

Decision No. 7640

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of San Francisco & San Jose Transportation Company for permission to increase rates and to alter rules and regulations so as to effect increases in rates on less than thirty days' notice.

APPLICATION NO. 5568.

John A. Percy, for Applicant.  
C. S. McLenegan, for Pioneer Express Co.,  
Protestant.

BY THE COMMISSION:

O P I N I O N

The San Francisco & San Jose Transportation Company, a corporation, having made application for a general increase in rates, after a hearing by Examiner Geary on April 28, 1920 at 10 a.m. at San Francisco, the matter is now ready for a decision.

Applicant commenced operations on or about January 9, 1919 under the management of the original organizers of the corporation and continued so to operate until July 26, 1919, when the capital stock of the San Francisco & San Jose Transportation Company was purchased by McKab & Smith, who have in good faith continued to operate the service to and including the present time.

Testimony presented at the hearing indicates that the original management, being inexperienced, operated the service at a deficit amounting to \$10078.94 for the period January 9, 1919 to July 26, 1919, inclusive; \$16893.18 during the period July 27, 1919

to December 31, 1919; \$4843.49 during the period January 1, 1920 to March 31, 1920, making a total loss for the fifteen months' period of \$31,815.61. The figures to and including December 31, 1919 were prepared by certified public accountants and the figures from January 1, to March 31, 1920, inclusive were testified to by the accountant for the company and were verified by this Commission's chief accountant.

The principal item of expense for the period July 27, 1919 to December 31, 1919 is \$21,043.71 due McNab & Smith for hauling. The applicant finds it necessary to constantly hire outside equipment to take care of its business, such equipment being hired from the parent company, McNab & Smith, for which an original charge of \$40.00 per day was made, based on standard drayage rates. This amount has since been reduced to \$30.00 per day, and which, in a measure, accounts for the decrease in deficit for the three months period, January to March, inclusive, 1920.

Testimony was also presented indicating that the transportation company paid the parent company \$30.00 per day for two teams, wagons and drivers, for pickup service in San Francisco and that it is now paying \$30.00 per day for trucks used on the Highway between San Francisco and San Jose. It was suggested that applicant could further reduce its deficit by purchasing trucks at considerably less outlay than is required under the present method of hiring from the parent company. However, by eliminating the entire amount due McNab & Smith for hauling, the company is operating at a deficit.

An application of the proposed rates to four days - March 2, 10, 18 and 26, shows an increase of 25% in charges accruing to the business. For these four days the present rates

produced revenue amounting to \$1,032.25 and under the new rates the revenue on the same business would amount to \$1,291.28. The operating receipts for the first three months of 1920 amounted to \$16,785.16 and the expenses to \$21,629.65, therefore if the new rates produce an increase of 25% in revenue, by applying the measures of economy suggested above the proposed rates should produce a reasonable return on the investment.

O R D E R

IT IS HEREBY ORDERED that the San Francisco & San Jose Transportation Company be and the same hereby is authorized to put into effect upon five (5) days notice after filing of tariff with the Railroad Commission the rates requested in its application in this proceeding.

Dated at San Francisco, California, this 27<sup>th</sup> day of May, 1920.

Edwin O. Edger  
W. H. Leonard  
Frank H. Colver  
Henry M. Carter

Commissioners.