

Decision No. 69532**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 JAMES O. BOYD, an individual doing)
 business as Boyd Trucking Company,)
 for an order authorizing departure)
 from the rates, rules and regulations)
 of Minimum Rate Tariff No. 2 in)
 connection with certain transportation)
 to be performed for Hudson Lumber)
 Company, a corporation.)

Application No. 47528

Noel Dyer, for applicant.C. D. Gilbert, A. D. Poe and H. F. Kolmyer, for
California Trucking Association, interested party.William J. Kane and Robert W. Stich, for the
Commission's staff.O P I N I O N

James O. Boyd, an individual doing business as Boyd Trucking Company, operates as a contract carrier over the highways of this State. By this application, as amended, he seeks authority to transport lumber in truckload quantities from Anderson (Shasta County) to San Leandro (Alameda County) for Hudson Lumber Company (Hudson) at a rate which is less than the lowest rate applicable under minimum rate tariff provisions.

Public hearing was held before Examiner Bishop at San Francisco on June 4, 1965. Evidence was presented through four witnesses: the applicant, a certified public accountant, Hudson Lumber Company's controller, and a transportation consultant. Representatives of California Trucking Association and of the Commission's Transportation Division staff assisted in the development of the record.

The application involves specifically the transportation of pencil stock, consisting of cedar lumber, from Hudson's sawmill at Anderson to its plant at San Leandro. Both facilities are served by

spur tracks of Southern Pacific Company. The presently applicable rate, according to the record, is a railroad rate of 30½ cents per 100 pounds, minimum weight 70,000 pounds, published in Item No. 7853 series of Pacific Southcoast Freight Bureau Tariff No. 48-U. This rate is lower than the distance rate specifically published in the Commission's Minimum Rate Tariff No. 2 for the movement in question and is applied under the alternative rate provisions set forth in Item No. 200 of the latter tariff. By the application herein a rate of 28 cents per 100 pounds, minimum weight 90,000 pounds, is sought.^{1/} Said rate would, in all other respects, be subject to the provisions of the aforesaid Minimum Rate Tariff No. 2.

The transportation here in issue, applicant testified, is performed under circumstances of unusual efficiency. Three units of equipment, each consisting of a truck and trailer, are regularly assigned to this operation. Each truck and trailer carries a total of eight units of the lumber, each unit weighing approximately 6,340 pounds, making a truck and trailer load of over 50,000 pounds. Loading and unloading are performed by Hudson employees with fork lift trucks equipped with 8-foot forks, by means of which these operations are greatly expedited. The fork lifts are owned by the lumber company.

No time is lost in waiting to load or unload the trucks. In its yard at Anderson, Hudson maintains constantly a stock of approximately 10,000,000 board feet of lumber, available at all times for loading. On arrival at San Leandro the trucks are promptly unloaded. The trucks are operated on a continuous 24-hour basis, in excess of 225 days per year. They shuttle between Hudson's two plants, making

^{1/} The application as originally filed did not specify a minimum weight in connection with the proposed rate. At the hearing, the application was amended to seek a minimum weight of 90,000 pounds.

two round trips in each 24-hour period, and going into the carrier's terminal only on weekends for servicing. Approximately 600,000 pounds of lumber are transported by the three equipment units in each 48-hour period.^{2/} Arrival and departure times at San Leandro are so scheduled as to avoid involvement in the traffic congestion of the morning and evening rush-hour periods. Two of the equipment units travel together from Anderson to San Leandro. After unloading at the latter point is accomplished one truck-and-trailer unit is loaded onto the other unit, and the return movement to Anderson is made in this manner. A saving in running expenses is thereby effected.

A series of exhibits depicting the carrier's operating results under the present and proposed rates was introduced by the aforesaid accountant. The record shows that applicant engages in substantial highway carrier operations other than those involved herein, the revenues from the latter comprising about forty percent of the total derived from his carrier services.^{3/} It was necessary, therefore, in developing operating results for the Hudson traffic, to separate the revenues and expenses attributable to the latter from the other operations of applicant. The results reviewed under the present rate covered the 12-month period ending December 31, 1964. To estimate the operating results anticipated under the sought rate the accountant made the necessary adjustments in the 1964 figures to reflect the reduction in revenue which would obtain under the proposed

^{2/} Under the provisions of Item No. 85 (Multiple Lot Shipments) of Minimum Rate Tariff No. 2, a shipping document is issued every 48 hours to cover all the lumber transported during that period, each such quantity constituting a single shipment.

