

ORIGINAL

Decision No. 51552

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
WILLIG FREIGHT LINES, a California)
Corporation; for authority to in-)
crease rates and charges under)
Section 454 of the Public Utilities)
Code in Willig Freight Lines Local)
Freight Tariff No. 2-A Cal. P.U.C.)
No. 3 generally between San Francisco-)
Oakland area on the one hand and)
points intermediate between Jenner,)
Cloverdale and Rockport on the other)
hand.)

Application No. 36830

Ballard E. Rowland, for applicant.
J. C. Kaspar, for California Trucking
Associations, Inc., interested party.
G. L. Malquist, for the Commission's staff.

O P I N I O N

Willig Freight Lines, a corporation, operates as a highway common carrier between points in this State. By this application, as amended, it seeks authority under Section 454 of the Public Utilities Code to increase by 15 per cent certain of its published class and commodity rates.¹ The rates in issue are those applicable generally between San Francisco Bay points, on the one hand, and points located on State Highway No. 1, Jenner to Rockport inclusive, and on State Highway No. 28, Mountain House and points north thereof;

¹
The rates sought to be increased are published in Willig Freight Lines Local and Joint Freight Tariff No. 2-A, Cal. P.U.C. No. 3.

also between said points on State Highways Nos. 1 and 28.² No increases are proposed in rates that are subject to minimum weights in excess of 10,000 pounds.

Public hearing was held before Examiner Carter R. Bishop at San Francisco on May 11, 1955.

The rates here in issue are on the level of those prescribed as minimum by this Commission for transportation by for-hire carriers between the points in question. Applicant asserts that said rates are not compensatory because operating conditions in the Redwood Empire territory are more adverse than those generally experienced elsewhere in this State. Among the factors which contribute to these circumstances applicant mentions the sparseness of population in the Redwood Empire area, the necessity of making frequent stops to deliver small quantities of freight, the seasonal character of some of the traffic, the unfavorable load factors resulting from the lack of substantial southbound traffic,³ and the difficult operating conditions encountered in the Redwood Empire area due to the narrow highways with their numerous grades and curves.

Evidence in support of the application was offered by applicant's president and by a certified public accountant. The president stated that applicant has been serving the Redwood Empire

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The points involved herein on State Highways Nos. 1 and 28 will be sometimes hereinafter referred to as the "Redwood Empire" points. They are located in Sonoma and Mendocino Counties. Applicant also operates as a highway common carrier between San Francisco Bay points on the one hand, and points in the Los Angeles area, on the other. No increases are proposed in the rates applicable to that part of applicant's operations.

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The record discloses that the only appreciable southbound traffic is of salmon from Fort Bragg, which moves only during May, June and July.

points for approximately 25 years and that the service in question has always been a high cost operation. He asserted that, in addition to the factors hereinbefore mentioned as contributing to this fact, costs have been further magnified by increases in drivers' wages which have been experienced since the last general increase in minimum rates.⁴ On the other hand, the witness alleged, revenues have been adversely affected by reductions in some of the constructive highway distances applicable from, to or between the Redwood Empire points. As a consequence of these circumstances, he said, the operations involved herein are now on a precarious footing, making it imperative that the sought rate increases be authorized.

The president further testified that applicant has no appreciable competition from other carriers with respect to the traffic involved herein. Assertedly, there is competition with highway permit carriers for shipments which are subject to rates having minimum weights in excess of 10,000 pounds.⁵ For this reason applicant found it impracticable to seek increases in the rates applicable to those shipments. It was the president's view that applicant would not lose any traffic by reason of any rate increases which might be granted pursuant to the application herein.

⁴ The rate increase in question was that promulgated in Decision No. 48958, dated August 10, 1953, in Case No. 5432. It was state-wide in scope and affected all classes of highway carriers. The witness drew attention to the Commission's Decision No. 51086, dated February 7, 1955, in Case No. 5432 (Petition No. 29), in which further increases in state-wide minimum rates were denied. In that decision the Commission stated that common carriers which were urgently in need of financial relief might file applications seeking authority to make such increases in their published rates as they deemed proper under the circumstances.

⁵ According to exhibits of record only 10.5 per cent of the operating revenues accruing during the six-month period from October, 1954 to March, 1955, inclusive, from applicant's Redwood Empire operations was derived from shipments transported at rates having minimum weights in excess of 10,000 pounds.

