Decision No. 42270

ORIGINAL

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 JAMES VAN LINES, and LYON VAN LINES, INC., to increase Long Distance Moving Rates and Increase Minimum Weight.

Application No. 29559

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.

OPINION ON REHEARING

Bekins Van Lines, Inc., Calmay 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 their application in the above-entitled proceeding they sought authority to establish increased rates and charges. The sought authority was partially granted by Decision No. 42011 issued on August 31, 1948.

Bekins Van Lines, Inc. and Lyon Van Lines, Inc. petitioned the Commission for rehearing and reconsideration of the application. The petition was granted in so far as it pertained to the operations of the two petitioners. Rehearing was had before Commissioner Potter and Examiner Abernathy. The matter is ready for decision.

The highway common carrier services of Bekins Van Lines, Inc. and Lyon Van Lines, Inc. principally consist of transporting used household goods for distances in excess of 30 miles between points within this state. The companies also transport those commodities in interstate commerce. The operations of the companies are jointly conducted with those of affiliated companies which are engaged in transporting used household goods for distances of less than 30 miles, and in providing warehousing and other services in connection with these goods.

In the initial proceeding Bekins Van Lines, Inc. and Lyon Van Lines, Inc. requested authority to effect a 20 per cent increase in their long-distance-moving rates and to increase their minimum charges per shipment. In justification of their proposals the companies submitted financial evidence to show that their intrastate services were resulting in substantial losses. Except for increases authorized in the charges for shipments of less than 500 pounds, the sought authority was denied. In its Decision No. 42011, supra, the Commission indicated that the record which the two companies had developed in the proceeding was deficient in three respects: (a) The fairness of the allocations of joint revenues and expenses was insufficiently established; (b) the record did not include data covering all of the services performed in connection with the shipments transported by the companies; and (c) the record did not show that the losses which the companies reported were not attributable to their interstate operations. At the rehearing witnesses for the two companies submitted additional evidence in support of the application.[1]

First, in the matter of allocations, officers of the companies testified in considerable detail concerning the operations of the companies and of their affiliates and how expenses incurred jointly by the different companies are allocated. They explained that in a

1 At the rehearing Bekins Van Lines, Inc. and Lyon Van Lines, Inc. amended their application by requesting that the authority granted them by Decision No. 42011 be affirmed in lieu of authorizing increases in their minimum charges per shipment. This authority was affirmed by Decision No. 42158, dated October 26, 1948, in this numbered proceeding.

number of respects the operations of applicants and of the affiliated companies are complementary to each other. For this reason the companies find it advantageous to conduct various phases of their separate businesses together. The witnesses showed by testimony and examples that the joint operations enable the companies to avoid duplication of facilities and services and permit economical and efficient operations. They described their accounting procedures at length and traced the methods by which revenues and expenses are accounted for in order to show that each company is correctly credited or charged for the revenues and expenses applicable to its own operations. The witnesses said that in developing data for the purposes of this proceeding, each company was charged according to its use of joint facilities or according to other appropriate bases, and that intercompany agreements were disregarded.[2] A consulting engineer, testifying on behalf of applicants, said that he had reviewed the methods and principles followed by the applicants in developing the financial results of their operations for this proceeding and that it was his opinion that such methods and principles conformed to sound accounting practices.

The financial data submitted by the companies in support of their application admittedly did not include figures covering all of the packing and unpacking services which were performed in connection with the operations involved herein. It was explained by a witness for Bekins Van Lines, Inc. that its affiliated company is particularly equipped to perform these services and that the affiliate can more advantageously do this work. A witness for Lyon Van Lines, Inc. said that that company employs agents to perform packing and unpacking in areas where it does not maintain facilities. The witnesses intro-

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2 For example, the comptroller of Bekins Van Lines, Inc. testified that intercompany rents were disregarded and charges for items such as depreciation and taxes were allocated on the basis of the portions of the facilities used by each company.

duced as exhibits studies which they had made of the costs of performing packing and unpacking. According to these exhibits the costs of the services are in each case more than the tariff rates which applicant companies maintain. The witnesses pointed out that had applicants' financial statements reflected the operating results of all of the packing and unpacking services performed in connection with their long-distance transportation operations, the losses would have been greater than those which were reported.

At the rehearing Bekins Van Lines, Inc. did not furnish additional information to show the separate operating results of its intrastate and interstate operations. However, witnesses for the company asserted that the interstate operations are more remunerative than the intrastate operations. A witness stated that analyses have shown that the load factors in interstate operations substantially exceed the intrastate load factors; moreover, better usage of equipment can be obtained interstate than can be obtained in intrastate operations. These factors as applied to interstate traffic result in lower transportation costs. Referring to the level of the company's rates, the witness declared that by more frequent increases of the interstate rates the company has been better able to keep its interstate rates in closer relationship with increases in operating costs than it has been with respect to its intrastate rates. Moreover, the interstate rates themselves are higher than the intrastate rates. He pointed out that, as shown at the earlier hearing, the interstate rates per mile exceed the intrastate rates. The witness was of the opinion that the interstate operations were being conducted at about a "break-even" point and were resulting in neither profits nor losses. The consulting engineer said that it could not be concluded from the data of record what the financial results of the interstate operations have been. He agreed, however, that the interstate operations have been the more profitable. A witness for Lyon Van Lines, Inc. introduced exhibits showing the results of a study which that company had made of its intrastate and interstate revenues and expenses for the month of June, 1948. The approximate operating results for the month, as indicated by the exhibits, were as follows:

	Intrastate	Interstate
Revenues	$ 33,997	$ 86,242
Expenses	55,253	74,082
Net Operating Revenue	$(21,256)(Loss)	$ 12,160
Operating Ratio	162.5%	85.9%

