

Decision No. 26702.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California Milk Transport, Inc., for an order granting permission to increase rates for the transportation of milk between Los Angeles or El Monte and various dairy ranches located in Los Angeles County, California.)
Application No. 19149.

In the Matter of the Application of Bob Arutoff for an order granting permission to increase rates for the transportation of milk between Los Angeles, Long Beach, Wilmington, San Pedro and various dairy ranches located in Los Angeles County, California.)
Application No. 19150.

In the Matter of the Application of Joe Bozoff for an order granting permission to increase rates for the transportation of milk between Los Angeles, Long Beach and various dairy ranches located in Los Angeles County, California.)
Application No. 19151.

In the Matter of the Application of Francis E. and Merton E. Penhall, co-partners, for an order granting permission to increase rates for the transportation of milk or cream between Los Angeles and various dairy ranches located in Los Angeles and Orange Counties, California.)
Application No. 19152.

In the Matter of the Application of Cecil E. Snyder for an order granting permission to increase rate for the transportation of milk between Los Angeles and various dairy ranches in the vicinity of Lynwood, California.)
Application No. 19153.

Phil Jacobson, for all applicants.

E. H. Whitcombe, for Milk Producers, Inc.,
protestant.

B. Dean Clanton, for California Milk Producers
Association, protestant.

WEITSKILL, Commissioner:

O P I N I O N

It was stipulated that these proceedings, which are substantially similar, might be consolidated for hearing and decision. They involve requests for authority to increase rates for the transportation of milk¹ by motor truck from points in the so-called Los Angeles milk shed to the Los Angeles metropolitan district.

A public hearing was had at Los Angeles November 17, 1933, at which time the matters were submitted.

Applicant California Milk Transport, Incorporated (Application No. 19149) is engaged in the operation of a motor truck service for the transportation of milk, cream and dairy products and supplies and empty containers between Los Angeles and El Monte on the one hand and points in the Hynes-Artesia area in Southern California on the other. For rate-making purposes this area is divided into districts 1 and 2.² For district 1 a rate of 11 cents per can in lieu of the present rate of 10 cents is proposed. No increase is sought for district 2. Applicant maintains a fleet of 14 trucks with which it picks up at the ranches twice daily. It consolidates the shipments at its yards for transportation to Los Angeles. Deliveries are made to about 17 creameries.

Applicant Bob Arutoff (Application No. 19150) transports milk and other dairy products between Los Angeles, San Pedro, Wilmington and Long Beach on the one hand and various dairy ranches located in Los Angeles County on the other. This applicant proposes

¹ The rates sought in Application 19152 apply on both milk and cream.

² District 1 produces about 97% of the milk transported by this applicant.

a rate of 11 cents per can in lieu of his present rate of 9 cents. He maintains three trucks, only two of which are in use at the present time, picks up twice daily, and hauls from 84 to 86 cans for nine different shippers. Deliveries are made to two creameries.

Applicant Joe Bozoff (Application No. 19151) transports milk, feed and dairy supplies between Los Angeles, Long Beach and Brentwood on the one hand and various dairy ranches in Los Angeles County on the other. He proposes to increase to 11 cents per can substantially all of his rates, the volume of which is now 10 cents. The record does not show what equipment this applicant operates or how many patrons he serves.

Applicants Francis E. and Merton E. Penhall (Application No. 19152) transports milk, cream, dairy products and supplies, feed and grain between Los Angeles and various dairy ranches in Los Angeles and Orange Counties. These applicants maintain rates varying both as to the points between which the shipments are transported and as to the quantity of the movement. Rates of 10, 11, 14 and 15 cents per can are sought to be increased to 11, 12, 15 and 16½ cents respectively. Applicants use two trucks, one for pickup service and the other for line haul movement to Los Angeles. They haul approximately 325 cans per day, serve approximately 40 shippers, and make deliveries to three creameries.

Applicant Cecil E. Snyder (Application No. 19153) transports milk and dairy feed between Los Angeles and Lynwood. This applicant proposes to increase his rate from 9 to 10 cents per can. He picks up twice daily at nine dairy ranches and serves two creameries. His average tonnage is 190 cans. He likewise operates two trucks, one for pickup and one for line haul service.

