

Decision No. 18158

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the Matter of the Application )  
of F.M.Hodge, John D.Kwis and )  
H.A.Rose, co-partners, for per- )  
mission to increase all Class Rates )  
5 per cent and Certain Commodity )  
Rates 10 per cent. )

APPLICATION NO. 13435

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F. M. Hodge, for Applicant.

BY THE COMMISSION:

O P I N I O N

This is an application filed by F. M. Hodge, John D. Kwis and H. A. Rose, engaged in the operation of an automobile truck transportation service under the fictitious name of San Joaquin Valley Transportation Company, for an order granting permission to increase class rates 5 per cent and commodity rates, with the exception of those applicable on butter, eggs and cheese, 10 per cent. It is set forth in the amended petition that an increase in rates is necessary for the reason that the net revenue derived from freight moved at the present rates is not sufficient to permit the company to operate profitably.

The operative rights of applicant extend from Los Angeles to Riverdale, Fresno, Porterville and intermediate points located in the San Joaquin Valley.

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A public hearing was held before Examiner Cannon at Los Angeles February 9, 1927 and the application having been duly submitted is now ready for an opinion and order.

A number of exhibits were introduced dealing with the revenue and rates for the past five years; the effect of the 5 per cent tax upon net revenue; the additional gross revenue applicant estimated would accrue by reason of the increased rates, and the profit and loss statement for the year 1926. These exhibits show that during the past five years the total tonnage handled increased from 2675 tons in 1922 to 10804 tons in 1926; that the average rate per 100 pounds during 1922 was \$1.078; that the average rate has declined each year and for the year 1926 was .823 cents per 100 pounds, a reduction of 25½ cents, or 23.6 per cent from the average rate obtained during the year 1922. A separate exhibit, giving the tonnage, revenue and rates for the Los Angeles to Fresno traffic for the five years period 1922 to 1926 was also introduced. This exhibit shows that during the year 1922 the Fresno traffic amounted to 394 tons; that the average rate was \$1.44 per cwt. The tonnage increased materially each year until 1926 when it reached a total of 2024 tons, but the average rate showed a steady decline, being 96 cents per cwt for 1926, representing a reduction of 48 cents per cwt., or 33-1/3 per cent below the 1922 average rate.

Another exhibit, covering the 12 months of 1926, shows the operating expenses exceeded gross revenue by \$9277.41. However, an audit conducted by a representative of the Commission's Finance Department subsequent to the date of hearing, developed a deficit of but \$4114.61, but the statement of operating expenses is not

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compiled in conformity with our instructions governing the classification of accounts and is lacking in detail. The statement prepared by the Commission's representative contains miscellaneous deductions totaling \$3957.99, representing interest, bad accounts, fines and loss on equipment sold; the Commission's accounting rules do not provide for the charging of such items to operating expenses, therefore after giving consideration to the non-operating expenses the total loss for 1926 was \$8072.60.

The annual report for the year 1925 shows transportation expenses exceeded transportation revenue by \$6518.82. The estimated revenue based on the proposed rates would result in an increase of approximately \$7565.00 per year.

The largest portion of applicant's automobile truck equipment in use is leased, a witness testifying it is more economical to lease the equipment than to own it outright.

Notice of the hearing was mailed to Chambers of Commerce and other organizations in the San Joaquin Valley and Los Angeles, but no one appeared to protest the rate changes, and applicant testified the adjustment had been discussed with practically all large shippers and no objections were offered, but on the other hand many recommended the proposed rates in order that the company might operate on a profitable basis and continue to furnish expedited service.

After giving consideration to all the exhibits and the testimony and reviewing the annual reports for the past two years, we are of the opinion and find that the present rates do not produce sufficient net revenue to permit applicant to

furnish expedited service and provide a reasonable return upon its investment, and that the application should be granted.

In order that the Commission may be advised of the results flowing from the new rates, applicant will file within fifteen (15) days after the first of each month, for a period of six (6) months, a statement for the preceding month setting forth in detail the total revenue received, total operating expenses and the net operating revenue, segregated in accordance with the Commission's system of accounting.

The proceeding will be kept open for a supplemental order should the actual results obtained from the new rates make such action necessary.

O R D E R

This application having been duly heard and submitted by the parties, full investigation of the matters and things involved having been had and basing this order on the findings of fact and the conclusions contained in the opinion, which said opinion is hereby referred to and made a part hereof,

IT IS HEREBY ORDERED that F. M. Hodge, John D. Kwis and E. A. Rose, operating an automobile truck transportation

service under the fictitious name of San Joaquin Valley Transportation Company, be and they are hereby authorized to increase class rates 5 <sup>per</sup> cent and commodity rates, with the exception of those applicable on butter, eggs and cheese, 10 per cent.

IT IS HEREBY FURTHER ORDERED that the applicant submit to the Commission on or before the 15th day of each month, for a period of six (6) months, a statement showing in detail the total revenue, total operating expenses and net revenue, segregated in accordance with the Commission's system of accounting.

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

Dated at San Francisco, California, this 4<sup>th</sup>  
 day of April, 1927.

Ernest W. Reed  
H. B. Brundage  
C. S. ...  
Thomas J. ...  
 Commissioners.