

Decision No. 21188

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
BROWN TRUCKING CO. for authorization)
of lesser rates covering the trans-)
portation of Clay and Clay Products,)
Freight and Equipment between the)
plants of Gladding, McBean & Co., viz.:)
2901 Los Feliz Blvd., Los Angeles,)
Calif., 447 Bauchet Street, Los Angeles,)
Calif., Santa Monica Plant, and other)
points in California, than the minimum)
rates established by Decision No. 30733,)
Decision No. 29480, Decision No. 30370)
and Decision No. 30785.)

ORIGINAL

Application No. 21993

Thos. E. Bradley and John J. McGinnis, for applicant.
E. K. Lockwood, for A. T. & S. F. Ry.

BY THE COMMISSION:

O P I N I O N

By Decision No. 30733 of March 28, 1938, in Application No. 21618, Brown Trucking Company, a highway contract and city carrier, was authorized under Section 11 of the Highway Carriers' Act to transport certain clay and clay products from plants of Gladding, McBean & Company located at Los Angeles, Santa Monica and Alberhill, to points in southern and central California as far north as Bakersfield and San Luis Obispo, at rates less than the minimum rates established for such transportation by Decision No. 29480, as amended, in Part "W" of Case No. 4088 and Decision No. 30370 in Part "V" of Case No. 4088.¹

1

Decision No. 29480, supra, provides minimum rates for the transportation of property in lots of 15,000 pounds and less (the charge for 15,000 pounds being the minimum for heavier shipments) within the general territory from San Fernando and Burbank on the north to San Diego and San Ysidro on the south, and from the Pacific Ocean on the west to Redlands, Yucaipa, Hemet Valley and Escondido on the east. Decision No. 30370, supra, provides minimum rates for the transportation of property in shipments weighing 20,000 pounds or less (the charge for 20,000 pounds being the minimum for heavier shipments) between points in the territory covered by Decision No. 29480, supra, on the one hand, and points in the territory north thereof to but not including Madera and Monterey counties on the other hand.

By the above entitled application said Brown Trucking Company seeks an enlargement of the authority so granted, principally to enable it to charge rates still lower than those theretofore authorized, but also to allow deviation from the minimum rates established for transportation within the Los Angeles drayage area by Decision No. 30785 in Case No. 4121, which rates were established subsequent to the granting of the original authority mentioned.

A public hearing was had at Los Angeles on July 15, 1938, before Examiner W. S. Johnson.

The rates which applicant now proposes to charge are set forth in the application. They differ materially in form from those contained in the several minimum rate orders involved and do not readily lend themselves to comparison. However, they appear to be substantially lower in many instances than either the established minimum rates or the Section 11 rates authorized in Application No. 21618, supra.

Frank P. Brown, applicant's manager, testified that the rates authorized in Application No. 21618 differed substantially from those which his company had proposed in that proceeding and that they resulted in a highly complicated schedule. He pointed out that, in order to determine the proper charge under the authority granted, it was necessary to check the rates in Decisions Nos. 30370 and 30785, as well as those authorized in the Section 11 proceeding. He estimated that the proposed rates would result in revenue from 10 to 12 per cent below that being received under the existing Section 11 authority, but claimed the reductions were necessary to prevent the complete loss of this traffic to proprietary carriage. On cross-examination he conceded that many of the proposed rates were inconsistent with the general level and might, standing alone, be considered too low. He expressed the belief, however, that under good management the proposed rates would produce a

profit on the operation as a whole, and would be satisfactory both to the carrier and to the shipper.

Applicant did not present any specific cost data in this proceeding. However, witness Brown anticipated that certain operating economies would be made, particularly by reducing his own salary as manager, to bring expenses below those shown in the previous application. He conceded, on the other hand, that certain items of operating expense, such as tires and social security taxes, had increased since the original authority was granted.

The application was supported by a witness for Gladding McBean & Company who testified that he believed his company could equip itself with motor truck equipment and perform its own transportation at a cost of less than that which would be incurred by his company if it used the services of applicant under the present or even the proposed rates. In this connection the witness presented an exhibit purporting to show the costs of operating a 6-ton White truck used by Gladding McBean at its Lincoln plant during the year October 1932 to October 1933. This witness also submitted statements, (1) comparing the revenue actually collected by applicant with that which would have accrued under the sought rates, and (2) comparing the proposed rates with certain minimum rates established by the Commission for the transportation of various commodities.

No other evidence was offered.

The relief heretofore granted this applicant in Application No. 21618 was based upon a comprehensive showing of the results of six months operation under rates substantially the same as those therein authorized. According to the record there made and as shown in Decision No. 30733, supra, a profit for the six months period of slightly over \$4,600.00 was realized. No additional cost data were submitted by

applicant in the instant proceeding. It is mathematically evident, however, that if gross revenues be reduced from 10 to 12 per cent as estimated by applicant, and operating expenses remain constant, the carrier would earn nothing more than his costs and would probably incur a substantial deficit. While applicant is in a position to lower its operating expenses to some extent by salary reductions, it does not appear that the amount of savings so effected would be sufficient to offset increases in other items. It cannot be said on this record that the proposed rates have been shown to be compensatory.

There is little doubt but that the interested shipper would commence proprietary trucking operations in event it could realize a saving thereby. However, it is to be observed that the cost figures of a proprietary operation at Lincoln on which the shipper relies lack many elements of expense which would become important in an operation as extensive as that here involved. Managerial and supervisory expenses, as well as office and clerical help, may be considered insignificant in a one-truck proprietary operation, but they become appreciable and necessary items of expense in connection with an operation performing transportation valued at nearly \$100,000 annually. Moreover, the proprietary cost figures at Lincoln were experienced approximately five years ago, since which time labor and commodity costs have admittedly increased considerably. Illustrative of this is the hourly wage of 45 cents then paid. It appears a reasonable assumption that upon a more complete study this shipper will find that under current conditions it has underestimated the cost of proprietary operations by a considerable amount and that it has overestimated the truck-mile costs which it is paying under the existing Section 11 authority.

It does appear that the schedule of rates under which Brown Trucking Company now operates is somewhat complex, and that authority

to deviate from rates established for transportation by city carriers in the Los Angeles area may be desirable in order to provide a reasonably related and easily applied basis of rates throughout the southern California territory served by this carrier. It is possible, moreover, that rates slightly lower than those heretofore authorized might be justified on a proper record. However, in the absence of information as to the volume of tonnage as well as the size and character of the shipments moving to each destination and other essential information, there is no evidence here from which applicant's proposal might be modified to accomplish these ends.

The application will be denied without prejudice to the subsequent filing of an amended proposal containing rates of substantially the same general level as those heretofore authorized, or such other general level as may be shown to be reasonable and compensatory and in such form as to provide a complete basis in and of itself without reference to other outstanding orders.

O R D E R

This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that the above entitled application be and it is hereby denied without prejudice.

Dated at Los Angeles, California, this 15th day of August, 1939.

Robert W. Johnson
John S. Johnson
Frederic W. Johnson
Ray L. Kelly

Commissioners.