

**ORIGINAL**Decision 93410 AUG 4 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Petition of PACIFIC MESSENGER )  
 SERVICE, INC., for Suspension )  
 and Investigation of Proposed )  
 Contract Carrier Rates filed )  
 by WALKER FREIGHT LINES (Rate )  
 Reduction No. 302), File No. )  
 T-113102. )

(I&S)  
 Case 10977  
 (Filed April 9, 1981)

ORDER LIFTING SUSPENSION OF RR-302

Rate Reduction 302 (RR-302) involves transportation by Walker Freight Lines (Walker) of packages (parcels) within the San Diego Metropolitan area. By letter of April 21, 1981 the Executive Director, under authority of Resolution M-4713, suspended the rates in RR-302 for a period of 45 days before the rates went into effect, in response to the protest filed by Pacific Messenger Service, Inc. (PMS), in (I&S) Case (C.) 10977. Decision (D.) 93182 issued June 2, 1981 in C.10977 suspended RR-302 until further order of the Commission.

RR-302 contains contracts of carriage entered into by Walker and Hurley Electronics, Inc., Arrow Electronics, Inc., Southland Electronic Supply, Hamilton Avnet, Shanks & Wright, and Western Radio Electronics. Minolta Business Systems and Cal Tex, originally included as shippers in RR-302, were withdrawn by Walker in his response to C.10977.

The Executive Director's letter of April 21, 1981 initially suspending RR-302 stated that "Pacific Messenger Service, Inc. in I&S Case 10977 presents evidence regarding the number of shipments to be tendered and claims the transportation will not be compensatory."<sup>1/</sup>

The key issue in this proceeding is whether Walker will achieve the traffic volume estimated in the statement of justification attached to RR-302.

In response to requests from the assigned administrative law judge additional cost and operational data were furnished by Walker which are incorporated into the record.

PMS's protest indicates that traffic for many of the shippers named in RR-302 formerly was handled by PMS. Based on PMS's traffic volumes, PMS asserts that the estimated number of packages to be handled by Walker as set forth in the justification statement are overstated. The number of weekly packages estimated by Walker and by PMS are set forth in the following table.

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<sup>1/</sup> The petition (Paragraph IV) states that PMS "assails the proposed contract rates of Walker Freight Lines, Inc. (Walker), contained in eight (8) contracts of record in Rate Reduction No. 302, as not having been justified by Walker. Assertedly, Walker would develop \$2,724 weekly revenue from 9 contracts, incur total expenses of \$1,916, which would produce operating income of \$708. The claim is that a 'break-even' operation would result (Operating Ratio .73). It follows that any failure to achieve the projected revenue would result in an operating loss."

The petition (Paragraph V) also states that PMS serves the same San Diego Territory in the transportation of packages as is proposed to be served by Walker.

TABLE I

Estimated Weekly Number Of Packages

<u>Shipper</u>	<u>Walker</u>	<u>PMS</u>
San Diego Data Products	150	24-28
Hurley Electronics, Inc.	460	280
Arrow Electronics, Inc.	175	(1)
Southland Electronics Supply	180	60-70
Hamilton Avnet	190	190
Shanks & Wright	125	30-35
Western Radio Electronics	225	50
	<u>1,505</u>	<u>645</u>

(1) PMS believes it will retain this traffic.

By letter dated June 19, 1981, additional information was furnished by Walker concerning weekly traffic volumes. Attached to the letter are copies of daily trip sheets. Analysis of the trip sheets shows the following packages were transported.

TABLE II

Hurley Electronics, Inc.	424
Hamilton Avnet	221
Southland Electronics Supply	137
Acacia Sales, Inc.	38
San Diego Data Products	56
Shanks & Wright	<u>335</u>
	1,211

The letter also states that the following customers are awaiting service from Walker:

Western Radio Electronics  
Arrow Electronics  
AAA Radiator Warehouse  
San Diego Scales Co.  
Coin-Tainer-West, Inc.  
Leisure Station  
Video of San Diego  
Video of Escondido  
Video of Encinitas

The additional data furnished by Walker shows that the actual weekly traffic available to it from the shippers named in RR-302 and from Acacia Sales, Inc. is 1,211 packages. Western Radio Electronics' contract is part of RR-302. That company has indicated that it will furnish Walker approximately 200 packages per week when RR-302 becomes effective. Using the estimated weekly expenses in RR-302 and weekly revenue based on the number of packages shown in Table II together with the added 200 packages per week available from Western Radio Sales results in the following computation:

TABLE III

Gross Weekly Revenue	
\$1.44 per package	\$2,031.84
COD Revenue (Actual)	92.00
Total	<u>\$2,123.84</u>
<u>Weekly Expenses</u>	
Labor	\$1,376.00
Fixed Vehicle Expense	60.00
Running Expense	192.00
Total Direct Expense	<u>\$1,628.00</u>
Indirect Expense	287.00
Total Weekly Expense	<u>\$1,915.00</u>
Operating Income Per Week	\$ 208.84

Table III shows that the volume of traffic which reasonably can be expected by Walker will produce revenues which exceed Walker's estimated operating costs and which will contribute to the carrier's profitability. Therefore, RR-302 meets the criteria for reduced rate filings set forth in D.90663 and the temporary suspension of RR-302 should be lifted.

Findings of Fact

1. RR-302 seeks to establish package delivery rates in the Metropolitan San Diego area which are below the levels of rates maintained by competing carriers and below the levels set forth in Transition Tariff 9-B (TT 9-B).

2. D.90663 sets forth criteria for approval of rate reduction filings below both the level of rates of competing carriers and the rates in TT 9-B.

3. D.90663 requires that the proponent of reduced rates provide justification consisting of operational and cost data showing that the proposed rate will contribute to carrier profitability.

4. The operational and cost data appropriate to this proceeding is set forth in Table III above. Those data show that Walker's operations under RR-302 may be expected to be profitable.

Conclusions of Law

1. RR-302 meets the criteria for approval of rate reductions set forth in D.90663.

2. The temporary suspension of RR-302 should be vacated.

(I&S) C.10977 ALJ/jn

3. This order should be effective today so that the rate reduction may go into effect immediately.

IT IS ORDERED that the temporary suspension of Contract Carrier Rate Reduction Filing 302 of Walker Freight Lines is vacated.

This order is effective today.

Dated AUG 4 1981 at San Francisco, California.

John E. Guyon  
President  
Richard D. Powell  
Terrence J. ...  
Victor ...  
Priscilla C. ...  
Commissioners