

ORIGINAL

Decision No. 49832

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
W. J. TANNAHILL, M. F. TANNAHILL,)
and E. J. TANNAHILL, copartners)
doing business under the name and)
style of W. J. Tannahill & Sons,)
for authority to charge less than)
minimum rates.)

Application No. 21909
(16th Supplemental)

Appearances

Laurence Phillips, for applicants.

Grant L. Malquist and Leonard Diamond of the
staff of the Public Utilities Commission
of the State of California.

SEVENTEENTH SUPPLEMENTAL OPINION AND ORDER

Prior orders in this proceeding authorized the applicants to deviate from the established minimum rates in connection with certain transportation of lumber and other forest products for the Owens-Parks Lumber Company from Vernon to points within a radius of 30 constructive miles from that city. The authority is scheduled to expire with April 30, 1954. The applicants seek authority to continue the special rate with certain adjustments for a further one-year period.

A public hearing was held before Examiner Bryant at Los Angeles on March 2, 1954. The matter is ready for decision.

Evidence in support of the application was introduced through the testimony of the managing copartner of W. J. Tannahill & Sons. The evidence shows that the applicants

specialize in the transportation of lumber and forest products and do not engage in the handling of other commodities. They own and operate 39 trucks and 17 trailers all of which are equipped for the handling of lumber. During 1953 approximately 75 percent of their operating revenues was derived from transportation services performed for the Owens-Parks Lumber Company¹ within the area involved in this proceeding. The remaining 25 percent of the revenues accrued from the transportation of interstate freight for the same shipper, of intrastate shipments beyond the 30-mile area and of occasional shipments transported for other lumber companies.

The existing minimum rates for general application are stated in cents per 100 pounds and vary with the weight of the shipment and the length of the haul. The proposed rate is stated in dollars and cents per thousand board feet with no weight or distance variation. The witness was uncertain whether the proposed rate would return a greater or lesser revenue than would result from strict application of the established minimum rates. He explained that the basic objective is to continue observing the board-foot unit of measurement and to avoid the necessity of applying rates on a weight basis. He testified that the lumber is sold on a board-foot basis, that all of the competitors of the Owens-Parks Lumber Company own and operate

¹ The applicants' terminal is situated directly across the street from the yard of Owens-Parks Lumber Company, on East 38th Street in the city of Vernon.

their own delivery trucks, and that the Owens-Parks Lumber Company is firmly opposed to any other basis of transportation charges. The witness said that the determination of transportation charges on the special board-foot rate has been simplified by cooperative billing arrangements worked out between the applicants and the shipper over a period of years. He pointed out that the traffic herein involved has been handled on the board-foot basis under Commission authority for some 15 years.

The evidence shows that the rate which the applicants have applied since June 1952 is greater than that which they were authorized to assess as minimum. The authorized rate was \$1.91 per thousand board feet; the assessed rate was \$2.40. Whereas the present supplemental application seeks authority to maintain the authorized rate increased by five percent, the testimony shows that it is applicants' intention to apply the \$2.40 rate increased by five percent, i.e., \$2.52. Applicants' purpose in asking for authority to charge the lower rate, it appears, was to continue a differential between the authorized rate and the assessed rate in order to have an area for rate negotiation with the shipper should such become necessary.²

The record shows that for the year 1953 the applicants had revenues from all operations of \$454,839 and operating expenses of \$454,209, producing a net operating revenue of only \$630 and an operating ratio of 99.9 percent³. However, the

² Similar disparities exist in the authorized and assessed charges for vehicle delays.

³ The figures of record make no provision for income taxes. The income taxes would fall upon the several partners as individuals.

applicants estimate that for the future year, at the higher rate herein proposed to be assessed, a net operating revenue of \$16,007 would accrue. The 1954 forecast as summarized from applicants' exhibit is as follows:

<u>Operating Revenue</u>		\$471,895
<u>Operating Expenses</u>		
Equipment Maintenance	\$ 90,500	
Transportation Expense	241,148	
Terminal Expense	618	
Traffic Expense	3,636	
Insurance	19,731	
Administrative and General	41,715	
Depreciation	13,510	
Taxes and Licenses	<u>45,030</u>	
TOTAL OPERATING EXPENSES		<u>455,888</u>
NET OPERATING REVENUE		\$ 16,007
OPERATING RATIO	96.6%	

The witness testified that he deemed the foregoing estimate to be conservative. He anticipated that the 1954 experience will be somewhat more favorable than indicated in his forecast.

No other witness testified. No one opposed the granting of the supplemental application as amended.

A departure from the established minimum rates as herein proposed may be authorized only upon a finding that the proposed rate is reasonable and consistent with the public interest (Public Utilities Code, Sections 3666 and 4015). It is clear from the evidence that the rate as proposed in the supplemental application filed herein is substantially less than the

cost of performing the service and hence is not a reasonable rate. The evidence shows, however, that the higher rate which the applicants intend to assess will return the cost of service and provide some net earnings. Moreover, the record is convincing that the latter basis of rates is necessary to preserve the traffic to the applicants.

Upon careful consideration of all of the facts and circumstances of record, the Commission concludes and finds as a fact that the rates hereinafter authorized are reasonable and consistent with the public interest.

O R D E R

Public hearing having been held in the above-entitled proceeding, the evidence having been fully considered, and good cause appearing,

IT IS HEREBY ORDERED that W. J. Tannahill, M. F. Tannahill and E. J. Tannahill, copartners doing business as W. J. Tannahill & Sons, be and they are hereby authorized to transport the commodities hereinafter described for Owens-Parks Lumber Company within the territory described at rates less than

the established minimum rates, but not less than the following:

\$2.52 per thousand board feet on all lumber and forest products as described in Item No. 660 of Highway Carriers' Tariff No. 2 (Appendix "D" of Decision No. 31606 as amended), except sash and doors, delivered within a radius of 30 miles computed in accordance with Distance Table No. 4 (Appendix "A" of Decision No. 46022 as amended), of the Vernon yard of Owens-Parks Lumber Company.

Hourly penalty charges shall be assessed in addition to the foregoing for unnecessary delays in loading, C.O.D. and all other delays, in accordance with the following basis:

\$2.50 per hour for trucks of 2 tons or less.
2.90 per hour for trucks of over 2 tons.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire with April 30, 1955, unless sooner changed, canceled or extended by order of the Commission.

This order shall become effective twenty days after the date hereof.

Dated at South Pasadena, California, this
16th day of MARCH, 1954.

R. J. [Signature]
President,
James J. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners