

**ORIGINAL**Decision No. 69092

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of: FILM TRANSPORT CO. OF CAL., )  
INC., a California corporation, )  
for authority to increase rates, )  
pursuant to Sections 454 and 491 )  
of the California Public Utilities )  
Code. )

Application No. 47220  
(Filed December 30, 1964)

Theodore W. Russell, for applicant.  
W. A. Dillon, Arlo D. Poe and J. C. Kaspar, for  
California Trucking Association, interested  
party.  
Fred P. Hughes, George L. Hunt and E. C. Crawford,  
for the Commission staff.

O P I N I O N

Film Transport Co. of Cal., Inc., a California corporation, operates as a highway common carrier of general commodities, including motion picture film and film accessories between points in Southern California. It also operates the Arizona Theatre Service (A.T.S.) as a wholly-owned freight forwarder of motion picture film and accessories in interstate commerce. By this application authority is sought to increase applicant's rates and amend certain of its tariff rules governing the intrastate transportation of motion picture film and film accessories, on five days' notice to the Commission and to the public.<sup>1/</sup>

Public hearing was held before Examiner Gagnon at Los Angeles on February 25, 1965, at which time the matter was submitted. Evidence was presented by applicant's secretary-manager. Representatives of the California Trucking Association and the Commission's staff participated in the proceeding. No one appeared in opposition

<sup>1/</sup> Film Transport Co. of Cal., Inc. Local Freight Tariff, Cal. P.U.C. No. 6 (Series of Benjamin S. Goldberg and W. Earl Goldberg, doing business as Film Transport Co. of California).

to the sought upward adjustment in rates.

The proposed rate increase and amendments to certain tariff rules are as follows:

1. Increase the level of rates by 10 percent.
2. Eliminate from applicant's tariff reference to "3-dimensional" feature films.
3. Eliminate tariff reference to "projecting machinery and parts therefor".

Applicant's highway common carrier rates involved in this proceeding were last increased, effective April 30, 1962, pursuant to Decision No. 63479, dated March 27, 1962, in Application No. 43834. According to the record herein, since April, 1962, applicant has been subjected to increased costs in labor resulting from several increases in wages payable under labor contracts in force before and subsequent to July 1, 1964. In addition to the increases in labor costs, there have also been material increases in other of applicant's costs, such as for fuel and insurance.

Applicant's present tariff provides a special charge for the transportation of "3-dimensional" feature films. At the time such tariff provisions were established "3-dimensional" films assertedly moved with considerable frequency. As a result of changes in the techniques of producing and projecting motion picture films, however, applicant states that the tariff provisions for "3-dimensional" films no longer have any practical use or application. It is proposed, therefore, that all such tariff provisions be eliminated.

In applicant's present tariff there are also provisions governing, among other things, the transportation of "projecting machinery and parts therefor". This commodity description, the record discloses, was contained in the certificates of public convenience and necessity originally issued to applicant's predecessor prior to the time applicant was authorized to transport so-called general commodities and when "projecting machinery and parts therefor"

moved with and as a part of shipments of motion picture films. At the present time, however, applicant states that "projecting machinery and parts therefor" are usually tendered for transportation separate and apart from motion picture films and move under applicant's general commodity rates, which are lower than the rates provided in applicant's tariff governing the transportation of film and related articles. It is the contention of applicant, therefore, that the proposed elimination of the references to "projecting machinery and parts therefor" from the tariff governing the transportation of motion picture films will avoid confusion and misunderstanding without affecting the rates and charges applicable to projecting machinery and parts therefor.

