

**ORIGINAL**Decision No. 69899

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 AMERICAN TRANSFER CO., a corporation, )  
 under Section 3666 of the Public )  
 Utilities Code of the State of )  
 California, for authority to charge )  
 rates less than those prescribed in )  
 Minimum Rate Tariff No. 2 for the )  
 transportation of lumber from Toll )  
 House to Fresno, California, for the )  
 account of YANCEY LUMBER CO. )

Application No. 47718  
 (Filed July 2, 1965)

Wm. H. Kessler, for applicant.

Richard W. Smith, J. C. Kaspar and  
H. Kollmyer, for California Trucking  
 Association, interested party.

J. C. Matson and Geo. H. Morrison, for  
 the Commission staff.

O P I N I O N

This application was heard and submitted September 16, 1965 before Examiner Thompson at Fresno. Copies of the application and notice of hearing were served in accordance with the Commission's procedural rules. There are no protests.

American Transfer Co. is engaged in the transportation of lumber, among other things, as a highway permit carrier. It seeks authority to transport lumber for Yancey Lumber Co. at rates less than the established minimum rates. Applicant proposes to charge the minimum rate (18 cents) applicable to a minimum weight of 34,000 pounds for transportation of shipments weighing 25,000 pounds or more.

Applicant has been hauling rough green lumber from Yancey Lumber Co.'s mill at Toll House to General Box Co. at Fresno. The

actual highway mileage between the points is 31-1/2 miles, the constructive mileage between the points is 45 miles. For almost half of the distance (between Toll House and Academy) the road has sharp turns and narrow bridges. The assistant to the president of applicant testified that on two occasions when trying to haul out 34,000 pounds of lumber the loads spilled. In one of the instances the lumber spilled down a steep canyon and the Division of Forestry required applicant to have every piece of lumber packed out. He said that the expense of removing the spillage by far exceeded the cost of the cargo. In the other instance the load spilled across the grave of an Indian chief and applicant was put to great expense to refurbish the grave site. He stated that applicant determined that it is not safe to transport a load of 34,000 pounds over that section of road. It experimented with various sizes of loads and found that a load of 10,000 board feet could be moved safely without any danger of spillage. The provided weight set forth in Minimum Rate Tariff No. 2 for 10,000 board feet of seasoned lumber is 25,000 pounds.

An estimate of the cost of providing the service was prepared for applicant by a certified public accountant. The accountant did not testify at the hearing. There are a number of factors used in the development of the cost estimates which were based upon assumptions that were shown to be erroneous. Most of them do not have any significant effect on the end result. There are two factors, namely, depreciation expense and running costs, which are significant. Annual depreciation expense was estimated by dividing the purchase price, less ten percent for salvage value, of a 1965 tractor by a service life of six years; and dividing the purchase price of two new semitrailers plus a converter gear

(less ten percent for salvage) by the service life of eight years. The resultant estimated annual depreciation expense for that equipment was divided by an annual use factor of 75,400 miles to obtain the estimated depreciation cost per mile. Said estimate per mile was applied to the 63 round-trip miles to determine the depreciation expense per trip. Applicant does not use such equipment on the Yancey Lumber Co. haul. It uses a truck and trailer unit which has been fully depreciated on applicant's books. The assistant to the president testified that applicant may replace the present equipment with new equipment of the type used in estimating the depreciation expense. The evidence shows that an annual use factor of 75,400 miles is much too high an estimate for this equipment. The testimony shows that the equipment will be used almost exclusively for the Yancey Lumber Co. haul which extends over a period of about nine months per year. During the peak of the traffic the equipment will be operated about 18 hours per day five days per week with a "cleanup" haul on Saturdays. The traffic is relatively light at the beginning and at the end of the season. It was estimated that overall the average number of hauls would be about 25 per week. Assuming the season lasts 36 weeks the annual round-trip miles the equipment would be in revenue service would be 56,700 miles. If the season extends over a period of 40 weeks the annual mileage would be 60,000 miles. There was testimony that the vehicles would be used occasionally for hauls for Yancey Lumber Co. other than those from Toll House to Fresno during the regular season. The trailers would not be used during the winter season as they are to be equipped with lumber rolls and would be unsuitable for service other than for the transportation of lumber.

It is applicant's practice to overhaul the tractors during the winter. Under the circumstances an annual use factor of 60,000 round-trip revenue miles is a more reliable estimate than the 75,400 miles used by applicant. This change in use factor provides a depreciation expense per mile of \$.0588 instead of the \$.0468 used by applicant.

