

ORIGINALDecision No. 50855

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)	
into the rates, rules, regulations,)	
charges, allowances and practices)	
of all common carriers, highway)	Case No. 5432
carriers and city carriers relating)	(Pet. No. 35)
to the transportation of general)	
commodities (commodities for which)	
rates are provided in Minimum Rate)	
Tariff No. 2.))	

(For list of appearances, see Appendix "A" hereof.)

O P I N I O N

Minimum rates established by the Commission for the transportation of general commodities by common and highway carriers are set forth in Minimum Rate Tariff No. 2 (formerly Highway Carriers' Tariff No. 2). The rates are statewide in application. By Petition for Modification No. 35 filed in this proceeding the Truck Owners Association of California seeks an increase of 10 per cent in the minimum rates named in that tariff, exclusive of those subject to minimum weights in excess of 10,000 pounds and exclusive of rates for the transportation of forest products,¹ applicable between points

¹The articles included in the term "forest products" are those named in Items Nos. 660 and 700 Series of Minimum Rate Tariff No. 2. Petitioner also excludes from its increase proposal accessorial charges applicable to pool shipments, named in Items Nos. 176, 177, 178 and 179 Series of that tariff.

in the so-called San Francisco Bay Counties Territory,² on the one hand, and points in an area embracing all of Del Norte, Humboldt and Mendocino Counties and a specified portion of Lake County,³ on the other hand. Petitioner also proposes a 10 per cent increase in the rates in Minimum Rate Tariff No. 2, subject to the above-mentioned commodity and weight limitations, applicable between points in said Northwest area, but excluding those applicable between points north of a projected line extending east and west along the southern city limits of Eureka.⁴ Additionally, petitioner seeks authority for highway common carriers to increase by 10 per cent the rates published by them on commodities now exempt from the provisions of Minimum Rate Tariff No. 2, applicable between the points and within the weight limitations embraced by the petition.

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San Francisco Bay Counties Territory, sometimes hereinafter referred to as the Bay Counties area, includes all points in the City and County of San Francisco and the Counties of San Mateo, Santa Cruz, Santa Clara, San Benito, Monterey, Alameda, Contra Costa, Marin, Sonoma, Solano and Napa.

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The area in question will be sometimes hereinafter referred to as the Northwest area. The portion of Lake County involved herein is that bounded by State Highways Nos. 53 and 29 and the boundary lines of Napa, Sonoma and Mendocino Counties; it includes all points within five miles laterally of the above-mentioned highways.

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According to the record, transportation between points north of the southern city limits of Eureka was excluded from the petition because the short distances involved had resulted in strong competition from proprietary haulers. These circumstances, it is alleged, militated against any rate increase in the area in question.

Public hearing was held before Examiner Carter R. Bishop at San Francisco on July 19 and 20, 1954.

In the petition it is alleged that increased statewide minimum rates which went into effect on March 1, 1953 and again on September 10, 1953⁵ are not compensatory for the transportation of property between the points described therein. It is further alleged that operating costs in the territory in issue are higher than those incurred elsewhere in the State because of the adverse operating conditions encountered, the sparseness of the population and the relatively low traffic density. Additionally, it is stated that increases in wage rates have taken place since the last rate increase.⁶ As a result of the above-mentioned factors petitioner alleges that immediate increases in the minimum rates and charges as proposed in the petition are necessary in order to bring such rates and charges to a reasonable level.

A traffic consultant employed by highway common carriers operating in the area involved offered testimony clarifying the petition. He introduced an exhibit setting forth the rates on

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See Decisions Nos. 48189, dated January 19, 1953, and 48958, dated August 10, 1953, respectively, in Case No. 5432.

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Petitioner recognizes that in Petition No. 29 in Case No. 5432 it has joined in seeking statewide increases in the rates and charges in Minimum Rate Tariff No. 2 designed to offset the above-mentioned wage increases. Petitioner states that any increases which may be authorized as a result of Petition No. 29 are to be considered as in partial satisfaction of the rate increase sought herein.

"exempt" commodities, applicable via the principal highway carriers and via Northwestern Pacific Railroad, on which increases are sought.⁷ Assertedly, all rates shown in the exhibit are depressed.

