

ORIGINAL

Decision No. 18062

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of Lewis A. Monroe, as Agent for )  
Los Angeles and Santa Barbara )  
Motor Express Company, Inc. for )  
Authority to readjust class and )  
commodity rates between Los Angeles )  
and Carpenteria, Summerland, Santa )  
Barbara and Goleta. )

APPLICATION NO. 13327

-----

Hugh Gordon, for Applicant.

BY THE COMMISSION:

O P I N I O N

This is an application filed by Lewis A. Monroe, as agent for the Los Angeles and Santa Barbara Motor Express Company, Inc. of Los Angeles seeking authority to readjust class rates and expedited express rates applying between Los Angeles and Carpenteria, Summerland and Santa Barbara resulting in material increases, and also readjusting class rates at Goleta, resulting in increases and reductions.

A public hearing was held before Examiner Geary at Los Angeles January 14, 1927 and the application having been duly submitted is now ready for our opinion and order.

The present and proposed class rates are shown below:

Los Angeles And		Miles	1	2	3	4
Carpenteria	Present	101	68	52	45	37
	Proposed		77	61	52	43
Summerland	Present	106	72	56 $\frac{1}{2}$	49	40 $\frac{1}{2}$
	Proposed		80	62	55	45
Santa Barbara	Present	113	72	56 $\frac{1}{2}$	49	40 $\frac{1}{2}$
	Proposed		80	62	55	45
Goleta	Present	119	78	64	55	46
	Proposed		80	62	55	45

The present and proposed expedited express rates are as follows:

Los Angeles And		Fresh Meats	Other Perishables
Carpenteria	Present	80	68
	Proposed	90	90
Summerland	Present	80	72
	Proposed	90	90
Santa Barbara	Present	80	72
	Proposed	90	90

The operative rights of the applicant originally extended between Los Angeles and Santa Barbara, granted by Application No.5005, and included rights on either side of the highway for a distance of 10 miles. This right was extended in Application No.10748 to include San Luis Obispo, with minor restrictions at intermediate points.

By Application No.12919 of June 25,1926 applicant acquired the Tucker Truck & Transportation Company, with operating rights between Los Angeles and stations north and west thereof to and including San Luis Obispo.

In Decision No.16785, Applications Nos. 12702, 12703 and 12705, March 31,1926, the Commission had before it requests for increased rates via the lines of the three certificated carriers then operating in this general territory. Application No.12702 was the petition of Los Angeles & Oxnard Daily Express; Application No.12703 the petition of this applicant, and Application No.12705 the petition of Tucker Truck and Transportation Company for permission to adjust the class rates between Los Angeles and Fillmore, Santa Paula, Saticoy and Ventura. The issues were joined and the petitions were granted.

Subsequent to the order in the above proceedings the rates via applicant's (Los Angeles and Santa Barbara Motor Express Company) line were:

<u>Between</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Los Angeles and Fillmore	59½	47	39½	31½
Authorized - - -	60	50	40	30
Los Angeles and Santa Paula Saticoy Ventura	62½	47	39½	31½
Authorized	60	50	40	30

At the same time there was a certificated line operating over that part of the route between Los Angeles and Ventura and thence to Ojai, under the name of Ojai-Ventura and Los Angeles Express. This company, by Application No.12704, submitted June 17 and decided July 2,1926, petitioned to increase its rates to a parity with those granted in Decision No.16785, supra. The express purpose of these adjustments was to create a parity of rates between the four lines at competitive points. The same rate progression extended beyond Ventura would result

in lower rates between Los Angeles and Santa Barbara than those now in effect.

On a strictly mileage basis there appears no justification for the proposed increases and if increases are to be made because of failure of the rates to yield a fair return on the investment the conclusion must be that a readjustment of all rates is necessary..

By Exhibit No.3 it is shown that the labor costs for making deliveries at Santa Barbara are greater than at other points. This situation if justified could be taken care of by the establishment of defined delivery zones at Santa Barbara and the publication of proper charges to cover the accessorial service rather than by excessive line haul rates at all points.

By its Exhibit B, attached to the petition, applicant shows a total of 1023 tons for the month of June, 1926 at Santa Barbara, Summerland and Carpinteria, with a total revenue of \$11,125.89. The proposed rates would produce \$12,415.19, an increase of \$1289.30. Of this amount 90 per cent, or \$1170.52, is secured from the Los Angeles-Santa Barbara tonnage. Taking June as a representative month the increase at Santa Barbara for one year would be \$14046.24 and at the three stations \$15,471.60. June, however, is not representative, as is shown by Exhibit No.3 introduced at the hearing. This exhibit shows a total of 7940 tons for the six months' period ending June 30, 1926, or 1323 tons per month as against 1023 tons for June. Taking the figures given in Exhibit No.3 the revenue for six months would be increased from \$86409.20 under the present average earning of \$10.88 per ton to \$96,312.20 under the proposed average of \$12.13

per ton, or \$9903.00 for six months, approximately \$20,000.00 per year.

The balance sheet (Exhibit No.1) gives a total cost of plant and equipment as \$202,609.64, a depreciation reserve of \$99,114.03 and a net of \$103,495.61. The same exhibit gives revenue and expenses for nine months ending September 30,1926 and purported to show a net operating loss of \$1453.75. The exhibit furnishes no supporting data, nor was applicant's witness at the hearing able to supply such data.

Applicant sets up an annual depreciation of 25 per cent for trucks and equipment and 15 per cent for shop and office equipment, and on this basis includes \$39,019.56 in the expenses for the first nine months of 1926. The 25 per cent appears excessive in view of the fact that trucks and trailers are still in the service which have had more than four years of use. In August,1926 applicant purchased four new trucks and gave in part payment three White trucks of 1920 model and one of 1921 at a value of \$2000.00 each, or \$8000.00. No mention of this transaction is shown in Exhibit 1.

Since the submission of this proceeding applicant filed with the Commission February 26,1927 its annual report for the year ending December 31,1926. This report shows transportation revenue \$327,700.75, transportation expenses \$315,342.59, net operating revenue \$12,358.16. These figures for twelve months show a net operating revenue of \$12,358.16 and, therefore, are not in harmony with Exhibit No.1, claiming a loss, before the deduction of interest charges, for the nine months ending September 30,1926 of \$1,453.75. The annual report showed a total deduction for depreciation of plant and equipment for the year 1926 of \$46,595.75 which, as heretofore stated, appears excessive, but even if admitted that the depreciation

included in operating expenses were fair, applicant earned in excess of 6 per cent on the claimed value of plant and equipment of \$200,054.85 as of December 31, 1926. Manifestly, to permit the increasing of rates as proposed and adding another \$20,000.00 to the gross earnings would produce excessive net profits. The proposed rates have not been justified; the application will be denied and the proceeding dismissed.

O R D E R

A public hearing having been held in the above entitled proceeding, evidence having been submitted by the applicant, and the Commission being fully advised,

IT IS HEREBY ORDERED that the application of the Los Angeles and Santa Barbara Motor Express Company, Inc. to readjust the class rates between Los Angeles and Carpenteria, Summerland, Santa Barbara and Goleta, be, and the same is hereby dismissed.

Dated at San Francisco, California, this 14th day of March, 1927.

*Emmett*  
*H. B. Brindley*  
*C. Seaver*  
*Leon White*  
*Thos. J. Powell*  
 Commissioners.