

ORIGINALDecision No. 52213

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 VERYL CALLISON, an individual doing)
 business as CALLISON TRUCK LINES,)
 for a certificate of public conven-)
 ience and necessity to extend an)
 operation as a highway common carrier)
 for the transportation of property.)

Application No. 35434

Edward M. Berol, for applicant.
Douglas Brookman, for Way's Freight Line, a cor-
 poration, and A. W. Way, doing business as
 Way's Redwood Empire Freight Lines, protestants.
Marvin Handler, for Way's Freight Line, protestant, and
 G. S. and M. E. Butler, doing business as Butler
 Freight Service, interested party.
William Meinhold and Frederick Fuhrman, for
 Northwestern Pacific Railroad Company, Southern
 Pacific Company and Pacific Motor Trucking
 Company, protestants.
Harold M. Hays, for Intercity Motor Lines,
 interested party.

O P I N I O N

In this application, as amended, Veryl Callison, doing business as Callison Truck Lines, seeks a certificate of public convenience and necessity authorizing highway common carrier operations between Arcata and Crescent City, and intermediate points, including the off-route points of Big Lagoon and Crannell.^{1/}

Applicant proposes to transport general commodities between these points in connection with his present operation between Arcata, Eureka and San Francisco Bay points.

A public hearing was held by Examiner Leo C. Paul at Crescent City on October 19, 20 and 21, and at San Francisco on

^{1/} Originally applicant proposed Smith River, about 14 miles north of Crescent City, as his northerly terminus. At the hearing the application was amended to exclude all points north of Crescent City.

October 29, November 12, 15, and 19, 1954. The matter was submitted subject to the filing of concurrent briefs by the parties. These have been received.

For a number of years applicant has been conducting highway common carrier operations between South San Francisco and East Bay points extending from Richmond to Hayward, all on the one hand, and points Garberville to Arcata, including intermediate points, on the other hand, for general commodities. Local service is also conducted between Garberville and Arcata and intermediate points.

Applicant's present service is so conducted that trucks leaving the San Francisco Bay area are timed to arrive at Eureka, a bulk-breaking point, at approximately 5:30 to 6:00 a.m. the following morning. Applicant testified that on the average he operates seven schedules each way five days a week and one schedule each way one day a week on the sixth day. Shipments having destination at points beyond Arcata to and including Crescent City are then tendered to applicant's connecting carrier,^{2/} for movement to destination under a joint-rate arrangement. If the quantities are sufficient applicant tenders such shipments in one of his trailers which avoids the necessity of additional handling by transfer. According to the record, the interchange arrangement between applicant and Butler Freight Service at Eureka covered all points north of Arcata to the California-Oregon state line.

^{2/} Applicant's connecting carrier was Butler's Freight Service prior to November 8, 1954. As of this date Way's Freight Line, a corporation, became applicant's connecting carrier at Eureka, the point of interchange, by virtue of the acquisition of Butler's Freight Service by Way's Freight Line as discussed hereinafter. Such acquisition enables the latter to provide a through service between San Francisco and Crescent City via Eureka.

Applicant testified that the interchange arrangement with the connecting carrier had not proved satisfactory, many shipments, some perishable, being delayed and not delivered until the following day. Under his proposal he would schedule a truck to leave San Francisco between 5:00 and 7:00 p.m. which would operate through to and arrive at Crescent City at about 9:30 a.m. the next day. It would stop en route at Eureka to pick up shipments having origin at East Bay points and destinations north of Arcata. Shipments destined to points from Arcata northerly to Orick would be delivered from applicant's Eureka terminal. Shipments destined to Crescent City and points southerly as far as Klamath would be delivered from the Crescent City terminal. According to the record Klamath is approximately 25 miles north of Orick and there is no one to be served in the intervening area most of which is a state park.

Applicant testified that he has ample automotive equipment to provide the proposed line-haul operation but would require the addition of four pickup truck units at a cost of approximately \$20,000 to provide the necessary additional pickup and delivery service. He maintains terminals at San Francisco, at Garberville and at Eureka and if the authority sought is authorized he would establish an additional terminal at Crescent City which would cost approximately \$15,000. According to the record applicant is financially able to provide the additional facilities which would be required.