A consulting cost accountant also testified on behalf of petitioner. This witness introduced a series of exhibits in which he set forth the financial results of operations and revenue and expense projections for six highway common carrier systems. The carriers included were: Antoni Truck Lines, Butler Freight Service, Callison Truck Lines, Intercity Motor Lines and Intercity Transport Lines (an express corporation), Way's Redwood Empire Freight Lines, Willig Freight Lines and E. J. Willig Truck Transportation Co. The operating results of the two "Intercity" carriers were consolidated, as were also those of the two "Willig" companies.⁸ According to the accountant, petitioner had made a survey of the highway carriers serving the Northwest area and had found that those included in his exhibits were the only carriers having a substantial volume of traffic which would be affected by the proposed increases.

⁷ According to the traffic consultant, no increase would be applied to the rates on butter, cheese, margarine or eggs shown on Page 1 of Exhibit 35-4 herein in connection with shipments weighing 18,000 pounds or more.

⁸ The record shows that on March 1, 1954 Willig Freight Lines acquired the operative rights of E. J. Willig Truck Transportation Co. By Decision No. 50629, dated October 13, 1954, in Application No. 35836, the Way's operation was incorporated and was authorized to acquire all the rights of the Butler operation except for the transportation of lumber between points north of Eureka.

The accountant had developed the operating results of the selected carriers for the 12-month periods ending December 31, 1953 and March 31, 1954, respectively.⁹ In arriving at these results he had adjusted the book figures of the carriers, where necessary, to correct errors in accounting procedure. The witness then further adjusted the operating results for the more recent of the above-mentioned periods to give effect, on an annual basis, to the 1953 and 1954 wage increases and to increases in other expense items which had occurred during or after the period in question. At the same time the witness had adjusted the revenue results of the carriers to give effect on an annual basis to rate increases which had trans-
pired.¹⁰

The operating results, as developed by the accountant, for the 12-month period ending March 31, 1954, are summarized in Table I (adjusted only for technical errors) and in Table II (adjusted for increases in expenses and rates), below.

TABLE I
Operating Results for 12-Month Period
Ending March 31, 1954 (Minor Adjustments Only)

	<u>Antoni</u>	<u>Butler</u>	<u>Callison</u>	<u>Intercity</u>	<u>Way's</u>	<u>Willig</u>
Oper. Revenues	\$266,076	\$596,106	\$750,944	\$504,295	\$557,795	\$2,580,024
Oper. Expenses	289,003	581,225	725,406	510,368	614,975	2,468,055
Net Oper. Revenues	(22,927)	14,881	25,538	(6,073)	(57,180)	111,969
Oper. Ratio*	108.62%	97.50%	96.60%	101.20%	110.25%	95.66%

() - Indicates loss.

* Before provision for income taxes.

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He also made a separate showing of operating results for the 3-month period ending March 31, 1954.

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The rate increases involved were: (1) the general increase in minimum rates, calculated at 5 per cent for approximate effect, which became effective September 1, 1954 pursuant to Decision No. 48958, in Case No. 5432; (2) the increase of the surcharge on rail competitive rates from 6 per cent to 15 per cent, effective in November, 1953; and (3) the 6 per cent surcharge applicable within the Bay Counties area, established pursuant to Decision No. 48743, as amended, in Case No. 5441, effective July 23, 1953.

TABLE II

Operating Results for 12-Month Period
Ending March 31, 1954 (Adjusted by
Projection of Revenue and Expense Increases)

	<u>Antoni</u>	<u>Butler</u>	<u>Callison</u>	<u>Intercity</u>	<u>Way's</u>	<u>Willis</u>
Oper. Revenues	\$273,712	\$608,426	\$766,600	\$515,362	\$572,459	\$2,647,179
Oper. Expenses	296,408	594,264	740,332	530,467	625,691	2,511,267
Net Oper. Revenues	(22,696)	14,162	26,268	(15,105)	(53,232)	135,912
Oper. Ratio*	108.29%	97.67%	96.57%	102.93%	109.30%	94.87%

() - Indicates loss.

* Before provision for income taxes.

The accountant had also measured the effect of the proposed increase, in the event of its authorization, on the net operating revenues of the selected carriers. This was done by first estimating the portion of the adjusted revenues of each carrier, as shown in Table II above, which were attributable to traffic transported at the rates involved herein.¹¹ The accountant then increased the amounts so estimated by 10 per cent and combined the resulting figures with the revenues from the traffic not here in issue to arrive at the total adjusted revenues for the selected 12-month period. The financial results of operation under the sought rate increase, as thus estimated by the accountant, are summarized in Table III below.