Equipment running costs consist of fuel and oil expense, tire expense and maintenance expense. The following tabulation compares the running costs per mile estimated by applicant for the transportation here involved with those experienced by applicant during 1964 in connection with all of its transportation operations.<sup>1/</sup>

	<u>Running Costs Per Mile</u>	
	<u>Estimated</u>	<u>1964 Reported</u>
Fuel and Oil	\$ .0427	\$ .0618
Tires	.0134	.0314
Maintenance and Repair	<u>.0716</u>	<u>.0929</u>
Total	.1277	.1861

Over two-thirds of applicant's freight carrying equipment is composed of tankers. The traffic moved by applicant consists mainly of commodities transported in tank trucks, agricultural commodities and general commodities. The road conditions encountered by applicant in such transportation are less severe than those encountered between Toll House and Fresno. It is apparent that the estimates for tire expense and fuel and oil

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<sup>1/</sup> Calculated from applicant's Annual Report for 1964.

expense are too low. While the estimated expense per mile for maintenance and repair is lower than that recorded for all operations, it is noted that the estimated vehicle fixed expense is based upon new equipment. Ordinarily the expense of maintaining and repairing new equipment is small during the first year of its service life. On the other hand, the road conditions on the haul here involved, being more severe than those ordinarily encountered by applicant, would tend to require more maintenance and repair of the vehicles used in such transportation.

Resolving all of the questionable expense estimates against applicant it is apparent, as shown in the following tabulation, that the transportation at the proposed rate would be compensatory.

ESTIMATED RESULTS OF TRANSPORTATION OF LUMBER  
BY APPLICANT FROM TOLL HOUSE TO FRESNO  
AT THE PROPOSED RATE OF 18 CENTS PER 100 POUNDS  
MINIMUM WEIGHT 25,000 POUNDS

## Revenue:

25,000 pounds @ .18 cwt \$45.00

## Expenses:

Driver	(3 hours @ \$4.019 per hour)	\$12.06
Depreciation	(63 miles @ .0588 per mile)	3.70
License & Taxes	(63 miles @ .0105 per mile)	.66
Fuel and Oil	(63 miles @ .0618 per mile)	3.89
Tires	(63 miles @ .0400 per mile)	2.52
Maintenance	(63 miles @ .0929 per mile)	5.85
Administrative	(63 miles @ .0221 per mile) <sup>2/</sup>	1.39
Insurance	(3.52% of Revenue)	1.58
Transportation Tax	(1.83% of Revenue)	.82
Total		<u>32.47</u>
Net Operating Revenue per Trip		12.53
Operating Ratio per Trip		72.2%

<sup>2/</sup> This is applicant's estimate of administrative expense. Ordinarily, indirect expenses are estimated by applying the ratio of indirect expenses to direct expenses reflected on the annual profit and loss statement. The annual report shows this ratio to be about ten percent. Applied to the estimated results the amount of indirect expense would not exceed \$3 per trip. In view of the very little supervision required for the Yancey Lumber Co. haul, applicant's estimate of administrative and general expense is reasonable.

The general manager of Yancey Lumber Co. testified that his company operates trucks, some of which could be converted to use on the haul from Toll House to Fresno, and that he believes that Yancey Lumber Co. could perform the transportation at a cost no greater than \$45 per trip. He stated that Yancey Lumber Co. would undertake to perform such transportation if the authority sought is not granted because it must minimize its costs of transportation in order to be competitive in the sale of lumber.

We find that the proposed rate is reasonable. We conclude that applicant should be authorized to charge and collect the proposed rate in the future for the transportation here involved, and that such authorization should be scheduled to expire in one year.

O R D E R

IT IS ORDERED that:

1. American Transfer Co., a corporation, is authorized to transport lumber from Yancey Lumber Co., Toll House, to Fresno at a lesser rate than the established minimum rate but not lower in volume or effect than the rate set forth in Appendix A, attached hereto and by this reference made a part hereof.

2. The authority granted herein shall expire December 31, 1966 unless sooner canceled, modified 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 12 day of NOVEMBER, 1965.

Frederick B. Holdcroft  
President

John E. V. ...

George H. Grover

Augusta

William B. ...  
Commissioners

APPENDIX A

AMERICAN TRANSFER CO.

Minimum Rates for the Transportation of Lumber  
From Yancey Lumber Co., Toll House to Fresno

ITEM NO.

10. Application of Rates - General

Except as otherwise provided in Item No. 20, herein, the rates and rules in Minimum Rate Tariff No. 2 shall apply.

20. Truckload Rate

<u>Minimum Weight</u>	<u>Rate in Cents Per 100 Pounds</u>
25,000 Pounds	18

End of Schedule