

Decision No. 8488

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
American Railway Express Company)
for authority to increase express)
rates and to change its classific-)
ation.)

ORIGINAL

APPLICATION NO. 5912.

BY THE COMMISSION:

FIRST SUPPLEMENTAL ORDER

This is a supplemental application by the American Railway Express Company petitioning the Railroad Commission to authorize further increases in its rates to harmonize with the increases authorized by the Interstate Commerce Commission in the report and decision of that Commission rendered September 21, 1920, Docket No. 11326, Express Rates 1920.

In our opinion and order, Decision No. 8121, rendered September 17, 1920, on Application No. 5912, upon the record then made this Commission authorized an increase of 12 $\frac{1}{2}$ % in all of applicant's rates in the State of California.

The applicant operated under government control from November 18, 1918 until March 1, 1920 and the Government guaranteed applicant against operating loss from July 1, 1918 to September 1, 1920. During the year 1919 the Express Company was operated at a

net loss of approximately \$22,000,000. and the evidence in the preceding hearing showed that during the first six months of 1920 its net operating loss amounted to approximately \$3,000,000. per month. Therefore, being convinced upon that showing that an emergency existed, with no time at hand to thoroughly investigate the matter to ascertain whether or not this Company was operating at a loss or at a profit in the State of California, this Commission granted an increase of 12% in all of the express rates in California in order to provide the relief that applicant averred was necessary.

We repeat the following language from our Decision No. 8121 in the preceding case:

"Shortly after the Interstate Commerce Commission's order in Docket No. 11326, authorizing a 12½% 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 12½% 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."

The applicant at the hearing in this proceeding presented certain figures, in exhibits, purporting to show that California would not bear any more than its just proportion of the additional operating expenses if the increases applied for were allowed. These figures, however, were made by using the revenues and expenses for the system as a whole, brought down to California basis by using percentage proportions arrived at by taking the relation between California intrastate business as compared with all business, state and interstate, throughout the system. Other figures are based upon the total number of employees in the system and another set of figures based upon its report to the State Board of ^{Regulation} ~~Control~~ for taxation purposes, which figures as far as intrastate business was concerned, were based upon mileage - the average mileage within the State of California as compared to the mileage of the total haul. None of these methods may be considered as an accurate reflection of the net return within the State of California.

The evidence is devoid of any particular or definite showing insofar as actual California State business and expenses were concerned. No testimony was offered at the hearing, only the statements by the company's counsel and the exhibits, prepared as indicated above. Data called for by the Railroad Commission

and furnished by the company clearly indicates that the operating costs, based upon the ratio of expenses to the business and also upon the cost per shipment is lower in the western departments of the company than in any of the other departments and it is acknowledged by the applicant that the operating costs are higher and the loss and damage to shipments is greater in the zones other than in Zone 5.

The Commission clearly stated in its previous opinion and order that if applicant proposed further increases in rates an affirmative showing must be made and the increased rates fully justified insofar as they would affect strictly California intrastate traffic. No such showing has been made, applicant offered no testimony of any kind, the exhibits are barren of data giving the value of the property devoted to the intrastate service and there is no information before the Commission showing the California intrastate revenue and expenses. It may be that California, through the present rate adjustment, is not providing its proper proportion of the revenue required to carry on the service, while on the other hand, because of the increases made since 1914 due to the conditions created by the war, the present rates may be found to be entirely adequate to meet the present situation. The Commission is convinced that the applicant is operating at a tremendous loss insofar as the system as a whole is concerned, but it has not been shown that the same condition is a fact insofar as strictly California intrastate business is concerned.

After giving careful consideration and study to the statements of counsel, the exhibits and the briefs, we are of the opinion that the application in this proceeding should be denied, without prejudice.

IT IS HEREBY ORDERED that this application should be and the same is hereby denied.

Dated at San Francisco, California, this 23rd day of December, 1920.

Edwin O. Edgerton
H. D. Loveland
Frank R. Herlihy
H. D. Dunning
Irving Martin
Commissioners.