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This portion of the adjusted revenues was ascertained by subtracting from the total operating revenue of each carrier the amounts estimated to have been derived from shipments: (1) subject to minimum weights in excess of 10,000 pounds; (2) transported between points in the Bay Counties area; (3) rated at rail rates; and (4) transported from or to points not embraced by the petition herein. Assertedly, the witness predicated his estimate of the revenues accruing under each of these categories on a review of the freight bills of each of the carriers issued during a selected month, except that, as to Antoni, two months' bills were reviewed and, as to Butler, the bills issued during an entire year were surveyed.

TABLE III

Estimated Effect of Proposed Rate Increase
on Adjusted Operating Results for 12-Month
Period Ending March 31, 1954

	<u>Antoni</u>	<u>Butler</u>	<u>Callison</u>	<u>Intercity</u>	<u>Way's</u>	<u>Willig</u>	<u>Total Antoni Callison Intercity and Way's</u>
Tot. Oper. Revenues After Increase	\$296,936	\$614,478	\$836,276	\$563,033	\$610,944	\$2,665,292	\$2,307,189
Tot. Oper. Expenses After Increase	297,163	594,461	742,596	532,016	626,942	2,511,856	2,198,717
Net Oper. Revenues (Before Income Taxes)	(227)	20,017	93,680	31,017	(15,998)	153,436	108,472
Oper. Ratio (Before Income Taxes)	100.08%	96.74%	88.80%	94.49%	102.62%	94.24%	95.30%
Income Taxes*	-	\$ 6,566	\$ 45,232	\$ 11,444	-	\$ 77,453	\$ 56,676
Net Oper. Revenues (After Income Taxes)	(227)	13,451	48,448	19,573	(15,998)	75,983	51,796
Oper. Ratio (After Income Taxes)	100.08%	97.81%	94.21%	97.97%	102.62%	97.15%	97.76%
Percentage of Tot. Oper. Revenues sub- ject to 10 per cent increase	84.8%	9.9%	90.89%	92.5%	67.23%	6.84%	84.14%

() - Indicates loss.

* At corporate rates:

In order to consider the operating results of all carriers which transport an appreciable amount of traffic moving under rates of the levels of those here in issue, the accountant included in his exhibits the expenses and revenues of the six carriers hereinbefore mentioned. He pointed out, however, that only a small portion of the total adjusted revenues of Butler Freight Service and of Willig Freight Lines would be affected by the proposed increase. As shown in Table III above this would amount to approximately 10 per cent in the case of Butler and 7 per cent in that of Willig.¹² In the last column of Table III the estimated operating results for the remaining carriers have been consolidated to show the impact of the sought increase on the carriers which, according to the record, handle the bulk of the traffic involved herein. The table indicates that 84 per cent of the total revenues of these carriers, i.e., Antoni, Callison, Intercity and Way's, would be subject to the increase, and that the operating ratio of these carriers as a group would be 97.76 per cent, after provision for income taxes at corporate rates. The individual operating ratios, after taxes, would be 94.21, 97.97, 100.08 and 102.62 per cent for Callison, Intercity, Antoni and Way's, respectively.

The witness asserted that the highway carriers involved herein are operating efficiently. He pointed out that within the last two years substantial improvements have been made in the terminal facilities of these carriers and that new equipment has

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According to the record Butler operates between Eureka, Crescent City and intermediate points. All of its local traffic, therefore, would be excluded from the sought increase; only its revenues under joint rates with carriers operating south of Eureka would be affected thereby. Willig, in so far as the petition is concerned, operates between San Francisco Bay points, on the one hand, and Mountain House, Rockport, Fort Bragg, Jenner and points intermediate thereto, on the other hand. The bulk of its traffic moves between San Francisco Bay points and southern California.

been purchased or is now on order. According to the record the carriers maintain their fleets in first class condition.

Testimony in support of the petition was also given by witnesses for Intercity, Willig, and Antoni. They described the adverse conditions under which their services to the public are rendered. Among the factors mentioned were the mountainous character of the Northwest area,¹³ the narrow, tortuous, two-lane highways serving the area,¹⁴ the sparseness of population in the region, the relatively low volume and seasonal character of the traffic, the marked preponderance of northbound traffic, which results in unfavorable load factors, the small size of the individual shipments, and the necessity for expensive back-peddling operations in order to serve the numerous resorts in the area.¹⁵

This group of witnesses also testified that their competition with permitted carriers is in the category of shipments which are subject to minimum weights greater than 10,000 pounds. The record indicates that this is also true as to competition from proprietary hauling. Moreover, the carrier witnesses asserted that operating costs are not as great in connection with truckload shipments as with less than truckload. These considerations were instrumental in the conclusion to exclude the heavier shipments from the scope of the petition herein.

