

ORIGINALDecision No. 59111

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
 of WILLIAM H. ANDERSON going)
 business as WILLIAM H. ANDERSON)
 TRUCKING, to deviate from)
 established rates.)

Application No. 41028

Barr & Messner, by J. Everett Barr, for applicant.
Marvin Handler, of Handler and Baker, for Winans
Bros. Trucking Co., interested party.
R. J. Carberry and John F. Specht, for the
 Commission's staff.

O P I N I O N

William H. Anderson, doing business as William H. Anderson Trucking, operates as a highway contract carrier in the transportation of forest products between points in this state. By this application, as amended, he seeks authority to transport rough lumber for Edward E. Head, doing business as South Fork Timber Products Company, from Hyampom (Trinity County) to Redding (Shasta County) at a rate less than that established as minimum.

A public hearing of the application was held before Examiner Carter R. Bishop at San Francisco on August 21, 1959.

The applicable minimum rate for the transportation here in issue is 25 cents per 100 pounds, minimum weight 43,000 pounds. This rate is set forth in Item No. 690-K of the Commission's Minimum Rate Tariff No. 2, for a distance of 136.5 miles, which is the constructive highway distance between Hyampom and Redding.^{1/} Applicant

^{1/} As provided in the Commission's Distance Table No. 4.

seeks authority to observe, in lieu of the above-stated minimum rate, a rate of 23 cents per 100 pounds.^{2/}

Applicant testified to the following facts: He has been hauling lumber for the aforementioned Edward E. Head from Hyampom to Redding and to other points up and down the state continuously since May 1, 1959, when the Hyampom mill commenced operations. He has been transporting the entire output of that mill, amounting to three truck-and-trailer loads, on the average, per day, the weight per load ranging from 50,000 to 52,000 pounds. Approximately five percent of the total movement from Hyampom terminates at a lumber yard in Redding, for distribution in the local area or for reshipment. The movement from Hyampom is practically year round.

Applicant also hauls lumber from certain other points, located in Siskiyou County, to California destination points. Additionally, he engages in the transportation of logs. However, this latter operation is carried on as a business entirely separate from the lumber service, with different employees and vehicles and with separate records and accounts.

While the movement of lumber from Hyampom to Redding amounts to only five percent of the Hyampom traffic, both applicant and the operation of the Hyampom mill testified that the movement to Redding may increase. They pointed out that there have been recent reductions in the rail rates on lumber from Redding and other producing points to California destinations. In the light of these reductions competition from other mills may make it necessary to divert a substantial segment of the traffic which applicant now hauls from

^{2/} In the application as originally filed a rate of 20 cents per 100 pounds was proposed. At the hearing, counsel for applicant amended the proposal, first to 21 cents, and subsequently to 23 cents per 100 pounds.

Hyampom through to destination points beyond Redding, to rail loading facilities at Redding for movement by rail beyond.

Head testified that if the changeover described in the preceding paragraph should transpire, he would consider going into proprietary hauling of lumber from Hyampom, unless the 23-cent rate herein sought is authorized. He had made no actual study of the costs which might be incurred in such operations.

A certified public accountant, employed by applicant, testified concerning a study which he had made of applicant's costs of transporting lumber from Hyampom to Redding. The study reflected an estimated cost for the movement in question of 17.38 cents per 100 pounds. This figure includes an allowance for overhead expense but does not include compensation to applicant for his managerial services. Also, it does not include provision for income taxes. According to the record, applicant draws an allowance of \$8,400 per year. Related to the total annual movement of lumber from Hyampom, this amount reflects a cost of 2.55 cents per 100 pounds.^{3/} making a total estimated transportation cost from Hyampom to Redding of 19.93 cents per 100 pounds. Based upon this cost estimate the proposed rate of 23 cents would produce an operating ratio, before income taxes, of 86.7 percent.

No one opposed the granting of the application.^{4/} Counsel for Winans Brothers Trucking Co. and members of the Commission's transportation rate and engineering staffs assisted in the development of the record.

^{3/} The record does not disclose the percentage of applicant's working time which is devoted to the transportation between Hyampom and Redding. It is also silent as to what might be considered reasonable compensation for that portion of his time.

^{4/} Initially, counsel for Winans Brothers Trucking Co. entered the appearance of that carrier as protestant. However, on amendment of the application herein seeking authorization of a rate of 23 cents (in lieu of 20 cents) per 100 pounds, the protest of Winans was withdrawn.

The record, as developed through examination of applicant's accountant witness, indicates that the aforementioned cost study contains some infirmities. For example, in many instances the unit costs developed by the accountant are system average costs, reflecting not only applicant's operating experience from Hyampom to Redding, but also to points beyond Redding and the experience from Happy Camp and Yreka. The lack of a showing as to proper compensation to applicant for his services in connection with the operations specifically here in issue has already been noted. Other weaknesses might be cited. Nevertheless, the record, considered in its entirety, is persuasive that applicant will be able to perform the transportation of lumber from Hyampom to Redding at the sought rate on a compensatory basis.

The Commission is of the opinion and hereby finds that the proposed rate of 23 cents per 100 pounds is reasonable. The application will be granted.^{5/} Because the conditions under which service is performed may change at any time, the authority will be made to expire at the end of one year, unless sooner canceled, changed or extended by order of the Commission.

O R D E R

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

IT IS ORDERED that:

1. William H. Anderson, doing business as William H. Anderson Trucking and operating as a highway contract carrier, be and he is hereby authorized to transport rough lumber from Hyampom to Redding for Edward E. Head, doing business as South Fork Timber Products

^{5/} No truckload minimum weight is specified in the application. The costs of record were developed on a weight of 50,000 pounds. Based on this fact and on other evidence it is concluded that a minimum weight of 50,000 pounds will be reasonable.

Company, at a rate less than the established minimum rate, but not less than 23 cents per 100 pounds, subject to a minimum weight of 50,000 pounds.

2. The authority granted herein shall expire one year after the effective date of this order unless sooner canceled, changed or extended by order of the Commission.

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

Dated at San Francisco, California, this 10th day of October, 1959.

[Signature] President

[Signature]

[Signature]

[Signature]

Commissioners

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