Assertedly, the proposed rate increase is required to offset increased operating costs incurred during the past three years. Revenue and expense data which applicant submitted are summarized in the following table:

Table No. 1

Financial Results of Operations Allocated Between Applicant's California Intrastate General Freight-Film Operations and the Interstate Operations of Arizona Theatre Service (A.T.S.) for the 8-Month Period Ending August 31, 1964

	Total Operation	California Freight	Film Traffic	A.T.S. (Interstate)
Revenues	\$234,777.95	\$118,590.89	\$86,437.06	\$29,750.00
Expenses	216,602.23	112,253.76	84,427.90	19,920.57
Net Operating Revenue	18,175.72	6,337.13	2,009.16	9,829.43
Operating Ratio (Before Income Taxes)	92.2%	94.6%	97.6%	66.9%

The secretary-manager for Film Transport Co. testified in considerable detail concerning the methods he employed for allocating the total results of operations between applicant's several affiliated transportation functions as set forth in Table No. 1 above. All revenues and expenses directly attributable to a particular transportation function of applicant were similarly recorded as between the respective

transportation services. Second, wherever possible the secretary-manager conducted "on-the-job" surveys of carrier joint operations which may or may not involve joint expenses. Third, the secretary-manager employed a revenue prorate percentage factor, which applicant deemed to be a reasonable basis for allocating certain joint expenses which were so commingled as to make precise separations extremely difficult or impossible. It is estimated that approximately 40 percent of applicant's revenues and expenses were directly attributable between the various carrier operations and the remainder allocated according to the methods described above. While applicant readily conceded that the "cost-follows-cost" theory of allocating joint expenses may be preferable to the revenue basis employed, the financial expenditure required to pursue the former method of cost allocation was deemed excessive in the light of the additional revenue (\$8,644) anticipated from the sought increase in rates.

Estimates were also submitted by the secretary-manager to show the operating results that would be realized if the sought rates are established. The computations of the secretary-manager are predicated upon the assumption that applicant's operations would be conducted in the ensuing eight months at essentially the same level as the 8-month period ending August 31, 1964.

The secretary-manager's estimates are summarized in Table No. 2 below:

Table No. 2

Estimated Results of California Intrastate Film  
Operations Under Sought Rates for 8-Month Period  
Ending August 31, 1964

	<u>Present</u>	<u>Adjustments</u>	<u>Proposed</u>
Revenue	\$86,437.06	\$8,643.70	\$95,080.76
Expenses	84,427.90	4,512.42	88,940.32
Operating Revenue	2,009.16	4,131.28	6,140.44
Operating Ratio (Before Income Taxes)	97.6%		93.5%

The secretary-manager explained that the adjustments in applicant's operating expenses shown in Table No. 2 do not include the known increase in the cost of labor which will occur when the upward adjustments in wage contracts become effective on July 1, 1965. This subsequent increase in labor costs, according to applicant's secretary-manager, will have to be absorbed since it is not deemed feasible nor practical to confront shippers with further increases in rates at this time.

The secretary-manager also submitted a comparison of the charges resulting under the proposed rates for representative shipments of motion picture film with the charges that would apply were the transportation involved herein subject to the minimum rates established by the Commission.<sup>2/</sup> The comparison indicates that the charges resulting under the proposed rates are substantially lower than the charges otherwise applicable under the minimum rates. From this rate comparison applicant draws the conclusions that the sought increase in rates would not be excessive.

It is apparent from the facts of record that applicant's present rates for the transportation of motion picture film and film accessories within California do not return sufficient revenues to permit applicant to realize the costs of the services which are provided thereunder plus a reasonable profit.

Upon consideration of all the evidence, the Commission finds that the sought increases in rates and charges have been shown to be justified and concludes that the application should be granted.

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<sup>2/</sup> The transportation of motion picture film is specifically exempted from the rates and rules in Minimum Rate Tariff No. 2 and from the provisions of various other of the Commission's minimum rate tariffs.

Applicant's request for authority to establish the sought relief on less than statutory notice to the Commission and to the public appears reasonable and will be authorized.

ORDER

IT IS ORDERED that:

1. Film Transport Co. of Cal., Inc., is authorized to establish the increased rates, and amended rules proposed in Application No. 47220. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

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

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

Dated at Los Angeles, California, this 18<sup>th</sup> day of MAY, 1965.

Frederick B. Holcomb  
President

George L. Crower  
Commissioners

Alvin  
Commissioners

-6- Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.