

ORIGINAL

Decision No. 64453

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of:  
Alfred W. Bellows, doing business as  
B & W FILM DELIVERY, for authority  
to increase tariff rates and pro-  
visions pursuant to Sections 454  
and 491 of the Public Utilities Code.

) Application No. 44407  
) (Filed May 4, 1962;  
) amended June 8, 1962.)

Alfred W. Bellows, applicant, in propria  
persona.

Arlo D. Poe, J. C. Kaspar, and  
B. E. Bartholemy, for California  
Trucking Associations, Inc., interested  
party.

William P. Brown, Jr., interested party.

Robert J. Carberry and Carl B. Blaubach,  
for the Transportation Division of the  
Commission's staff.

O P I N I O N

Applicant, Alfred W. Bellows, operates as a highway common carrier of motion picture film and accessories. His services consist of the picking up of film and accessories at film exchanges and theatrical supply houses in Los Angeles, the delivery thereof to theaters and others along designated routes between Los Angeles, Riverside and Redlands, and the subsequent return of the film to the exchanges. By this application he seeks authority to increase some of his rates and charges, and to cancel others.

Public hearing on the matters involved was held before Examiner C. S. Abernathy at Los Angeles on July 23, 1962. Evidence was presented by applicant. Representatives of the

California Trucking Associations, Inc., and of the Commission's staff participated in the development of the record. No one appeared in opposition to the application.

In general, applicant's rates and charges are based on the number of program changes which he provides per theater per week. For example, his rates for one, two and three program changes per week for a theater located in Upland are \$3.36, \$6.72 and \$8.96, respectively. Higher rates apply when services are performed in addition to those provided at the time of a change in program. Said services consist of the delivery of single reels of film (so-called short subjects), previews and advertising material. The lengths of the hauls involved are also a factor which affects the level of applicant's rates.

By the changes which he proposes to make in his rates and charges, applicant seeks to augment his revenues and to revise his rate structure to reflect more fully current transportation conditions applicable to his services. Examples of applicant's present and proposed rates are set forth in the margin below.<sup>1</sup> The present

Between Los Angeles and	Column 1		Column 2		Column 3		Column 4	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Puente	\$2.24	\$4.50	\$5.60	-	\$6.72	\$11.00	\$2.24	\$2.50
Claremont	3.36	5.00	6.72	-	8.96	12.25	2.24	2.50
San Bernardino	4.48	6.50	8.96	-	11.20	14.50	2.24	3.25

(a) Present rates  
(b) Proposed rates

Column 1 - Rates for one change in films per week.

Column 2 - Rates for two changes in films per week.

Column 3 - Rates for one or two changes in films per week and additional deliveries of single reels, previews and advertising.

Column 4 - Additional charge per change in films when more than two changes of films per calendar week are made.

and proposed rates are set forth more fully in Appendices "A" and "B" attached hereto.

As grounds for the rate increases which he seeks, applicant submitted testimony to the effect that his present rates have been maintained at substantially the same level for the past 14 years; that during this time his costs of operation have increased; and that his revenues under his present rates are not sufficient to return his operating costs including provision for reasonable compensation for the time that he and his wife devote to the business. He reported that for the year 1961 his gross revenues totalled \$24,267, and that his expenses (exclusive of any compensation for himself and his wife) were \$14,338. Thus the amount which became available to compensate applicant and his wife for their services and to provide a return on applicant's investment in his operations was \$9,929. Applicant alleges that his gross revenues should have been \$8,400 more than those earned if he and his wife were to have been reasonably compensated for their services. He estimated that had the sought rates been in effect during 1961 his gross revenues would have been increased by \$6,335.

The rates which applicant seeks to cancel are those which apply for one or two changes of film per week, exclusive of supplementary deliveries of single reels, previews or advertising matter. Applicant stated that with one exception these rates are now infrequently assessed, inasmuch as the services which he provides in response to present needs of the theaters include supplementary deliveries and are subject to other of his rates. The exception involves deliveries of film which applicant makes to institutions such as the California Institution for Men at Chino. Applicant

testified that these institutions require only one change of film per week with no supplementary services. Applicant proposes to retain rates based on a single change in film per week to cover these institutional deliveries.

Discussion and Findings

It is evident that the justification upon which applicant relies mainly for authorization of the sought rates and charges is the alleged need of applicant for additional revenues in order to meet the expenses of operation including reasonable compensation for the services of the owner and his wife. It appears that applicant's further revenue needs for return on investment are relatively small, inasmuch as investment and related data which applicant presented indicate a rate base of only about \$6,000.

