

ORIGINAL

Decision No. 77455

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
 of WESTERN MILK TRANSPORT, INC.,  
 a corporation, to increase certain  
 minimum charges as set forth in  
 Items 460 and 820 of Western Motor  
 Tariff Bureau, Inc. Tariff No. 111,  
 Cal P.U.C. No. 15.

Application No. 51829  
 (Filed April 16, 1970)

Marvin Handler, for Western Milk Transport, Inc.,  
 applicant.

B. I. Shoda and Frank Haymond, for the Commission  
 staff.

## O P I N I O N

Western Milk Transport, Inc. (WMT), operating as a highway common carrier of commodities requiring temperature control, seeks authority to increase its minimum charges for shipments weighing 400 pounds or less to the established level of charges applicable to shipments weighing over 400 but not over 500 pounds. Applicant also proposes to increase its minimum charges for chilled and frozen temperature control service for shipments weighing 50 pounds or less to the level of charges established for shipments weighing over 50 pounds.

Public hearing was held in this matter before Examiner Gagnon at San Francisco on May 26, 1970. On April 24, 1970, WMT mailed notices of the relief sought herein to 2,952 shippers. A WMT official testified that no shipper response to its notice had been received. It is also noted that no one appeared at the hearing in opposition to the sought relief.

Applicant is a participating carrier in Western Motor Tariff Bureau, Inc. (Agent), Local, Joint and Proportional Freight and Express Tariff No. 111, Cal.P.U.C. No. 15. WMT's minimum per shipment and temperature control service charges involved herein are currently set forth in Items 460 and 820 of said bureau's tariff. A summary of the minimum charges in question is set forth below:

TABLE 11. WMT's Minimum Per Shipment Charges

Weight of Shipment (In Pounds)	Minimum Charges (In Cents)			
	(1)	(2)	(3)	(4)
0 - 25	305	-	-	-
25 - 50	370	-	-	-
50 - 75	430	-	-	-
75 - 100	480	525	578	660
100 - 150	575	705	776	946
150 - 200	670	825	908	1122
200 - 250	770	965	1062	1309
250 - 300	845	1080	1188	1507
300 - 400	995	1290	1419	1799
400 - 500	1140	1455	1601	2090
Over	1260	1610	1771	2376

- (1) Shipments under 150 miles  
 (2) Shipments over 150 miles  
 (3) Shipments over 300 miles  
 (4) Shipments over 500 miles.

2. Minimum Temperature Control Service Charges

Weight of Shipment (In Pounds)	Minimum Charges (In Cents)	
	Chilled	Frozen
0 - 50	25	35
Over 50	45	70

Note: Minimum charges for temperature control service are in addition to the minimum per shipment charges.

Under WMT's proposal minimum charges for shipments weighing 500 pounds or less would be made subject to the established charges for shipments weighing 500 pounds as shown in Table 1 above. In addition, minimum charges for chilled and frozen temperature control service, regardless of weight of shipment, would be the applicable

charges for shipments weighing over 50 pounds. Applicant explains that it has practically no shipments weighing less than 50 pounds, so that the technical increase in minimum temperature control charges will produce very little, if any, additional revenue.

Financial and statistical information, in support of WMT's sought increase, was presented in evidence by various WMT officials and a certified public accountant. To demonstrate the financial losses sustained by WMT in the performance of temperature control service, various financial statements were introduced into evidence, including an income statement for the seven-month period ended December 31, 1969. The statement shows WMT's operating revenues and expenses for applicant's highway common carrier Refrigerated Division and its so-called Permitted Division. A summary of the income statement in question is hereinafter set forth:

TABLE 2

WESTERN MILK TRANSPORT, INC.  
Statement of Income  
For 7- Month Period Ended December 31, 1969

<u>Account</u>	<u>Total</u>	<u>Refrigerated Division</u>	<u>Permitted Division</u>
Operating Revenues	\$4,809,640	\$1,558,231	\$3,251,409
Operating Expenses	4,885,369	1,949,201	2,936,168
Net Operating Income (Loss)	\$ (75,729)	\$ (390,970)	\$ 315,241
Net Operating Ratio	101.6%	125.1%	90.3%

Applicant's permitted operations involve shipments of milk and milk products not subject to minimum rate regulation. It will be noted that, while WMT's Permitted Division reflects profitable operating results, its Refrigerated Division, for which the relief herein is sought, has experienced substantial net operating losses since this latter temperature control service was added to applicant's operations in June, 1969.

