Decision No. 29979.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of COAST LINE STAGES, INC. for authority to revise its entire rate structure so as to produce approximately 33-1/3% greater revenue, and requesting that the Commission institute an investigation on its own motion into the rates, charges, and practices of all common carriers, of all radial highway common carriers, and highway contract carriers, for the purpose of determining and prescribing reasonable and sufficient rates and/or reasonable minimum rates for such carriers between San Francisco and Fort Bragg, California, and intermediate points.

Application No. 21210.

John E. Truman and W. H. Kessler for applicant.

F. B. Kensinger for Loose-Wiles Biscuit Company.

L. H. Wolters for Golden State Company, Limited.

BY THE COMMISSION:

O P I N I O N

Petitioner, a corporation engaged in the transportation of property as a highway common carrier between San Francisco and Fort Bragg and intermediate points, seeks authority to revise its rate structure to provide approximately 33-1/3% more revenue.[1]

A public hearing was had at San Francisco on July 8, 1937,

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1 Applicant's rates are published and filed in its Local Freight Tariff No. 6-A, C.R.C. No. 6. Its amended application withdrew the request that the Commission enter into an investigation into the rates, charges and practices of competing carriers.

before Examiner Mulgrew.

In support of the relief requested applicant submitted statements of operating expenses and revenues for the first three months of 1937. These statements reflect a loss of $1,341.77 from operations during this period.[2] Witness Woodward, applicant's auditor, testified that while the statement of operating expenses included increased direct cost of materials and supplies experienced during the first quarter of the year 1937, such costs have since been subjected to a further increase estimated as amounting to approximately $200.00 per month because of a wage agreement entered into by applicant and representatives of its drivers. The witness also testified that the statement of operating costs did not include monthly payments on the purchase of equipment, which are shown in Exhibit No. 2 as amounting to $487.45 per month for a twelve-month period starting April 1, 1937, and that the amounts shown for executive and office salaries are the amounts actually paid and are substantially lower than those authorized by the Board of Directors. He explained that the straitened financial condition of the applicant would not permit payments in excess of the reduced amounts shown in the statement, although in his opinion they are far below prevailing salaries for such services.

Witness Kessler presented in applicant's behalf a study showing a theoretical cost of operations, rates which would return such costs, and rates necessary to return applicant's actual cost

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2 Revenue is shown as $7,682.89, cost of operation $9,024.66. Applicant's annual report for the year 1936 shows an operating deficit of $9,267.18 and transportation expenses exceeding transportation revenue by $2,694.90.

of operation during the first quarter of the year 1937.[3] He pointed out that his studies reflected the character of applicant's operations, its routes being over public highways traversing a mountainous area, which due to road curvatures and weight restrictions on certain bridges do not permit the use of large units of equipment. These conditions, he contended, are factors entering into the somewhat higher than average costs experienced by the applicant. Another factor entering into applicant's costs, according to the witness, is the unbalanced nature of its operations, which are predominantly northbound during summer months, with a resulting low load factor.[4] This witness also testified that he did not believe that applicant could continue to operate at the existing rates which, he stated, were established to meet coastwise vessel competition between San Francisco and Fort Bragg; that although this competition was now negligible, competition with radial highway common and highway contract carriers and with proprietary trucks had become more severe; that the severity of this competition precluded the applicant from seeking authority to increase the commodity rates presently in effect to any appreciable extent because of the strong likelihood of the diversion of traffic, with resulting serious revenue losses; and that therefore increased revenues must be secured from traffic moving under class rates, which traffic, in his opinion, is not so strongly influenced by the prevailing competitive conditions. The witness contended that the existing commodity

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3 Exhibit No. 3, based upon theoretical costs, develops an average cost of $.5882 per 100 pounds, and Exhibit No. 4, based upon applicant's experience for the first three months of 1937, $.56413 for the transportation of property between San Francisco and Fort Bragg.

4 Load factors for January, February and March 1937 are shown in Exhibit No. 1 as 71.7%, 57.6% and 58.4% respectively.

rates would return something above out-of-pocket costs and would not be unduly burdensome to other traffic.

The present rates for the transportation of grocers' supplies, as well as those proposed, include bakery goods when the weight thereof does not exceed 20% of the total weight of the shipment. Witness Kensinger, testifying on behalf of Loose-Wiles Biscuit Company, contended that many other commodities included under this description without the 20% limitation were bulkier and more susceptible to damage than the bakery products shipped by his firm. Otherwise no one opposed applicant's proposed increased rates.

Evidence of record is persuasive that relief must be granted the applicant immediately if it is to continue to operate. Statements of revenues and operating costs for the first quarter of the year 1937 show that the cost of handling all traffic was 53 cents per 100 pounds and that revenues amounted to 45 cents per 100 pounds.[5] Assuming that increased rates would not divert an appreciable amount of traffic, it follows that an increase of 20% if applied to all traffic would have produced revenue in excess of the cost of performing the service. In view of petitioner's strong representations of the necessity of maintaining certain of its commodity rates at existing levels and in view further of its precarious financial condition, the Commission is loath to suggest a horizontal increase of all rates. However, it has not been made to appear that the traffic transported under class rates should be made to bear the full burden of applicant's increased costs. Indeed it seems evident that, to some extent at least, applicant's competitors are likewise faced with rising operating

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[5] These statements show that the property transported weighed 1,700,864 pounds, that the cost of its transportation was $9,024.66 and that the revenue accruing from its transportation amounted to $7,682.89.

costs. It must also be observed that the record fails to disclose convincing evidence that proposed increases in excess of 20% of the rates now in effect would not unduly burden the traffic subjected to such increases. Consideration of all the evidence of record leads to the conclusion that the applicant should be granted permissive authority to increase its existing rates by not more than 20%.

The continuation of the limitation of bakery goods to 20% of the total weight of the shipment moving under rates applicable to groceries and grocers' supplies has not been shown on this record to be unduly discriminatory or otherwise unlawful.

These conclusions are based upon the showing made in this proceeding which clearly demonstrated the extreme emergency faced by the applicant. The Commission now has before it the rates of all carriers serving this territory.[6] Upon a more comprehensive record it may well be that other and different conclusions will be reached. The findings herein, therefore, are without prejudice to any other or different conclusions the Commission may reach in a subsequent proceeding, and the increased rates authorized are to this extent temporary or interim rates.

ORDER

The matter having been duly heard and submitted,

IT IS HEREBY ORDERED that applicant Coast Line Stages, Inc. be and it is hereby authorized to publish and file on not less

[6] These matters are within the scope of Cases Nos. 4088 and 4145, which have been adjourned to August 3, 1937. At that time evidence will be received relative to rates for the transportation of property between points in California generally north of Gaviota Pass and the Tehachapi Mountains - Part "U" of Case No. 4088, Part "F" of Case No. 4145.

than five (5) days' notice to the Commission and the public, rates not in excess of 120% of the rates now in effect for the same transportation of the same property between the points for which rates are provided in its Local Freight Tariff No. 6-A, C.R.C. No. 6.

The authority herein granted is void unless the rates are published and filed within ninety (90) days from the date hereof.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 27th day of July, 1937.

Commissioners.