As indicated in the application, the basis upon which applicant claims that increased revenues should be provided to compensate him and his wife reasonably for their services is that he devotes approximately 79 hours a week and his wife devotes approximately 48 hours a week to the operations. On this basis applicant asserts that \$11,677 a year constitutes reasonable compensation for his services and that \$6,677 is reasonable for the services of his wife. According to applicant's testimony at the hearing, however, the time that he actually spends is about 45 hours a week, although he is available if needed for an additional 15 hours a week. Applicant also testified that the time which his wife devotes to the operations for secretarial and billing services is about 40 hours a week. However, it appears that this time also includes a substantial amount of stand-by time, inasmuch as the record shows that applicant serves about 45 patrons; that applicant's bills are rendered on a weekly basis; and that much of

applicant's dealings with his patrons and the film exchange is conducted by telephone.

Upon consideration of the evidence we find that the amounts which applicant claims as reasonable compensation for his and his wife's services are excessive. We find that on this record the amounts that should be allowed as reasonable charges against applicant's operations for applicant's and his wife's services are \$8,400 and \$4,800 per year respectively.

In other respects also we find that from a rate-making standpoint applicant's expenses are overstated. It appears that the expenses include the full costs of operating a Chevrolet station wagon although this vehicle apparently is used mainly in other than applicant's common carrier services. The expenses also include an amount of \$237 for interest although interest expense is not an item of operating expense for rate-making purposes.

On the other hand, it appears that applicant's expense data may not sufficiently reflect the costs that will be incurred in the repair of applicant's vehicles during the coming year. Applicant's listing of expenses shows repair costs of but \$52.33 for 1961. According to a statement of an engineer of the Commission's staff who participated in the proceeding, studies of the Commission's staff show repair costs of 5 to 6 cents per mile for vehicles of the type operated by applicant. On this basis applicant's repair costs would be about \$3,500 annually.

It appears that any increased allowance for vehicle repair as suggested by the staff, would be essentially offset by the elimination from applicant's showing of the aforementioned interest expense and of that portion of vehicle expense which is properly

attributable to non-utility use of the station wagon. We are persuaded that, subject only to the above discussed adjustments in the salaries of applicant and of his wife, the costs of applicant's operations during the coming year will not exceed those shown. Upon consideration of the evidence in this matter the following are hereby adopted, for the purposes of this proceeding, as reasonable estimates of applicant's revenues and expenses for the coming year under present and proposed rates.

Estimated Results of Year's Operations  
under Present and Proposed Rates

	<u>Under Present Rates</u>	<u>Under Proposed Rates</u>
Revenues	\$ 24,267	\$ 30,602
Expenses (a)	<u>27,538</u>	<u>27,538</u>
Net Operating Revenues	(\$ 3,271)	\$ 3,064
Income Taxes	<u>-</u>	<u>658</u>
Net Income	(\$ 3,271)	\$ 2,406
Operating Ratio	113.5%	92.1%

( ) Indicates loss

(a) Inclusive of salaries of applicant and his wife.

The showing herein does not justify the authorization of a level of earnings as great as that which the above table indicates at the proposed rates. Neither does the showing justify the authorization of rate increases as great as those sought. In the latter respect it should be pointed out that the increase in revenues which would result under the sought rates amounts to about 30 percent. However, the increases which would be effected in the individual rates are as much as 63 percent. In general, the greatest increases would be made in the rates for the shortest distances.

The variations in the proposed increases reflect in part an effort of applicant to adjust his rate structure to give greater weight to the factor of distance. The differences which are attributable to this adjustment are justified. In other respects, however, they are not. As an alternative to the rates which applicant proposes, it appears that the rates which are set forth in Appendix "C" attached hereto would return the additional revenues to which applicant is entitled and would also adjust his rate structure for the distance factor. The increases under these rates range, for the most part, from 20 to 34 percent. Estimated operating results for the coming year under these rates are as follows:

Revenues	\$ 29,396
Expenses <sup>(a)</sup>	<u>27,538</u>
Net Operating Revenues	\$ 1,858
Income Taxes	<u>387</u>
Net Income	\$ 1,471
Operating Ratio	95.0%

(a) Inclusive of salaries of applicant and his wife.

The foregoing results are hereby found to be reasonable. We hereby find that increases in applicant's rates and charges (including those that would result from cancellation of certain rates and charges as proposed) have been shown to be justified to the extent that the increased rates and charges which would result do not exceed those which are set forth in Appendix "C" attached hereto. To this extent, the authority which applicant seeks to establish increased rates and charges will be granted.

