

ORIGINAL

Decision No. 8121

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
American Railway Express Company for) APPLICATION NO. 5912.
authority to increase express rates.)

Alfred Sutro and Sanborn & Roehl,
for American Railway Express Company.
Seth Mann, for San Francisco Chamber of Commerce.
Gavin McNab and Nat Schmulowitz, for San Francisco
Wholesale Dairy Produce Exchange and Central
California Creameries,
G. M. Hill, for Fresno Traffic Association.
George J. Bradley, for Merchants & Mfgs. Traffic
Association of Sacramento
Mrs. Lester W. Bartlett, for Berkeley Housewives League.
Mrs. Bishop A. Eughs, for Milk Committee of
San Francisco Housewives League.
S. E. Green, for California Dairy Council.

BY THE COMMISSION:

O P I N I O N

This is an application by the American Railway Express Company requesting this Commission to authorize it to increase its rates applying on California State business corresponding to increase allowed by the Interstate Commerce Commission in its order of August 11, 1920. on Docket No. 11326.

The applicant, American Railway Express Company, operated under government control October 18, 1918 to March 1, 1920. The Railroad Administration did not guarantee this carrier any net earning but only guaranteed it against operating loss.

During the period of federal control, and for some time prior thereto, the express companies operated at a deficit. During the year 1919 the operating loss of the express company amounted to \$21,819,488.28, and during the first six months of 1920 this carrier's operating deficit was approximately \$3,000,000. per month. At midnight, August 31, 1920, the guarantee period of the Federal Government to the Express Company expired and the Express Company is now operating entirely on its own responsibility.

The record and the exhibits filed in the cases before the Interstate Commerce Commission and this Commission abundantly establishes the applicant's need of additional revenue to enable it to meet the ever increasing cost of operation, and it is clearly evident that if this company is to maintain an efficient express service it must secure additional revenue ample for its needs.

The express company's application to the Interstate Commerce Commission requested an increase in rates amounting to approximately 25.16%, and also another application for authority to make certain changes in the Official Express Classification. In acting upon the rate increase application, the Interstate Commerce Commission granted the applicant authority to increase rates 12½%, the entire amount to accrue to the express company. The Interstate Commerce Commission, however, did not act upon the application to change the classification and, therefore, this Commission will ignore that feature of the application in this proceeding.

The loss and damage account of the applicant for the year 1919 amounted to \$20,576,161.55 (Exhibit 17, Revised). It was demonstrated by comparisons in the case before the Interstate

Commission and conceded by the express company that in Zone 1 there are higher operating costs, and greater losses occur in that zone than in other zones. The State of California is in Zone 5.

To come to a conclusion as to whether the express rates in California are or are not reasonable and bear a full share of the burden would require an exhaustive investigation, probably of several months, but as there is no doubt of the applicant's need of additional revenue to enable it to meet operating expenses, a real emergency exists and relief must be immediate; therefore, there is no time in which such an investigation could be made before a decision is necessary in this case.

Upon all the facts of record we are convinced that this application should be granted, but the Commission does not finally pass upon the reasonableness of the rates so established.

We have given this matter very careful consideration, and while the method of a horizontal increase involves a departure from the original zone relationship established by this Commission, that departure, under the circumstances here presented, is, we believe, justified.

There was no protest at the hearing in this proceeding concerning the firstclass or merchandise rates. Representatives of the Housewives Leagues, San Francisco Wholesale Dairy Produce Exchange, Central California Creameries, and the California Dairy Council appeared and protested against any increase on food products generally, and considerable emphasis was made objecting to increasing the rates on milk and cream by the Housewives Leagues and the California Dairy Council, suggesting that probably the increased

transportation charge would be used as an excuse by dealers to increase the prices of these commodities. The increased charges provided herein do not justify any material increase in the prices of these commodities to consumers. As an illustration,- the present rate on milk and cream from San Jose to San Francisco is 26 cents per 10-gallon can and the increased rate will be 30 cents, a difference of 4 cents per 10 gallons, or four-tenths of a cent per gallon, only one mill or one-tenth of a cent per quart.

The Commission is confronted with practically the same circumstances in this case as in the general advance freight and passenger rate case, and we believe that any independent action on the part of this State at this time in regard to intrastate express rates might bring about serious results.

Shortly after the Interstate Commerce Commission's order in Docket No. 11326, authorizing a 12 $\frac{1}{2}$ % increase in express rates, the entire amount to accrue to the express company, the Railroad Labor Board issued its decision granting express employees additional wages, which the company assumes will amount to \$44,258,903. retroactive to May 1, 1920, and the express company has made a supplemental application to the Interstate Commerce Commission for an additional increase of 15% in rates to cover the Labor Board wage award, and following their usual procedure, we assume the applicant will immediately, after decision by the Interstate Commerce Commission, file an application for similar increases with this Commission.

There is no evidence before us in this record upon which to conclude that a 12 $\frac{1}{2}$ % increase in rates will be sufficient, or exceed applicant's present requirements within the State of California.

but the record does show, as heretofore stated, that the total operating losses were approximately \$22,000,000.00 for the year 1919, and were \$3,000,000.00 per month during the first six months of 1920; also that the wage award of the Railroad Labor Board increased operating expenses \$44,000,000.00 per annum, retroactive to May 1, 1920. The increases in wages granted to employees handling California traffic will be substantial and the additional revenue secured under the proposed rates will probably be no more than sufficient to meet the increased operating expenses.

We are of the opinion that in this emergency this application can safely be granted in view of the fact that applicant now has before the Interstate Commerce Commission an application for a further increase of 15% in its rates to meet the increased wages now being paid, and further considering that a request for similar increase will be made of this Commission.

If request is made following the decision of the Interstate Commerce Commission in the 15% proceeding for additional increases in rates or changes in classifications, resulting in increases in California rates, the applicant will be required to make an affirmative showing that the proposed increases, insofar as they affect California, are reasonable.

O R D E R

IT IS HEREBY ORDERED that this application should be and the same is hereby granted, except that milk and cream rates

are to be increased by only 12 $\frac{1}{2}$ %.

ADJUSTMENTS

This proceeding will be kept open for the purpose of considering the adjustment of rates and all appropriate matters which may properly be brought before the Commission. Adjustments may be necessary and the applicant will be expected to deal promptly and effectively therewith, to the end that such adjustments may be made in as many instances as practicable without forcing an appeal to this Commission.

PUBLICATION OF TARIFF

The rates authorized herein may be published on one day's notice in a blanket supplement to all tariffs. Such supplements may be similar in character or the same as authorized by the Interstate Commerce Commission.

Dated at San Francisco, California, this 17th day of September, 1920.

Edwin C. Edgerton
H. D. Leonard
David R. Dewey
K. B. Rudige
Irvine Martin
Commissioners.