Applicant called 39 public witnesses who testified in support of his application. Of these witnesses 17 were engaged in various types of enterprises at Crescent City, one at Arcata, three at Orick and three at Klamath. Such enterprises consisted principally of logging, lumber hauling, wholesale and retail

groceries, automotive parts and supplies, hardware, electrical and industrial equipment and supplies, furniture, dry goods, haberdashers, variety stores and restaurants. At San Francisco applicant produced approximately 15 public witnesses who were traffic managers, or in other capacities exercised supervisory control over transportation for the various firms represented. These firms were wholesalers of various products including steel and heavy hardware products, machine shop and mill supplies, plumbing and electrical fixtures and supplies, fresh fish and other general food commodities. All of them presently use applicant's service for shipments moving northerly to the Garberville-Eureka-Crescent City territory. Some of the Crescent City witnesses and most of those testifying at San Francisco stressed their desire and need for a competitive service in the area north of Arcata which presently has but one motor common carrier. Some expressed dissatisfaction with the present requirement to interchange traffic at Eureka or Arcata between the carrier of their choice and another carrier. The secretary-manager of the Del Norte County Chamber of Commerce testified there is a need for a direct overnight service at least five days a week between San Francisco and Crescent City such as proposed by applicant.

An officer of a large fishing concern engaged in the production and distribution of all kinds of sea foods said that his company for several years has used applicant's service between Eureka and San Francisco, has found it to be excellent and desires such service between Crescent City and Eureka as well as the through service as proposed. Its shipments vary from 2,000 pounds to as much as 40,000 pounds daily during the annual fishing season of about eleven months. According to the witness his company used its own trucks and the service of the local common carrier

between Crescent City and Eureka. If applicant's proposal should be authorized the proprietary operation could and probably would be discontinued. The witness complained that his company by experience could not rely upon receiving a dependable refrigerated service from the successor of the local trucking company but could rely upon that of applicant based upon long use. In the witness' opinion an additional common carrier truck service between Eureka and Crescent City is needed.

The operator of a lumber mill at Orick said that on occasions he has an urgent need for machinery, truck or tractor parts shipped from San Francisco which he has been required to pick up at Eureka because of the inadequacy of the single local common carrier service. Applicant's proposal would be useful in such situations.

The general manager of transportation and operation of a firm engaged in the manufacturing, processing and distribution of foods said that frequent shipments are made by it from San Francisco to points in the area applicant proposes to serve. Some occasional shipments are made in response to direct mail orders received from customers. Heavier shipments are made every two or three weeks which result from orders received from salesmen of the company working in the Eureka-Crescent City area. Upon their receipt the orders are consolidated into one split-delivery shipment destined to that area. The company thereby is enabled to achieve certain economies in its transportation charges which have a direct effect upon its delivered prices of the goods shipped. The witness felt that he should be able to receive the same through service from applicant as from the other motor carrier in the field. He does not desire to see the shipments of his company divided between two carriers as that would deprive it

of many opportunities to avail itself of the split-delivery privilege. He was fearful that the purchase of the Butler line by Way's Freight Line as noted in the margin (supra) might create a situation which could divide his traffic between applicant, whose service he prefers, and Way's Line. This would increase the delivered costs of his goods in a distant and highly competitive region. To avoid such traffic division he might be compelled to transfer all his traffic to the single through operator which he dislikes doing because of the satisfactory service rendered by applicant. His company has already received letters from some of its customers in the Eureka-Crescent City area requesting a change to the new carrier. On cross-examination the witness indicated that if applicant's connecting carrier at Eureka would accord the same service to interline shipments received from applicant as it would to its own traffic such service could be satisfactory.

Several other shippers, who used applicant's service, testified that they had received similar letters from customers requesting their shipments be routed via Way's Freight Line instead of the line of applicant. Twelve such letters were introduced as Exhibits 30 to 34-H inclusive.

Other witnesses for applicant testified with respect to the increase in population and the industrial expansion of the territory involved. In that connection Exhibits 24 through 27 and 29 were introduced which showed an economic survey of Humboldt County, the taxable retail sales, the lumber mill development in the county together with a statistical review and similar information with respect to Del Norte County.

