

Decision No. 29990

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of George J. Fratley, doing business as ROCK AND GRAVEL TRUCKING COMPANY for Authority to Charge Less Than Minimum Rates, Pursuant to Section 11 of the Highway Carriers' Act, Chapter 223, Statutes of 1935.

Application No. 21240

C. H. THOMAS, for Applicant.

ROY B. THOMPSON, for Truck Owners' Association of California, Protestant.

BY THE COMMISSION:

O P I N I O N

Applicant in this proceeding seeks the Commission's authority to transport mud and slide material and to perform other miscellaneous hauling for the Department of Public Works, Division of Highways, of the State of California at less than minimum rates established in Decision No. 28836 in Case 4087. The work is to be done in the vicinity of Latonville. Distances to be covered will not exceed a half-mile and loading will be principally under power shovel. Applicant proposes to use two G. M. C. T-18 trucks of three cubic yards water level capacity for not to exceed seven hundred hours each. The proposed rate for each truck is \$2.53 per hour for hauling under power load-

ing, \$2.03 per hour for hauling under hand loading distances not exceeding eight miles per hour per day, and \$2.23 per hour for other hauling. These rates are each ten cents per hour less than the minimum rates. It appears from the evidence that the work to be proposed is light and will involve only a small daily mileage. Working conditions are stated to be particularly favorable, resulting in low operating costs.

In support of the proposed rate applicant produced figures based principally upon the experience of the applicant in 1410½ hours of hauling on a similar job in the same locality during 1935 and 1936. The hourly cost per truck was computed from a consideration of the following items of cost: drivers' wages, gasoline and oil, repairs and maintenance, tire wear, public liability and property damage insurance, workmen's compensation, depreciation and overhead. The total cost computed for the 1410½ hours was \$2368.70, or \$1.68 per hour.

In the overhead item applicant included internal revenue tax, Board of Equalization and Railroad Commission license and permit fees and gross operating charges, personal property tax, motor vehicle license, contractor's license and franchise tax, telephone, rent, traveling expense, advertising, subscription to construction newspaper and miscellaneous. The overhead figures used were those for 1935 and the total was divided among eleven units then operated. While current overhead, applicant's witness admitted, might be approximately twice as high as in 1935, applicant now operates twice as many trucks as he did then, resulting in approximately the same annual overhead cost per truck.

However, no allowance was made for applicant's managerial services nor for the service of applicant's wife

as bookkeeper, on the theory that no disbursement was actually made on those accounts. But it is apparent that in both cases there was a cost which must be recognized. The time of applicant and his wife which was devoted to the business could have been profitably employed otherwise and there was thus an actual expense sustained, though it did not involve a cash transaction. Applicant testified that his wife's services, being part-time, were worth \$25 per month. If we take \$100 per month as the value of applicant's services, and divide the additional \$1500 annual expense among 11 trucks at 1410½ hours per truck, it increases the hourly cost per truck approximately 9.6 cents, to \$1.776.

Applicant was further in error in dividing the annual fixed costs per truck by the number of hours the trucks operated on a particular job, to obtain the hourly cost for the job. While it is proper to deal with variable costs in that manner, hourly fixed costs should be based upon the total number of hours of productive operation of all trucks during the annual period. We surmise that if this had been done, the fixed costs per hour per truck would be somewhat higher than computed by applicant. Using 1200 hours per truck per year for determination of hourly fixed costs, instead of 1410½ hours, the hourly cost per truck is increased approximately 3 cents additional, bringing the total up to \$1.806.

This amount, too, is probably somewhat less than the actual hourly cost, as the allowance for repairs, maintenance and gas and oil is low, being figures obtained from operations while the trucks were new and cost of operation lower. But it is plain that, even making further allowance for adequate increases of such items, the revenue at the rate proposed will

amply meet the cost of the service and that no unjust discrimination will result. The application should be granted.

O R D E R

The above mentioned Application No. 21240 of George J. Fraties having been duly heard and submitted for decision, and, the Commission being fully advised in the premises, on the basis of the conclusions and findings in the preceding Opinion,

IT IS HEREBY ORDERED, that said application be and it is hereby granted, and applicant, George J. Fraties, is hereby authorized to transport rock, mud and slide material, and perform other miscellaneous hauling work in District No. 1 of the State of California, as defined by the Department of Public Works, Division of Highways, of the State of California, under service agreement with said Division of Highways, with two dump trucks not exceeding 3 cubic yards water level capacity for not to exceed 700 hours each, at the rate of \$2.53 per hour when loaded under power shovel, \$2.03 per hour when hauling under hand loading, and the average mileage of each truck does not exceed 8 miles per hour per day during the hours said truck is operated, and \$2.23 per hour for other hauling.

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

Walter J. ...
George J. Fraties
Rafael ...
Commissioners.