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The records disclose that in winter there are frequent slides which necessitate detouring over poorer roads, thus increasing the distance traversed, the time in transit, and equipment depreciation.

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The witness for Intercity testified that highway improvement in the Northwest area has been insufficient to reduce appreciably the cost of operation.

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The record shows that during three weeks in July and August, 1953, Intercity delivered to the resort area between Willits and Scotia shipments totaling 90,253 pounds. In making these deliveries an average of 5.4 stops per mile was involved and the average weight per stop was 345 pounds.

The carrier witnesses were emphatic in their representations that the increase sought herein is urgently needed. The witnesses for Antoni and Intercity testified that these carriers have been operating at a loss for some time past. The witness for Willig testified to the same effect with respect to the operations of that carrier between the points embraced by the petition. The proposed increase, the witnesses said, was necessary to offset the losses and to maintain adequate and efficient service.

An engineer from the Bureau of Transportation Research of Southern Pacific Company testified regarding the operations and service of Northwestern Pacific Railroad and Pacific Motor Trucking Company between the Bay Counties area and the Northwest area, and within the latter area. He explained that these latter carriers, which are subsidiaries of Southern Pacific, provide a coordinated less-than-carload rail and highway service between San Francisco and Oakland, on the one hand, and points in the Northwest area, on the other.

According to the engineer Southern Pacific has made studies of the handling of less-than-carload traffic and has concluded that such traffic is unprofitable. He said that less-than-carload business is, if anything, more unprofitable on Northwestern Pacific than on the Southern Pacific generally. This, he asserted, was attributable to the adverse operating conditions encountered in the territory served by the Northwestern Pacific. He mentioned the annual washout as one of the factors which results in high operating costs on that road.¹⁶ Assertedly, unit costs are greater on Northwestern Pacific because its volume of traffic is much less than elsewhere on the system and because the shipments are generally smaller.

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The witness stated that there is a substantial period each winter during which the rail service north of South Fork is suspended by reason of the washouts.

Counsel for Northwestern Pacific stated that the petition was being supported by that carrier, both with respect to minimum rates and as to those on the so-called exempt commodities. In this connection he directed attention to the Commission's conclusion in an earlier proceeding that the truck is the rate-making form of transport in the less-than-truckload or less-than-carload field.¹⁷

Opposition to the granting of the petition was voiced by the managers of the transportation departments of the San Francisco and Oakland Chambers of Commerce and by the traffic managers of three companies which ship their products from San Francisco Bay points to destinations in the Northwest area. The witnesses for the chambers of commerce pointed out that if the petition is granted, San Francisco and Oakland will be placed at a disadvantage as compared to Sacramento and Stockton in connection with traffic moving from and to many points in the Northwest area under the increased rates. They also pointed out that under the proposed increase the rate advantage of the San Francisco Bay points over Los Angeles would be substantially reduced. Such a change in the rate relationships, they asserted, would be detrimental to the industry and commerce of the Bay area. They said they would have no objection if the proposed increase were uniformly applied between the Northwest area, on the one hand, and all points elsewhere in the State, on the other.

The traffic manager for a coffee company testified that the latter had regular shipments from San Francisco to the Northwest area, nearly all of which would be embraced by the weight limitations of the petition. He objected to the granting of the petition because the

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The witness cited the Commission's Decision No. 31606, dated December 27, 1938, in Case No. 4246.

burden of the increase would be placed upon the shippers in the Bay Counties area. He asserted that if an increase was necessary, the certificated common carriers represented by petitioner should be permitted to increase their published rates, but that the minimum rates should remain undisturbed.

The record indicates that practically all of the traffic coming within the scope of the petition herein is transported by the six certificated carriers utilized in the accountant's revenue and expense studies. It also indicates that of the total of the revenues earned by these carriers from such traffic, approximately 90 per cent accrues to Antoni, Callison, Intercity and Way's. Moreover, about 85 per cent of the total revenues of these four named carriers as a group is attributable to transportation which would be subject to the proposed increase. According to the record little, if any, of the traffic involved herein is transported by permitted carriers. In view of these considerations it appears that if the petition is granted, the benefits therefrom will accrue almost entirely to the four named carriers.¹⁸

Exhibits of record show that three out of the four carriers principally involved herein have been operating at a loss and that if the increase is granted, two of these will continue so to operate, although their financial positions would be somewhat improved.¹⁹

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As previously mentioned the accountant calculated that only 7 and 10 per cent of the total revenues of Willig and Butler, respectively, would be affected by the sought increase.