Exhibits Nos. 10 to 21, both inclusive, are tonnage exhibits introduced by applicant showing intrastate and interstate

traffic handled by him having origin or destination at points north of Arcata to and including Smith River during the months of April, May, June and August, 1954. Northbound traffic is shown for the four months and southbound traffic for June and August only. At the request of protestants, applicant introduced Exhibit No. 37 showing the weights of shipments northbound only, and destined to points north of Arcata tendered by applicant to Butler Freight Service during July, August and September, 1954. ^{3/} It will be observed that the preponderant traffic is northbound intrastate. Nearly all of the northbound traffic shown by those exhibits had origin at San Francisco Bay points, principally San Francisco, and consisted of a great variety of commodities.

Applicant's accountant had prepared an estimate of the traffic which would be available to applicant under the proposed operation, and the revenues and expenses in connection therewith. On cross-examination of the accountant it was shown that he had made some rather inconsequential miscalculations in regard to

^{3/} Total weight in pounds of shipments handled by Callison having origin or destination at points north of Arcata to and including Smith River as shown in the exhibits indicated.

1954	<u>Northbound</u>				<u>Southbound</u>			
	<u>Exh. No.</u>	<u>Intra-state</u>	<u>Exh. No.</u>	<u>Inter-state</u>	<u>Exh. No.</u>	<u>Intra-state</u>	<u>Exh. No.</u>	<u>Inter-state</u>
April	10	354,426	11	**40,877				
May	12	463,954	13	48,837				
June	14	414,342	15	56,937	16	20,034	17	23,139
*July	37	440,104						
August	(18 (37)	466,150	(19 (37)	27,365	20	121,387	21	34,476
*Sept.	37	458,188						
Totals		<u>2,597,164</u>		<u>174,016</u>		<u>141,421</u>		<u>57,615</u>

* Assumed to be intrastate as not indicated on the exhibit.
 ** Direction of movement uncertain from Exhibit No. 11.

the estimated revenues which would be received. (Exhibit No. 52) The accountant testified the estimates were based upon applicant's actual experience and the assumption that applicant would retain all traffic which he now originates with destinations north of Arcata and interchanges at Eureka with the connecting carrier. The exhibit indicates this traffic would be more than 5,000,000 pounds annually. Applicant expressed the opinion that in addition to this traffic, which is northbound, he could develop new southbound traffic originating in the Arcata-Crescent City area. This new traffic would consist principally of approximately 2,000,000 pounds of fresh fish and 4,000,000 pounds of lumber a year. He had been assured of the fish traffic. To determine the availability of the estimated lumber traffic applicant had made a few southbound hauls from Crescent City. This demonstrated to his satisfaction that he could easily obtain the estimated lumber traffic. Applicant testified that if he could retain all his present traffic and develop the estimated southbound tonnages that would be sufficient to justify the authority sought which he needs in order to avoid endangering the stability of his present operations. Without the authority sought he anticipates a total loss to Way's Freight Line, the only highway common carrier serving north of Arcata, of all traffic moving to points south of Eureka which he had formerly received from Butler's Line at Eureka on interchange. Applicant said he feels that as a result of the acquisition of Butler's Line by Way's Freight Line he will be unable to obtain an overnight service for northbound traffic originated by him which he feels his shippers are entitled to receive.

The witness for Intercity Transport Lines, an express

corporation, said that approximately 10 per cent each of its total tonnage and of its total revenue is developed in the local area between Arcata, Crescent City and Smith River. He calculated the total tonnage and total revenue for the year 1953 at approximately 2,700,000 pounds and \$45,000 respectively, based upon annualization of the operating results of the first and third quarters of that year. He was fearful of the consequences of the acquisition of Butler Freight Service by Way's Freight Line as the consolidation of those lines would develop a through service between the San Francisco Bay area and the Eureka-Crescent City area which would operate in direct competition with that of Intercity Transport Lines. The latter had formerly used Butler's service for traffic having origin or destination at points north of Eureka, the interchange point. The witness favored certification of applicant on the basis that a more satisfactory traffic interchange arrangement could be established with the latter than with Way's Freight Line. He stated the latter had canceled their concurrences on traffic moving between Eureka and Ferndale.

