

**ORIGINAL**Decision No. 57063

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 LOYD B. TURNER, doing business as )  
 BLUE TRUCK LINES, for authority to )  
 increase rates on less than statutory )  
 notice. }

Application No. 39937

Turcotte & Goldsmith by J. O. Goldsmith, for  
 applicant.  
Anthony V. Danna and Eddy S. Feldman, for  
 Furniture Manufacturers Association of  
 California, Omar Pullen by Anthony V. Danna  
 for Retail Furniture Association of  
 California, and R. C. Fels, interested  
 parties.  
Grant L. Malquist, for the Commission staff.

O P I N I O N

Loyd B. Turner, doing business as Blue Truck Lines, operates as a highway common carrier for the transportation of uncrated new furniture and related articles from the Los Angeles area to points in Northern California. By the above entitled application he seeks authority to increase his any-quantity rates by 15 percent and to establish a new scale of rates, subject to a minimum weight of 250 pounds, at a level 5 percent above the present any-quantity rates. No changes are proposed in the rate scales subject to minimum weights of 500 pounds and 2,000 pounds.

Public hearing was held before Examiner William E. Turpen at Los Angeles on May 12, 1958.

Applicant states that approximately 90 percent of his shipments fall within the any-quantity or 250-pound brackets; that during 1957 he operated his common carrier service at a loss of \$4,172; and that if wage increases, which became effective November 1, 1957, had been in effect the entire year his loss would have amounted

to \$8,711. Applicant testified that the handling costs are higher for shipments weighing under 500 pounds than for heavier shipments and that the present rate differentials are too small to offer an incentive for shippers to accumulate their shipments.

A witness for applicant offered into evidence an exhibit showing recorded operating results for 1957 and such operating results adjusted to reflect the increased labor costs experienced if they had been in effect throughout the year. The exhibit also showed that the sought increase in rates would have produced additional revenue of \$20,680 for the year if it had been in effect, without any allowance for diminution of traffic. A summary of the adjusted operating results under present rates and under proposed rates, as shown in the exhibit, follows in Table No. 1.

TABLE NO. 1

Adjusted Operating Results

	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$361,109	\$381,789
Operating Expenses	<u>369,362</u>	<u>370,655</u>
Income (Before Taxes)	(\$ 8,253)	\$ 11,134

( ) Indicates loss

Cross-examination of the witness developed information regarding several of the items included among the expenses which needs discussion. An amount of \$2,006 was included among operating expenses for interest. The witness agreed that it should not have been included as an operating expense. The witness admitted that he overlooked the fact that the Board of Equalization tax was reduced from 3 percent to 1½ percent effective January 1, 1958, and failed to allow for that change in his adjusted expenses. Although the exhibit does not show the exact amount of this tax paid, based on the operating revenue of \$361,109, the tax reduction would reduce the operating expenses by approximately \$5,400. It was also

disclosed that no consideration was given to an increase in the hourly rate for helpers in the San Francisco Bay area from \$2.85 to \$3.16 on June 1, 1957. As the exhibit shows total helper wages for the year as amounting to \$4,078, this wage increase would add less than \$300 to operating expenses. The adjustments indicated above would reduce the operating expenses as shown by approximately \$7,000.

The exhibit shows an expense for the year of \$49,664 for equipment rental. The witness explained that most of applicant's equipment is leased on a monthly basis from Blue Lines, Incorporated, a separate corporation.<sup>1/</sup> The record shows that applicant pays for all taxes, licenses, insurance, fuel and maintenance of the leased equipment, and that the rental payments cover only depreciation and interest on the investment. The record also shows that the leased equipment has a value of approximately \$235,900. If applicant owned the equipment, instead of renting it, a reasonable charge for depreciation only would be considered as a charge to operating expenses; the interest charges being included in net profits. Considering the service life of this type of equipment, as has been used by the Commission's engineers in many rate proceedings, it appears that the rental charges paid by applicant are about twice the amount that depreciation charges would be.

<sup>1/</sup> The record shows the following equipment is now being leased. The unit and total monthly rental charges are also shown.

<u>Quantity</u>	<u>Description</u>	<u>Monthly Rental</u>	
		<u>Each</u>	<u>Total</u>
17	24-ft. semi	\$100	\$1,700
1	35-ft. semi	125	125
1	40-ft. semi	150	150
7	Diesel tractors	230	1,610
8	Gasoline tractors	124	992
7	Converter gear	20	140
	Total monthly rental		\$4,717
	Total annual rental		\$56,604

The difference between the equipment rental payments and reasonable depreciation charges is a larger sum than the anticipated revenue increase that would result from the sought increase in rates. Reduction of expenses by this amount, along with the adjustment of \$7,000, previously mentioned, would leave applicant in a satisfactory earning position and would eliminate any necessity for a rate increase. We have no objection to a carrier leasing its equipment instead of purchasing the equipment, but the carrier's shippers should not be required to pay higher charges to meet the added expenses of such an arrangement. In the circumstances we find and conclude that the sought rate increase has not been justified. The application will be denied.

ORDER

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

IT IS ORDERED that Application No. 39937 be and it is hereby denied.

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

Dated at San Francisco, California, this 29th day of April, 1958.

E. L. Fox  
President  
Paul E. Mitchell  
Paul E. Mitchell  
Theodore Jensen

Commissioners

Commissioner Matthew J. Dooley, being necessarily absent, did not participate in the disposition of this proceeding.