From consideration of the record as a whole it is concluded that Bekins Van Lines, Inc. and Lyon Van Lines, Inc. have generally overcome the deficiencies of their showings at the initial hearing. In the earlier phase of this proceeding Bekins Van Lines, Inc. reported that during the first six months of 1948 it would have lost $95,611 had the current level of rates and expenses prevailed throughout that period of time. Lyon Van Lines, Inc. similarly reported that its losses would have been $60,985. It is clear that these losses would have been augmented had they reflected all of the packing and unpacking services performed in connection with the companies' intrastate operations. It is also clear that the loss figure of Lyon Van Lines, Inc. would have been greater had not earnings from the interstate operations been taken into account. The showing of Bekins Van Lines, Inc. is less positive because of the failure of that company to report the financial results of its intrastate operations separately from those covering its interstate operations. However, in view of the convincing evidence generally received in the combined proceeding showing the inadequacy of the applicants' intrastate rates, it is concluded that the losses of Bekins Van Lines, Inc. have been sufficiently related to its intrastate operations to provide a basis for authorizing the sought rate increases pending other rate adjustments to be sought in a further proceeding.[3]

[3] A witness for Bekins Van Lines, Inc. stated that it is a purpose of the carriers to seek an adjustment in the minimum rates which the Commission has heretofore established for the transportation of used household goods (Decision No. 32629 of December 7, 1939, as amended, in Cases Nos. 4240 and 4434). In further proceedings Bekins Van Lines, Inc. will be expected to submit data to show separately and completely the results of its intrastate and interstate operations.

Revenue estimates which were submitted by witnesses for the two companies indicated that should the companies be authorized to effect a 20 per cent increase in their rates for shipments of less than 4,000 pounds and to establish as their minimum charges per shipment the charge applicable to shipments of 500 pounds Bekins Van Lines, Inc. would realize a revenue increase amounting to 24.3 per cent and Lyon Van Lines, Inc. correspondingly would realize an increase of 12.8 per cent. As applied to the operations of the companies for the first six months of 1948 the additional revenues would amount to $117,809 in the case of Bekins Van Lines, Inc. and $22,018 in the case of Lyon Van Lines, Inc.[4]

In certain respects it appears that the revenue estimates were overstated. The record indicates that the witnesses, in arriving at their estimates, did not take into consideration the effect of the "break-back" provisions in applicants' tariffs.[5] It appears that modification of the estimates to take into consideration the "break-back" provisions would be proper. Also, if the estimates are to reflect the amendment to their proposals which applicants made at the time of the further hearings, ~~and~~ which amended requests have since been authorized (Footnote 1, _supra_), they should be further modified, since lesser revenues will result. The data of record are not sufficient to enable the indicated adjustments to be made with any degree of definiteness. Nevertheless, it is clear that the additional revenues which would accrue from the increased rates

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4 As applied to the intrastate revenues of Bekins Van Lines, Inc., as set forth in the exhibits of that company, the resulting operating ratio would be 97.7 per cent after allowance for income taxes. A comparable operating ratio for Lyon Van Lines, Inc. cannot be computed from the data of record; however, as related to that company's combined intrastate and interstate operations, the operating ratio would be 105.7 per cent.

5 Applicants' tariffs provide that "when the charges accruing on a shipment based upon actual weight exceed the charges computed upon a rate based upon a greater minimum weight, the latter shall apply."

sought in the instant phase of this proceeding would fall considerably short of restoring the intrastate operations of Bekins Van Lines, Inc. and Lyon Van Lines, Inc. to a reasonably profitable basis.

From the testimony and exhibits received in this proceeding it appears that deficiencies in applicants' revenues are partly attributable to insufficiency of the rates for shipments weighing 4,000 pounds or more. Applicants stated that they have not sought authority at this time to increase their rates applicable to these large shipments because of the competition of radial highway common carriers. A witness for Bekins Van Lines, Inc. declared that should the rates for shipments of 4,000 pounds or more be increased, the bulk of the company's tonnage would be lost to other carriers and as a result the whole operations of the company might be jeopardized.

Considering the revenue deficiencies which applicants would experience, even though the sought increases were granted, and the competitive situation above referred to, it is concluded that improper results would not follow granting of the application.

Full consideration having been given to the evidence of record, the Commission is of the opinion and finds as a fact that Bekins Van Lines, Inc. and Lyon Van Lines, Inc. have shown as justified an increase of 20 per cent in their long-distance-moving rates for shipments of less than 4,000 pounds. In this respect the application will be granted. Prior to the rehearing in this matter applicants filed a petition for authority to establish increased rates on an interim basis. In view of the order which follows, this petition will be dismissed.

O R D E R

Public hearings having been had in the above-entitled application, and based upon the evidence received at the initial hearing and at the rehearings, and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that

1. Bekins Van Lines, Inc. and Lyon Van Lines, Inc. be and they are hereby authorized to amend their local freight tariffs C.R.C. No. 8 and C.R.C. No. 6, respectively, on not less than five (5) days' notice to the Commission and to the public, so as to establish a 20 per cent increase in their long-distance-moving rates for shipments of less than 4,000 pounds.

2. In computing the increased rates 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.

3. The petition filed September 23, 1948 by Bekins Van Lines, Inc. and Lyon Van Lines, Inc. seeking an interim order in the above-numbered proceeding be and it is hereby dismissed.

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

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

Dated at San Francisco, California, this 23rd day of November, 1948.

R. T. [illegible]

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Harold P. Huls

Kenneth Potter

Commissioners