Applicant's proposals with respect to its rates for one change of film only with no additional deliveries of single reels, previews or advertising matter include a proposed limitation of these rates to transportation for non-profit institutions. This limitation will not be authorized inasmuch as it appears to be unreasonably discriminatory.

In connection with the establishment of the increased rates applicant asks that it be permitted to make said rates effective upon five days' notice to the Commission and to the public. In the circumstances this request will be granted.

O R D E R

Based on the evidence of record and on the findings and conclusions contained in the preceding opinion,

IT IS HEREBY ORDERED that Alfred W. Bellows, doing business as B & W Film Delivery, be, and he hereby is, authorized to amend his Local Freight Tariff No. 1, Cal. P.U.C. No. 3, to establish therein the increased rates and charges which are set forth in Appendix "C" attached hereto and by this reference made a part hereof. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that except as is otherwise provided herein Application No. 44407, as amended, be and it hereby is denied.



The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 23<sup>rd</sup> day of OCTOBER, 1962.

George H. Hoover  
President  
D. E. [unclear]  
[unclear]  
[unclear]  
Fredrick B. [unclear]  
Commissioners

Appendix "A" to Decision No. 61453

Present Rates in Cents per Week for the Transportation of Motion Picture Film, accessories, and Related Articles (as described in Item No. 10 of Alfred W. Bellows Local Freight Tariff No. 1, Cal. P.U.C. No. 3).

	<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
Between Los Angeles				
and				
Puente	224	560	672	224
Spadra	}			
Pomona				
Claremont				
Ontario				
Chino				
California Institution for Men, Chino	336	672	896 672(a)	224
Upland	}			
Cucamonga				
Fontana				
Riverside				
Colton				
San Bernardino				
Redlands	443	896	1120 784(a)	224

COLUMN 1 - Rates apply on one change of films per week with no additional deliveries of Single Reels, Previews or Advertising Matter.

COLUMN 2 - Rates apply on two changes of Films per week with no additional deliveries of Single Reels, Previews, or Advertising Matter.

COLUMN 3 - Rates apply on one or two changes of Films per week and include the delivery and return of any Single Reels, Previews, and Advertising Matter, in addition to the Change or Changes of Film during the calendar week.

COLUMN 4 - Additional charge per Change of Films when more than two Changes of Films per calendar week are made.

(a) Applies only when all of the Changes of Films in a calendar week are picked up at a theater in the same city or town.

(End of Appendix "A")

Appendix "B" to Decision No. 64453

Proposed Rates in Cents per Week for the Transportation of Motion Picture Film, Accessories, and Related Articles (as described in Item No. 10 of Alfred W. Bellows Local Freight Tariff No. 1, Cal. P.U.C. No. 3).

	<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
Between Los Angeles			
and			
Puente	450	1100	250
Spadra			
Pomona			
Claremont			
Ontario			
Chino			
California Institution for Men, Chino	500	1225	250
Upland			
Cucamonga	550	1325	275
Fontana			
Riverside			
Colton	600	1400	300
San Bernardino			
Redlands	650	1450	325

COLUMN 1 - Rates apply for one change of film only per week at non-profit Institutions only with no additional deliveries of single reels, previews or advertising matter.

COLUMN 2 - Rates apply as weekly minimum for one or two complete changes of film per calendar week and includes films, advertising matter and accessories necessary for one or two complete changes of program during a calendar week.

COLUMN 3 - Rate applies for the third and each successive change of films (in addition to Rate in Column 2), advertising matter and accessories necessary for complete change of program during the same calendar week.

(End of Appendix "B")

Appendix "C" to Decision No. 64453

Authorized Rates in Cents per Week for the Transportation of Motion Picture Film, Accessories, and Related Articles (as described in Item No. 10 of Alfred W. Bellows Local Freight Tariff No. 1, Cal. P.U.C. No. 3).

	<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
Between Los Angeles			
and			
Puente	450	850	250
Spadra			
Pomona	475	1050	250
Claremont			
Ontario			
Chino	500	1125	250
California Institution for Men, Chino			
Upland			
Cucamonga	550	1200	275
Fontana			
Riverside	600	1350	300
Colton			
San Bernardino			
Redlands	650	1425	325

COLUMN 1 - Rates apply for one change of film only per week with no additional deliveries of single reels, previews or advertising matter.

COLUMN 2 - Rates apply for one or two changes of film per calendar week, inclusive of the delivery and return of any film, advertising matter, and accessories necessary for one or two complete changes of program during the same week.

COLUMN 3 - Rate applies for the third and each successive change of films (in addition to Rate in Column 2), advertising matter and accessories necessary for complete change of program during the same calendar week.

(End of Appendix "C")