The principal protestant was Way's Freight Line, a newly formed corporation. Its development is discussed below. It provides a highway common carrier service for the transportation of general commodities between San Francisco Bay points, on the one hand, and points along U. S. Highway 101 from Fernbridge to Eureka, Arcata and Crescent City, on the other hand, and between Eureka and Crescent City and intermediate points. This carrier conducts other trucking services not affected by this proceeding.

In November, 1953, A. W. Way, doing business as Way's Redwood Empire Freight Line, filed an application with the Commission requesting authority to extend highway common carrier

service from Arcata to Crescent City and intermediate points.^{4/} Thereafter a new general manager of the Redwood Empire Freight Line was appointed. He testified that he made a comprehensive study of the highway common carrier services between the San Francisco Bay area and the Eureka-Crescent City area as well as the local services and traffic moving between Eureka and Crescent City. The witness thereupon concluded that it would be infeasible for his company to establish a profitable direct service between San Francisco Bay points and the Arcata-Crescent City area in competition with Butler Freight Service, the only certificated truck carrier operating between Eureka and Crescent City. He recommended negotiations for the acquisition of that line. If that could be accomplished protestant Way's application for a certificate to extend its operation would be dismissed. Thereafter, in October, 1954, Way's Freight Line, a corporation was formed by A. W. Way. The corporation, A. W. Way, an individual, and the partnership of George S. and M. E. Butler^{5/} joined in an application requesting the Commission to authorize the corporation to acquire all the highway common carrier operative rights and properties of the other parties. The request was granted and the sale was effected on November 6, 1954. A through truck service was inaugurated by Way's Freight Line between San Francisco and Crescent City on November 8, 1954, during the course of the hearing in this proceeding.

Its general manager testified that the predecessor of Way's Freight Line suffered a loss from his operations during the

^{4/} Application No. 35434 of Veryl Callison, the applicant herein, was filed May 17, 1954.

^{5/} The Butlers retained the operative right to transport lumber and forest products between the California-Oregon boundary and Eureka as created by Decision No. 43424.

calendar year 1953 and the first six months of 1954. However, under the witness' management and the institution of certain economies, the operation for the five months' period, May 1, 1954, through September 30, 1954, showed a net operating profit of \$6,787. This resulted in an operating ratio of 97.42 per cent.

(Exhibit No. 51) ^{6/} With respect to the movement of traffic between the various points involved herein, the witness stated that during the period of the last three months of 1953 and the first nine months of 1954 the total interchange both northbound and southbound between applicant and Butler Freight Service amounted to 6,115,858 pounds which produced a revenue of \$35,501.

(Exhibit No. 53)

On behalf of protestants a traffic engineer made a comprehensive study of the costs of the operation proposed by applicant and a study of the assertedly available traffic in the Eureka-Crescent City area. He prepared a number of exhibits

^{6/} Taken from Exhibit No. 38 introduced by applicant, which was based on the annual reports of the carriers filed with the Commission for the years indicated. Intercity Motor Lines operates a highway common carrier service between San Francisco Bay area and Eureka, insofar as it is affected by this proceeding. It is the underlying carrier for Intercity Transport Lines, the express corporation. They are commonly owned and operated.

Comparative Operating Statement
For the Years 1952 and 1953

	Callison Truck Lines		Way's Red E.F.L.		Combined Intercity Motor & Transport	
	<u>1952</u>	<u>1953</u>	<u>1952</u>	<u>1953</u>	<u>1952</u>	<u>1953</u>
Oper: Rev.	\$755,606	\$753,775	\$621,178	\$577,051	\$727,410	\$720,388
Tot. Oper. Exp.	685,232	717,496	610,473	618,476	714,420	728,048
Net Oper. Rev.	70,374	36,279	10,705	(41,425)	12,990	(7,660)
Lease of Oper. Unit		-		-		1,073
Net Interest & other Ded.	2,925	4,109	1,744	2,218	1,176	2,003
Other Income	(1,310)	(239)	-	-	3,252	-
Net Income	\$ 66,139	\$31,931	\$ 8,961	\$(43,643)	\$ 15,066	\$(10,736)
Oper. Ratio	90.69%	95.19%	98.27%	107.18%	98.21%	101.06%