^{3/} Applicant also owns and operates a ranch.

rate and the changes in operating costs which have taken place since the end of 1964. The operating results thus developed by the accountant for the traffic here in issue are summarized in the following table:

	<u>Hudson Lumber Company Traffic</u>	
	<u>Operating Results 1964</u>	<u>Estimated Results Under Proposed Rate</u>
Operating Revenues	\$186,959	\$171,635
Operating Expenses (exclusive of income taxes)	<u>138,304</u>	<u>149,687</u>
Net (before income taxes)	\$ 48,655	\$ 21,948
Operating Ratio (before income taxes)	74.0%	87.2%

The above tabulation, it will be observed, reflects the operating ratios before provision for state and federal income taxes. Using the corporate bases of income taxes which were in effect in 1964 and those applicable on and after January 1, 1965, in the respective columns the resulting operating ratios, after taxes, are 84.0 percent for the 1964 operations and 90.6 percent under the sought rate. These latter ratios are purely constructive, as the income taxes actually paid by applicant for the year 1964 and those to be paid for 1965 and future years were, and will be, related to the net income on his total operations, in addition to other elements.

In developing the aforesaid operating results the accountant included a salary allowance for the management services of applicant. The allocation to the operations involved herein was \$6,000, which appears reasonable. Expense figures for some categories are separately maintained for the Hudson traffic and these were readily obtained from the carrier's records. Others, such as fuel expense, were developed from data gathered during test periods. The various procedures utilized by the accountant in separating the expenses incurred in handling the Hudson shipments from applicant's other operations appear reasonable and need not be described in detail.

The accountant's estimate of operating expenses under the proposed rate reflects certain upward adjustments of the 1964 expense figures. These include a driver's wage increase which became effective June 1, 1965 and an increase in the California motor fuel tax which took effect on April 1, 1965. The equipment used in the Hudson hauls is relatively new, so an upward adjustment in maintenance expense has been made to reflect an estimated average figure over the expected lives of the vehicles. The estimated depreciation expense also exhibits an advance over the 1964 experience. All adjustments in expense figures made by the accountant to reflect current conditions give effect to the increases for a full 12-month period.

Applicant has been rendering the above-described services for Hudson continuously since 1961 and is the only highway carrier, Hudson's controller testified, handling this particular traffic.^{4/} Hudson is eminently satisfied with applicant's performance, the controller further stated, but is constantly looking for means by which economies can be effected in any and all phases of its business. The traffic here in issue is increasing in volume and Hudson has made a survey to ascertain whether savings in transportation costs could be accomplished if it were to perform the movement from Anderson to San Leandro with its own equipment and drivers.

Hudson does not own any trucks at the present time but has ample resources with which to make the necessary purchases. It has priced the trucks and has made a survey of labor and transportation costs, as a result of which Hudson is of the opinion that it could perform the transportation in question at a cost less than the charges which it currently pays applicant. Hudson accordingly feels that it would have to take over the hauling if the rate relief sought herein should not be granted.

4/ A small portion of this traffic, the record shows, moves by rail.

No one opposed the granting of the application.

We find:

1. The procedures used in segregating 1964 revenues and expenses of applicant's carrier operations involved herein from those of its other carrier operations produce a reasonably accurate estimate of the operating results of the subject carrier operations for said year.
2. The procedures utilized in the development of estimated operating results under the sought rate are reasonable.
3. The proposed rate will be compensatory and reasonable.
4. The threat of loss of the traffic here in issue to proprietary operations, in event of denial of the sought rate relief, is real.

We conclude that the application, as amended, should be granted, subject to the conditions set forth in the order which follows. Since the conditions under which the 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

IT IS ORDERED that:

1. James O. Boyd is authorized to transport lumber from Anderson to San Leandro for Hudson Lumber Company at a rate less than the established minimum rate but not less than 28 cents per 100 pounds, subject to a minimum weight of 90,000 pounds, and further subject to the conditions in the numbered ordering paragraphs hereinafter set forth.
2. The lumber shall be prepared for shipment by Hudson Lumber Company, and applicant's trucks shall be operated, as set forth in numbered paragraph 3 of the application filed in this proceeding.

3. Loading of the lumber at Anderson and unloading at San Leandro shall be performed by consignor and consignee, respectively, with fork lift trucks supplied by, and operated by employees of, consignor and consignee.

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

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

Dated at San Francisco, California, this 10th day of AUGUST, 1965.

Fredrick B. Helhoff
President

Augusta
William B. Bess

Commissioners

Commissioner George G. Crover, being necessarily absent, did not participate in the disposition of this proceeding.