

DECISION NO. 13160

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Coast Truck Line, a Corpor-a)
ation, for permission to increase)
rates.)

APPLICATION NO. 9451.

H. J. Bischoff, for Applicant.
Warren E. Libby and Harry N. Blair, for Boulevard Express,
Protestant.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

This is an application by the Coast Truck Line, a corporation, for permission to increase freight rates between Los Angeles-San Diego and intermediate points; between Los Angeles-San Diego and Riverside-Escandido and the intermediate points.

The original petition sets forth certain proposed readjustments of class rates bringing about both increases and decreases between a limited number of points. Where increases are proposed they average approximately 10 per cent. It was also requested that authority be granted to change the rule governing the minimum charge.

A hearing was conducted at Los Angeles November 21, 1923, before Examiner Geary, at which time applicant presented an

amended application proposing increases at practically all points, not only in the class rates and minimum charges but also in connection with the special commodity rates. These latter proposed increases were very much greater than those originally suggested and, in percentages, ranged from 1 per cent to as high as 60 per cent.

The applicant operates freight automobile trucks, serving the territory between Los Angeles and San Diego, on the main highway, except the points located between Los Angeles and Oceanside. It also operates a branch service diverging at Oceanside and serving in one direction Riverside and intermediate points and in the other Escondido and intermediate points. The distance from Los Angeles to Oceanside is 90 miles and from Los Angeles to San Diego 133 miles. On the branch, the distance from Oceanside to Riverside is 82 miles and from Oceanside to Escondido 20 miles.

At the hearing applicant presented a profit and loss statement for ten months of 1923. This exhibit showed a total operating income of \$136,739.79, with an operating expense of \$138,545.29, a deficit for this ten months period of 1923 of \$1805.50. Included in the items of expenses were sums totaling \$5850.10 to cover depreciation. Another exhibit shows the total value of the plant and equipment as \$41,621.37. Of this amount the testimony indicated that \$11,988.88 consisted of intangibles, thus leaving an actual sum invested in plant and equipment of approximately \$30,000.00. The testimony was to the effect that the value of the truck equipment was \$25,031.62.

It might here be stated that this applicant owns only the pickup and delivery trucks used at terminal points. The line haul tonnage; that is, the freight moved between such points as Los Angeles and San Diego, is transported on leased cars hired on a per diem basis, and the drivers of these trucks are usually their owners

who in addition to the contract amounts paid for the use of the trucks are employed at regular wages by this applicant. It is shown that for the ten months of 1923 there was paid to the owners of leased trucks the sum of \$59,262.95, and it is claimed that these trucks are leased at a less cost than is incurred when the equipment is owned by the operating company. This conclusion is based upon the fact that a truck when operated by its owner receives greater care and suffers less depreciation than a similar vehicle owned by the operating company and handled by disinterested paid drivers.

This Commission, as stated in many of its decisions, does not look with favor upon the operation of a common carrier with exclusively leased automobiles, but in this situation the service has been in effect for a number of years without complaint from the shipping public, indicating that results have not been unsatisfactory.

The amount deducted for depreciation, referred to above, is accumulated on a basis of 33-1/3 per cent per annum. There is no proof as to the actual necessity for this high depreciation, but it would appear to the Commission that the amount set aside is excessive.

Applicant entered as Exhibit No. 2 a tonnage check for the months of July and October, 1923 and, using these two months as representative, estimated the increase in gross revenue for a twelve months period at approximately \$14,000.00, based upon the proposed rates as set forth in the amended application.

The plea for an increase in rates is, in part, based upon the fact that by the provisions of an act of the last Legislature, applicant will be subject to a 4 per cent tax on gross receipts, commencing with January 1, 1924; also that unlicensed freight trucks, now permitted to operate without regulation in the transportation

of farm products has greatly reduced the volume of the business handled. These unregulated trucks, which do not publish tariffs, deprive applicant of tonnage formerly secured on movements into Los Angeles and San Diego, necessitating more empty car mileage than formerly existed. The annual report for the year 1922 shows there was a net operating revenue (profit) of \$3,084.57, while it is estimated there will be a loss for the twelve months of 1923 of approximately \$2200.00. The total transportation revenue for the year ending December 31, 1922 was \$130,444.53; for the first ten months of 1923 it was \$136,739.79, or approximately \$165,000.00 for the twelve months of 1923, thus illustrating that there must be a very great increase in the volume of tonnage to permit this applicant to increase its total revenue notwithstanding the loss of the farm truck tonnage due to the unlicensed operators.

There was testimony to the effect that applicant has been improving the service at an added operating expense in an effort to increase the business and hold to its trucks some of the farm shipments.

The operating expenses, as shown by the exhibits and the testimony, do not appear excessive, but the claimed rate of depreciation and the amount charged for such depreciation cannot on this record be approved by the Commission.

The original application sought limited adjustments only at a few points and created both increases and reductions. The amended application proposes severe increases at many additional points, also increases in the commodity rates. Clearly, from the tests made, by applicant in the exhibits presented and by our study based upon the present tonnage, the rates proposed in the

amended application would produce revenue in excess of a fair return upon the value of the property devoted to the public service.

The Boulevard Express Company, operating in competition between Los Angeles-San Diego and intermediate points, protested the granting of the increase in rates, but a comparison of the tariff rates indicates that the Boulevard now has rates materially higher than this applicant and it would therefore appear that any increase in this applicant's rates, rather than working an injury to the protestants, would bring the rates more nearly on a parity and prove a benefit to the protestants.

A readjustment of rates, as outlined in the original application, and the changes proposed in the commodity rates, would seem to furnish all the increased revenue necessary. The record in this proceeding is not entirely satisfactory and carriers should understand that advances in rates will not be authorized upon a mere perfunctory showing. However, it is certain that the present rates should be readjusted to permit maintenance of a satisfactory service.

We find that the rates now in effect are unjust, unreasonable and unremunerative, and that the proposed change in Rule No.17 of Tariff C.R.C.No.5, increasing the minimum charge from 50 to 75 cents, the proposed class rates shown in Exhibit A attached to the original application, and the proposed commodity rates shown on the third page of Exhibit A of the amended application, are found to be just and reasonable rates.

The increases in rates here authorized, together with the revenue from the increased volume of tonnage, should produce revenue sufficient to meet all requirements.

Applicant will file with the Commission within fifteen (15) days after the first of each month, for a period of six (6) months, a statement showing the operating revenue and expenses in the manner set forth in this Commission's accounting rules.

This proceeding will be held open for a supplemental order should the actual results obtained under the new rates make the action necessary.

O R D E R

The Coast Truck Line, a corporation, having filed an application with this Commission for authority to increase freight rates via its automobile trucks, and a regular hearing having been held,

IT IS HEREBY ORDERED that the Coast Truck Line be and the same hereby is authorized to publish and file, in a tariff to become effective within twenty (20) days from the date of this order, a minimum charge of 75 cents; the schedule of class rates shown as Exhibit A, attached to the original application, and the commodity rates shown on third page of Exhibit A attached to the amended application, which rates are found to be just and reasonable.

IT IS HEREBY FURTHER ORDERED that the applicant herein submit to the Commission on or before the fifteenth day of each month, for a period of six (6) months, a statement showing the operating revenue and expenses.

IT IS HEREBY FURTHER ORDERED that the proceeding be held open for supplemental orders should the Commission deem further action necessary.

DATED AT SAN FRANCISCO, CALIFORNIA THIS 15th DAY
OF February, 1924.

[Signature]
[Signature]

[Signature]
Commissioners.