() = Red Figure

embodying the results of those studies. (Exhibits Nos. 40 to 48 inclusive, and 54 to 57 inclusive) We see no need to discuss them in detail. In order to estimate the results of applicant's operation, if authorized, the witness assumed that applicant would obtain 50 per cent of all traffic and revenue formerly handled and received by Butler Freight Service, between Eureka and Crescent City, both local traffic (19,442,340 pounds) and traffic interlined with all connecting carriers (11,268,911 pounds) including applicant. This traffic and revenue allocation was based on the traffic and revenue of Butler Freight Service during the first nine months of 1954 expanded to twelve months. Lumber traffic is excluded as Butler Freight Service retained that operation. The total revenue from this traffic was calculated by the witness as \$186,018 for the year. He allotted to applicant 15,355,000 pounds of this traffic and revenues therefrom of \$93,000. (Exhibit No. 44) It was his opinion that applicant's annual costs of conducting the proposed service would amount to \$115,804 resulting in an estimated loss of approximately \$22,000.

This witness also prepared a revised summary (Exhibit No. 54) of applicant's estimate of his annual operating costs of the proposed service based upon the latter's Exhibit No. 52 discussed hereinabove. It was the witness' opinion that these costs were considerably underestimated as detailed in the exhibit. Practically all of these differences occurred in the allowances for depreciation of vehicles and for indirect expenses according to the witness.

After full consideration of all the evidence of record and the arguments of the parties in briefs, the Commission finds that public convenience and necessity require the establishment and operation of the highway common carrier service proposed by

applicant between Arcata and Crescent City and intermediate points including the off-route points of Big Lagoon and Crannell. In arriving at this conclusion we are not unmindful of the contentions of protestant that the entry of another highway common carrier into this territory might conceivably impose an additional burden upon protestant because of its investment in its recently established operation between the same points. After fully considering the record in this proceeding, it is our conclusion that the economic development of the Arcata-Crescent City area and the requirements of shippers are such as to justify the highway common carrier service proposed. We have taken particular notice of the estimates by protestant's witnesses that applicant's proposed extended operation would result in a heavy loss to him. The evidence indicates there is much more traffic available in that area than that considered in the estimations. The evidence also shows that applicant is well equipped both financially and by experience as evidenced by the record and financial reports filed with the Commission to establish the proposed service and conduct it in a satisfactory manner. The application will be granted.

O R D E R

An application as above entitled having been filed, a public hearing having been held thereon, the matter having been duly submitted and the Commission having found that public convenience and necessity so require,

IT IS ORDERED:

(1) That a certificate of public convenience and necessity is hereby granted to Veryl Callison authorizing the establishment and operation of service as a highway common carrier, as defined

in Section 213 of the Public Utilities Code, for the transportation of general commodities between the points and over the routes as more particularly set forth in Appendix A attached hereto and made a part hereof.

(2) That in providing service pursuant to the foregoing certificate applicant shall comply with and observe the following service regulations:

- (a) Within thirty days after the effective date hereof, applicant shall file a written acceptance of the certificate herein granted. By accepting the certificate of public convenience and necessity herein granted, applicant is placed upon notice that he will be required, among other things, to file annual reports of his operations and to comply with and observe the safety rules and other regulations of the Commission's General Order No. 99. Failure to file such reports, in such form and at such time as the Commission may direct, or to comply with and observe the provisions of General Order No. 99, may result in a cancellation of the operating authority granted by this decision.
- (b) Within sixty days after the effective date hereof, and upon not less than five days' notice to the Commission and the public, applicant shall establish the service herein authorized and file in triplicate, and concurrently make effective, appropriate tariffs satisfactory to the Commission.

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

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

John E. Marshall
President

Justin J. Calmes

Madison D. Shale

H. Hardy

Paul W. Lawrence
Commissioners

AM

Decision No. 52213

Dated NOV 7 - 1955

Application No. 35434

APPENDIX A

The certificate of public convenience and necessity granted to Veryl Callison by the above-numbered decision authorizes him to transport general commodities except livestock, uncrated household goods, articles of unusual value and liquified petroleum products in bulk in tank trucks or trailers, between Arcata and Crescent City and intermediate points including the off-route points of Big Lagoon and Crannell.

The service authorized shall be conducted over U. S. Highway 101 and county roads necessary to serve authorized off-route points.