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As shown in Table III above, the accountant estimated that under increased rates the operating ratios of the four carriers would, after taxes, be as follows: Antoni, 100.08%; Callison, 94.21%; Intercity, 97.97%; Way's, 102.62%. The average ratio would be 97.76%.

Under the circumstances the need for some relief is apparent. On the other hand, the record is not convincing that the minimum rates here in issue should be increased. The necessary rate relief, therefore, will be made available through the medium of permissive rate increase authorizations to be accorded particular carriers.

Upon consideration of all the evidence of record we are of the opinion and hereby find that an increase of 10 per cent has been justified in the local and joint rates for the transportation of property published and filed with this Commission by or for account of Intercity Motor Lines, Intercity Transport Lines, A. F. Antoni, doing business as Antoni Truck Lines, V. Callison, doing business as Callison Truck Lines, and A. W. Way, doing business as Way's Redwood Empire Freight Lines, and in the joint rates of G. S. Butler and M. E. Butler, doing business as Butler Freight Service, in so far as said rates come within the scope of the petition herein, as modified by Exhibit No. 35-3 in this proceeding. Said increase will be authorized in the order which follows. In all other respects the petition will be denied.

It is expected that the carriers specified in the preceding paragraph, to the extent that they maintain with other carriers joint rates, on the commodities, and subject to the weight brackets, embraced by this petition, applicable between points in the Northwest area, on the one hand, and points beyond the Bay Counties area; on the other hand, will promptly file applications with the Commission seeking authority to make increases in those rates, corresponding to such increases as may be published pursuant to the authority herein granted.

The traffic manager of a dairy products company moved that the petition be denied in so far as it relates to minimum rates established by the Commission and to rates of Way's Redwood Empire Freight Lines applicable to exempt commodities. To the extent that the motion relates to minimum rates, it is hereby granted. In all other respects the motion is hereby denied.

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 Intercity Motor Lines, Intercity Transport Lines, A. F. Antoni, doing business as Antoni Truck Lines, V. Callison, doing business as Callison Truck Lines, and A. W. Way, doing business as Way's Redwood Empire Freight Lines, be, and they are, and each of them is, hereby authorized to increase by not more than 10 per cent their local and joint rates for the transportation of property, published and filed with this Commission by them or for their account, in so far as said rates come within the scope, geographically, as to commodities, as to weight brackets, and in other respects, of the petition filed herein, as modified by Exhibit No. 35-3 in this proceeding.

IT IS HEREBY FURTHER ORDERED that G. S. Butler and M. E. Butler, doing business as Butler Freight Service, be, and they are, hereby authorized to increase by not more than 10 per cent their joint rates for the transportation of property, published and filed with this Commission by them or for their account, in so far as said rates are embraced by the limitations set forth in the first ordering paragraph herein.

IT IS HEREBY FURTHER ORDERED that in computing the increased rates and charges herein authorized, fractions of less than one-half cent shall be dropped and fractions of one-half cent or more shall be advanced to the next whole cent.

IT IS HEREBY FURTHER ORDERED that the carriers embraced by this order are, and each of them is, hereby authorized to depart from the provisions of Article XII, Section 21, of the Constitution of the State of California and of Section 460 of the Public Utilities Code to the extent necessary to adjust long and short haul departures now maintained under outstanding authorizations.

IT IS HEREBY FURTHER ORDERED that the increased rates authorized herein may be established on not less than five days' notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the express condition that the carriers specified in the order herein will never urge before this 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 and charges pursuant to the authority herein granted will be construed as a consent to this condition.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED that in all other respects Petition No. 35, in Case No. 5432, be and it is hereby denied.

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

Dated at San Francisco, California, this 14th day of December, 1954.

Peter E. Mitchell
President
Justin J. Casner
Kenneth F. Latta
Gene Higgins
Ray G. Lutermaier
Commissioners

APPENDIX "A"

Appearances

Marvin Handler and Robert D. Boynton, for
Truck Owners Association of California,
petitioner.

J. C. Kaspar, for Motor Truck Association
of California, interested party.

John Cain, Harold M. Hays, B. E. Rowland,
William Meinhold, and John M. Smith, for
various for-hire carriers, respondents.

Lawrence L. Baldocchi, L. D. Cannedy, Jack
Clodfelter, Leo V. Cox, P. J. Kujachich,
Ernest J. Leach, W. F. McCann, Eugene A.
Read, Walter A. Rohde, A. F. Schumacher,
and Louie H. Wolters, for various shippers
and shipper organizations, interested
parties.

J. W. Mallory and Owen G. Stanley, of the
Commission's staff.