A study of WMT's temperature control traffic and a development of the estimated increase in revenues anticipated therefrom under the relief sought herein was also presented in evidence in support of applicant's rate proposal. The results of WMT's traffic flow study are as follows:

TABLE 3

WESTERN MILK TRANSPORT, INC.  
Summary of Traffic Study and Development  
Of Proposed Increases Based on Study  
March 2 through March 13, 1970

<u>Weight (lbs.)</u>	<u>No. of Shipments</u>	<u>Revenue Actual</u>	<u>Increase</u>	<u>%</u>
400 and under	1,471	\$15,056.98	\$8,720.80	57.9
401 to 2000	<u>1,232</u>	<u>41,106.25</u>	<u>-</u>	<u>-</u>
Subtotal	2,703	56,163.53	8,720.80	15.5
2001 lbs. and over	<u>1,362</u>	<u>67,826.19</u>	<u>-</u>	<u>-</u>
Total	<u>4,065</u>	<u>\$123,989.72</u>	<u>\$8,720.80</u>	<u>7.0</u>

From Table 3 above, it will be noted that applicant estimates that its rate proposal will produce some \$8,720 in additional revenues from the minimum charge shipments included in the 10-day traffic flow sample. The WMT's accountant testified that, on an annual basis, the increased revenue developed in the traffic flow study would amount to \$209,000 per year; plus an additional \$16,000 anticipated from the general 8 percent wage offset increase in rates recently authorized by Decision No. 77064, dated April 14, 1970, in Case No. 5432 (Petition for Modification No. 581) et al. It will be observed also that no increase in revenues is contemplated in connection with shipments weighing over 400 pounds. Such shipments are moving under either the established minimum charges or the carrier's line-haul rates.

If the \$225,000 projected estimated increase in revenues anticipated under WMT's rate proposal is applied against applicant's Refrigerated Division's net operating deficit of \$390,970, said Division's operating ratio of 125.1 percent (Table 2) would be reduced to approximately 109 percent. It is applicant's contention, however, that the real beneficial effects of its rate proposal will be to increase the efficiency and lower the costs of operations of WMT's temperature control service, rather than produce any significant direct increase in revenues from minimum per shipment charges such as previously referred to herein. Applicant's sales manager expressed the view that the shippers' response to WMT's rate proposal will most likely be to tender fewer minimum charge shipments in favor of heavier lot shipments which will move under applicant's existing line-haul volume rates. Such shipper action will assertedly enable WMT to utilize its refrigerator truck equipment more efficiently and avoid the high cost of handling small minimum charge temperature control shipments.

Applicant's accountant also presented cost evidence pertaining to the transportation of shipments weighing 2,000 pounds or less by WMT's Refrigerated Division. The cost study indicates an average estimated total cost of \$19.76 for shipments weighing 2,000 pounds or less. From Table 1 hereof it will be noted that for a minimum charge shipment, accorded chilled temperature control service, weighing 401 pounds and transported over 300 but not over 500 miles, a total charge of \$16.46 would be assessed under applicant's rate proposal. Said minimum charge is somewhat less than applicant's estimated cost of service therefor and assertedly reflects a majority of the minimum charge shipments involved, which are transported between the Los Angeles area and the San Francisco Bay area.

Findings and Conclusions

The Commission finds that:

1. Western Milk Transport, Inc. has experienced a total net operating loss of approximately \$75,729 for the seven-month period ended December 31, 1969.

2. Applicant's operations as a permitted highway carrier, which involve the transportation of milk and milk products not subject to minimum rate regulation, have been profitable.

3. Applicant's total net operating deficit reflects absorption of a net operating loss of \$390,970 for transportation performed as a highway common carrier (Refrigerated Division) of commodities moving under temperature control service.

4. A substantial portion of applicant's temperature control traffic consists of small lot shipments subject to WMT's minimum per shipment charges.

5. Applicant has demonstrated that its existing schedule of minimum charges does not cover the total cost of service entailed in the transportation of small lot shipments of commodities requiring temperature control service.

6. The increase in revenues anticipated under applicant's rate proposal will not completely eliminate WMT's current operating losses as a highway common carrier of commodities moving under temperature control service. The increase in efficiency of operations and resulting savings in operating costs under applicant's rate proposal will further reduce WMT's existing net operating losses.

7. The increase in minimum per shipment and temperature control charges proposed by applicant has been shown to be justified.

We conclude that the authority requested in Application No. 51829 should be granted; and to the extent it is necessary to

depart from the long- and short-haul provisions of Section 460 of the Public Utilities Code to publish the proposed minimum charges, such authority should also be granted.

O R D E R

IT IS ORDERED that:

1. Western Milk Transport, Inc. is hereby authorized to have published on its behalf, in Western Motor Tariff Bureau, Inc., Agent, Local, Joint, and Proportional Freight and Express Tariff No. 111, Cal.P.U.C. No. 15, the revised minimum per shipment and temperature control service charges as set forth in Application No. 51829.

2. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and 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.

3. In establishing and maintaining the tariff provisions authorized herein, applicant is authorized to depart from the long- and short-haul provisions of Section 460 of the Public Utilities Code. Schedules containing the tariff charges published under this authority shall make reference to this order.

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

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 7<sup>th</sup> day of JULY, 1970.

[Signature]  
Chairman

[Signature]

[Signature]

Commissioners

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.