

Decision No. 18159

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application)
of the Imperial Valley-Los Angeles)
Express for an Order Authorizing)
an increase in rates.)

APPLICATION NO. 13463

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- F. M. HODGE, for Applicant.
 - J. J. Deuel, for California Farm Bureau Federation
and Associated Chambers of Commerce of Imperial
Valley.
 - L. H. Wolters, for Golden State Milk Products Company.

BY THE COMMISSION:

O P I N I O N

This is an application filed by the Imperial Valley-Los Angeles Express, a corporation, for an order granting permission to increase class rates and commodity rates, with the exception of rates on butter, from Imperial Valley points to Los Angeles, by approximately 5 per cent. In the petition and as amended at the hearing it is alleged that the adjustment sought is necessary because the net revenue derived from freight transported at the present rates is not sufficient to permit profitable operations.

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

The operative rights of applicant extend from Los Angeles Harbor, Los Angeles, Pasadena, Anaheim and intermediate points to Oasis, Fish Springs, Kane Springs, Westmoreland, Brawley, Imperial, Holtville and Calexico.

Applicant introduced a number of exhibits dealing with the present and proposed rates, the revenue received and the tonnage handled during the years 1925 and 1926, also a financial statement for the year 1926. This latter exhibit shows that the total operating expenses, including depreciation, were \$166,728.54; total revenue received \$167,550.48, producing net earnings of \$821.94. Subsequent to date of hearing applicant's books were audited by an accountant of the Commission's Finance Department and net revenue was reported as \$2562.74. The difference between the net revenue shown in applicant's exhibit and that shown on the statement prepared by the Commission's accountant is due to the fact that applicant had charged to operating expenses items consisting of interest, fines paid for violation of the traffic laws, loss by fire and loss on account of bad checks. Such items are not properly chargeable to operating expenses under the Commission's accounting system.

The total assets as of December 31, 1926, Exhibit 2, are given as \$87,426.39; of this sum \$62,020.89 is shown as investment in plant and equipment.

By its Exhibit 3, applicant shows a total of 7017 tons handled during the year 1925, and 8727 tons during the year 1926, with gross revenue of \$138,816.43 and \$167,800.10, respectively, an average rate per cwt. of 99 cents for the year 1925 and 96 cents for the year 1926.

Notwithstanding the substantial increase in tonnage

during the year 1926 over the previous year, the net revenue decreased from \$5702.24 in 1925 to \$2562.74 in 1926, a reduction of \$3139.50. Witness for applicant attributed this decrease to the difference of 3 cents per 100 pounds in the average rate, to losses suffered during December, 1926 on account of washouts on the highways which caused cessation of operations for many days, and to diversion of certain classes of freight to contract carriers.

There was considerable testimony regarding the transportation tax of 5 per cent on gross revenue and the necessity for automobile truck companies providing funds to take care of this contingency. Witness for applicant stated it was not clear to auto companies the amount of tax payable for the year 1926; therefore they had set up an arbitrary amount for this expense. The detailed statement of operating expenses compiled by the Commission's accountant shows the sum of \$2157.34 for transportation taxes for the year 1926. Using as a basis gross revenue for the year 1926 the 5 per cent transportation tax would require \$8377.52, or \$6220.18, in addition to the amount set up in applicant's accounts for the past year's taxes.

There was testimony to the effect that certain changes were contemplated in the operation of new trucks which would reduce expenses and these reductions, together with the increased earnings derived from the proposed rates would enable applicant to earn a reasonable return for the service performed.

On July 9, 1926 applicant voluntarily established reduced rates on fiber boxes, seed cabinets, cotton and cotton linters, hides, tallow, scrap metal and seeds, but these reductions did not reflect any satisfactory results in net revenue.

This witness also testified that the merchants in Los Angeles and many shippers and receivers located in the Imperial Valley had been interviewed, were informed of the proposed adjustment of rates, but no objections were offered.

At the hearing protestant representing the California Farm Bureau Federation and the associated Chambers of Commerce of Imperial Valley questioned the witness relative to reducing operating expenses, but made no direct protest against the granting of the application.

After giving consideration to the exhibits and testimony, and reviewing the reports and records for the years 1925 and 1926, we are of the opinion and find that the present rates do not produce sufficient net revenue to permit applicant to operate a satisfactory service and that the increase of 5 per cent in all rates, except those on butter from the Imperial Valley, are justified and that the application should be granted.

In order that the Commission may be advised of the effect of 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 under 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 Imperial Valley-Los Angeles Express, a corporation, be and it is hereby authorized to increase all class rates and commodity rates, with the exception of those on butter from Imperial Valley points to Los Angeles, to the basis of those set forth in the application.

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 operating 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 4th
day of April, 1927.

Ernest J. [Signature]
H. B. [Signature]
[Signature]

[Signature]
Commissioners.