The accountant witness is associated with the firm which has handled applicant's accounting functions for the past 15 years. He introduced a series of exhibits in which were set forth a balance sheet of recent date, applicant's profit and loss position for representative periods, analyses of revenues and expenses referable to the Redwood Empire operation, and an estimate of revenues and expenses under the proposed increased rates. The exhibits disclosed that for the calendar year 1954 applicant's total operating revenues amounted to \$2,591,485 while operating expenses for the same period were \$2,554,913, reflecting an operating ratio of 98.59 per cent before provision for income taxes. The net income, after tax and other adjustments, was \$5,955. The corresponding system operating results for the 6-month period from October, 1954 to March, 1955, inclusive, were: revenues \$1,252,778, expenses \$1,288,681, and operating ratio 102.87 per cent. The deficit for that period, after interest payments and tax adjustment, amounted to \$52,675.

Operating results for the services embraced in this application were also developed by the accountant. For the above-mentioned 6-month period from October, 1954 to March, 1955, inclusive, the revenues accruing from the Redwood Empire service amounted to \$85,860 and the operating expenses, as calculated by the accountant, were \$93,481, reflecting a deficit of \$7,621 and an operating ratio of 108.88 per cent.⁶

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A six-month period was deemed by the witness to be sufficiently long for the purposes of his study, since, according to the record, the northbound volume of traffic fluctuates very little throughout the year and the southbound movement, while seasonal, is small.

While the revenue figures for the Redwood Empire operations were readily ascertained from applicant's books, such was not the case with respect to the operating expenses. The accountant explained that applicant does not consistently maintain separate cost figures for those operations. In developing the unit costs in question, therefore, he had found it necessary in many instances to employ estimates. These largely reflected the accountant's experience in the preparation of cost studies of other carrier operations and in some cases the judgment of applicant's employees. To the extent that actual cost figures were available, the witness testified, they had been generally utilized in calculating the total operating expenses of the Redwood Empire service for the aforementioned 6-month test period.⁷

For the purposes of estimating operating results to be experienced under the rate increase sought herein the accountant expanded by 15 per cent the revenues received during the test period under the rates involved in this proceeding.⁸ In doing so, however, he did not adjust the calculated expenses for that period to give effect to the additional gross revenue expense which would accompany

⁷ In calculating vehicle depreciation expense, the witness explained, he employed service lives of 8 years for tractors and 10 years for semitrailers in lieu of 7 years, the factor used in applicant's books as a basis for both types of equipment. Also, the accountant did not include in the expenses of the Redwood Empire operation pickup and delivery costs for shipments subject to rates in the weight brackets higher than 10,000 pounds. To this extent the expenses were understated.

⁸ According to exhibits of record, operating revenues received during the test period from the Redwood Empire service constituted 6.86 per cent of applicant's total operating revenues for that period.

the increase in revenues. In the table which follows, the accountant's forecast of operating results under the proposed increased rates, after adjustment for increased gross revenue expense, are shown, both for the Redwood Empire service and for applicant's over-all operations:

Table

Estimated Results Under Sought Rate Increases for
Test 6-Month Period Ending March 31, 1955 (Adjusted)

<u>Item</u>	<u>Redwood Empire Operation</u>	<u>Over-All Operation</u>
Operating Revenues*	\$97,393	\$1,264,311
Operating Expenses**	94,394	1,289,594
Net Operating Revenue	\$ 2,999	\$ (25,283)
Operating Ratio (Per Cent)	96.92%	102.00%

* Revenues received during stated period, increased by \$11,533 (15 per cent of revenues derived from Redwood Empire operation during stated period).

** Actual expenses increased by additional gross revenue expense which would accrue under proposed increases in Redwood Empire rates.

(Red Figure)

No one opposed the granting of the proposed increase in rates.

As hereinbefore indicated, applicant's failure, in many instances, to maintain separate cost figures for that portion of its operations involved herein has made it difficult to measure fairly accurately the financial results of those operations. Nevertheless, the evidence adduced in this proceeding is convincing that applicant's

Redwood Empire service is being rendered at a loss and that the operating results anticipated under the proposed increased rates are not unreasonable.⁹

Upon careful consideration of all the evidence of record, the Commission is of the opinion and finds as a fact that the proposed increased rates have been justified. The application will be granted.

O R D E R

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

IT IS HEREBY ORDERED that Willig Freight Lines be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, the increased rates as proposed in the application, as amended, filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that in computing the increased rates 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 Willig Freight Lines be and it 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.

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In the development of the estimate of net operating revenues of \$2,999 and an operating ratio of 96.92 per cent for the Redwood Empire service under the proposed rates no provision has been made for income taxes, since the accountant anticipates that applicant's operations as a whole will, in spite of the increases sought herein, be conducted at a loss.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the express condition that Willig Freight Lines 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.

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

Dated at San Francisco, California, this 7th day of June, 1955.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

Commissioner Rox Hardy, being necessarily absent, did not participate in the disposition of this proceeding.