Applicants represent that the rates sought are necessita-

ted by recent increased operating costs and by decreases in the amount of tonnage handled. Supplies are said to have increased from 10 to 20% within less than a year. Due to codes adopted under the N.R.A. additional men have been employed, salaries have been advanced, and higher prices must be paid for materials, insurance, etc.³

The reason for the decrease in tonnage handled is said to be two-fold: first, the production in this territory is said to have dropped appreciably; and second, there is more intensive competition than heretofore. This competition consists (1) of creameries hauling the milk they buy, (2) of dairymen hauling for themselves and their neighbors, and (3) of unregulated carriers. This third form of competition is said to constitute the greatest menace, although the competition of the creameries is substantial. By refusing to buy the dairymen's products, it was alleged, they are in a position to impose their own terms upon them and thus perform transportation which would ordinarily go to the regulated carriers. The record shows that the rates paid by the dairymen for hauling performed by the creameries are usually the same as or somewhat in excess of those charged by these applicants.

For the reasons heretofore referred to, applicants' tonnages have been reduced to a point where it is impossible to operate with full truck loads and give the required service, particularly since the shipments are usually destined to a number of creameries located in different parts of the city.

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Tires of a certain size and make in March 1933 are said to have sold for \$27.90, on June 7, 1933 for \$33.75, and from July 26 to the present time for \$36.40. The lowest price moreover was subject to two 10% discounts, which are not now allowed. Likewise in March 1933 gasoline could be purchased for 8½ cents per gallon, in June for from 10 to 11 cents, and in September for 13½ and 13½ cents. At the time this matter was submitted the price of gasoline was but 8½ cents, but this was said to have been due to a gasoline war, and contracts at this price were not accepted.

Applicants allege that during the first nine months of 1933 each of them operated at a loss, and that even though the increases here sought had been in effect this would nevertheless have been true in three instances.⁴

Although appearances were entered by Milk Producers, Incorporated, and California Milk Producers Association, no evidence was introduced by them. It was their position that the proceedings were premature. They contended, first, that the industry was not in a position to stand such increases, and second, that the codes heretofore referred to were intended to result in the withdrawal of the greater part of the unregulated competition and thereby increase applicants' volume to such an extent that these increases in all probability would not be necessary. They furthermore suggested that the proposed rates if authorized would undoubtedly defeat their own purpose for the reason that many more dairymen would do their own hauling or patronize other unregulated carriers.

It seems quite probable that applicants may experience a further decrease in tonnage if the proposed increased rates are established. However, the record clearly shows that they are entitled to additional revenue which should not be denied them solely on this ground. In each instance rates either the same as or greater than those now proposed have heretofore been in effect.

Assuming that, during a like period, applicant California Milk Transport Company, Incorporated, would transport under the proposed rates the same volume it hauled during the first nine months

⁴ The amounts claimed to have been lost during this period and the results that would have obtained had the increases been in effect are as follows:

California Milk Transport, Inc., lost \$130.88; would have made a profit of \$2,439.79.

Bob Arutoff lost \$733.92; would have lost \$112.92.

Joe Bozoff lost \$616.95; would have lost \$28.17.

Francis E. and Merton E. Penhall lost \$53.33; would have made a profit of \$1,311.27.

Cecil E. Snyder lost \$750.87; would have lost \$469.34.

of 1933, the return on its investment would be somewhat high. Under the circumstances, however, the proposed rates do not appear excessive. In the event that this applicant's earnings exceed those that would obtain were the rates sought applied to the tonnage transported in 1933 it will be expected to adjust its rates voluntarily.

I recommend that the applications be granted.

O R D E R

This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that applicants California Milk Transport, Incorporated, Bob Arutoff, Joe Bozoff, Francis E. and Merton E. Penhall, and Cecil E. Snyder be and they are hereby authorized to increase on not less than ten (10) days' notice to the Commission and the public, the rates shown in their respective tariffs for the transportation of milk, cream, and/or dairy products and supplies and empty containers, to the extent set forth in the applications involved in this proceeding.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 8th day of January, 1934.

Cl. Leary
Leon Whittle
M. A. Cunn
W. B. Harris
M. H. ...
Commissioners.