines, Inc. was credited with any revenues from packing services incidental to their transportation services, although rates therefor are provided in their tariffs. On the other hand, Bekins Van & Storage Co. was credited with revenues of \$498,465 from packing services for the six months ending with June, 1948. The amount of packing revenues credited to Lyon Van & Storage Co. cannot be determined from the record, for such revenues were combined and reported with noncarrier revenues. In the absence of evidence to the contrary, it would seem that some of these revenues were earned in connection with transportation services performed by the applicants herein.

With respect to only the long-distance operations of Bekins Van Lines, Inc. and Lyon Van Lines, Inc., little if any substantive evidence was submitted to support the conclusions of the witnesses that the interstate operations of each of the companies are more profitable than the intrastate operations, or that the interstate operations are, in fact, profitable. The rate comparisons submitted by the Bekins' witness may imply that the interstate rates are more remunerative; nevertheless, the level of the operating costs experienced in the interstate operation was not established

by the unsupported testimony of the witness. The study made by Lyon Van Lines, Inc. covered less than two per cent of the total long distance transportation revenues reported for the first six months of 1948 and is not broad enough in scope to provide a basis for valid conclusions.

With reference to Calmay Van Lines, Inc. and James Van Lines, the matter of proper allocation of revenues and costs between highway common carrier and other services appears relatively less important. The evidence shows that practically all of the revenues and expenses of the latter carrier are applicable to its highway common carrier operations as reported in its exhibits. Figures included in exhibits of Calmay Van Lines, Inc. indicate that during the first six months of 1948 that company earned \$13,678 from other than its highway common carrier services and that the expenses charged to other services totaled \$14,858, resulting in a loss of \$1,180. The company credited all revenues from packing services to its non-carrier operations as did Bekins Van Lines, Inc. and Lyon Van Lines, Inc. It appears that certain reallocations of revenues and expenses would be proper. However, it also appears that after any reallocations which might reasonably be made, Calmay Van Lines, Inc. would still show substantial losses from its highway common carrier services for the six-month period and that the revenues anticipated from the sought increases would not suffice to restore the services to a reasonably profitable basis. Thus, it appears that both Calmay Van Lines, Inc. and James Van Lines have shown substantial losses to be resulting from their highway common carrier services. On the other hand it must be concluded that neither Bekins Van Lines, Inc. nor Lyon Van Lines, Inc. have shown that the total volume of the losses charged to their intrastate operations are properly assignable thereto. The evidence of record does not permit valid adjustment of the figures submitted by either company. It must be concluded that the

alleged inadequacy, or any specific degree thereof, of the rates of Bekins Van Lines, Inc. and Lyon Van Lines, Inc. has not been established.

There remains for consideration that part of applicants' proposal relating to the establishment as their minimum charge per shipment the transportation charge applicable to shipments of 500 pounds and 1,000 pounds. Under this proposal the volume of the charge would generally vary with the distance a shipment is transported. It appears that substantial increases in the charges for transporting small shipments would result. As shown by an exhibit of Calmay Van Lines, Inc., on a 500 pound minimum basis the charges for a number of 100 pound shipments which that company transports would be increased from \$6.00 to \$29.00 and for 200 pound shipments the charges would be increased from \$12.00 to \$29.00. Although their need for additional revenue was advanced by applicants as reason for the higher charges, they did not show that the charges themselves were necessary on a cost basis or that they would be reasonable for the services involved. Nevertheless, the cost evidence introduced by applicants relating to shipments of less than 500 pounds shows that their rates are unreasonably low and fail to return the cost of transportation, including pickup and delivery, by approximately \$3.50 per 100 pounds. Applicants now maintain in their tariffs a charge of 75 cents per 100 pounds for the service of picking up or of delivering less than 500-pound shipments. An increase of \$1.75 in this charge would return to applicants the costs as shown on this record, for the complete transportation service. In view of the facts and circumstances shown, it is concluded that an increase of \$1.75 in this charge to a total of \$2.50 is justified.

On the basis of the foregoing we conclude and find as a fact (a) that Calmay Van Lines, Inc. and James Van Lines have shown as justified an increase of 20 per cent in their mileage rates and in their specific point-to-point rates, and (b) that Bekins Van Lines, Inc., Lyon Van Lines, Inc., Calmay Van Lines, Inc. and James Van Lines have shown as justified an increase of \$1.75 in their charges for picking up or delivering shipments of less than 500 pounds. To this extent the

application will be granted; in all other respects it will be denied. In view of our conclusions herein and of the order which follows, applicants' petition to establish increased rates on an interim basis will be dismissed.

O R D E R

A public hearing having been had in the above entitled application, and based upon the evidence received at the hearing and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that

1. Bekins Van Lines, Inc., Lyon Van Lines, Inc., Calmay Van Lines, Inc., and W. Ray James, doing business as James Van Lines, be and they are hereby authorized to amend their tariffs, as listed in their application in this proceeding, on not less than five (5) days' notice to the Commission and to the public, so as to provide for a charge of \$2.50 per 100 pounds, for the services of picking up or delivering shipments weighing less than 500 pounds.
2. Calmay Van Lines, Inc. and W. Ray James, doing business as James Van Lines, be and they are hereby authorized to amend their tariffs, as listed in their application in this proceeding, on not less than five (5) days' notice to the Commission and to the public so as to increase their mileage or distance rates and their specific point-to-point distance rates by 20 per cent.
3. In computing the increased rates and charges herein authorized, the following will govern in the disposition of fractions:  
Fractions of less than  $1/2$  or .50 of a cent, omit;  
Fractions of  $1/2$  or .50 of a cent or greater,  
increase to the next whole cent.

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IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days from the effective date of this order.

IT IS HEREBY FURTHER ORDERED that

1. The application of Coast Van Lines, Inc. in the above numbered proceeding be and it is hereby dismissed.
2. The petition filed August 20, 1948 by Bekins Van Lines, Inc., Lyon Van Lines, Inc., Calmay Van Lines, Inc. and W. Ray James, doing business as James Van Lines, seeking an interim order in the above-numbered proceeding be and it is hereby dismissed.

IT IS HEREBY FURTHER ORDERED that in all other respects the application be and it is hereby denied.

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

Dated at San Francisco, California, this 31<sup>st</sup> day of August, 1948.

R. B. [Signature]  
[Signature]  
[Signature]

Commissioners