

Decision No. 1921002

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC ELECTRIC RAILWAY COMPANY)
for authority to increase rates for) Application No. 22540
the transportation of newspapers.)

BY THE COMMISSION:

ORIGINAL

Appearances

- Frank Karr and C.W. Cornell, for the applicant.
- Pillsbury, Madison & Sutro, by Hugh Fullerton, for
Railway Express Agency, Inc.
- Flint & Mackay, by Edward L. Compton, for Hearst
Publications Incorporated, Los Angeles Herald
Express Department.
- Richard G. Adams, for The Times-Mirror Company.
- A. Laurence Mitchell, by W.B. Armstrong, for Hearst
Publications Incorporated, Los Angeles Examiner
Department.
- Binford & Binford, for Los Angeles Daily Illustrated
News and Los Angeles Evening News.

O P I N I O N

By this application, Pacific Electric Railway Company seeks authority under Section 63 of the Public Utilities Act to establish increased rates for the transportation of newspapers between all points on its lines.¹ The matter was submitted on the record made at public hearings held in Los Angeles before Examiner Preston W. Davis.

The rates presently maintained by applicant for transportation of newspapers, for distances of 40 miles and under, are

¹ Pacific Electric Railway Company is an electrically operated standard gauge railroad, engaging in the transportation of freight and passengers as a common carrier within and between Los Angeles, Orange, Riverside, and San Bernardino counties. Its lines radiate from Los Angeles, extending to a maximum distance of 76 miles on the east, 40 miles on the south and 30 miles on the west.

\$9.00 per 11,000 papers not exceeding an average of 14 pages per copy and \$11.85 per 11,000 papers exceeding an average of 14 pages per copy. For distances of more than 40 miles, the present rates are \$17.51 per 11,000 copies not exceeding an average of 14 pages per copy and \$22.40 per 11,000 copies exceeding an average of 14 pages per copy.² Applicant proposes to establish, in lieu of these rates, a rate of 1/2 cent per pound for distances of 45 miles or less, and 3/4 cent per pound for distances of more than 45 miles.³

Applicant's passenger traffic manager testified that the present rates for the transportation of newspapers had been in effect since August 26, 1920, the rates in effect prior to that date having been approximately 20 per cent lower.⁴ He stated, however, that the average weight per copy of newspapers had increased materially since the present rates were established, that the volume of traffic had diminished, and that, as a result, the present rates were no longer adequate for the service involved. He claimed, moreover, that the cents per copy basis resulted in discrimination as between newspaper companies having different sizes of editions, and that a cents per pound basis would be more equitable. In this connection, the witness said that one newspaper company was shipping split sections of Sunday editions at different times, paying

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Converted to cents per pound on the basis of the present average weight per copy of newspapers, these rates range from .20 cent to .41 cent for daily editions within the 40 mile zone and .40 cent to .78 cent for daily editions outside that zone. For Sunday editions they range from .07 cent to .14 cent per pound inside the 40 mile zone and .14 to .27 outside that zone.

3

Both the present and proposed rates include the free transportation of one newspaper representative when the quantity of newspapers shipped requires the services of a caretaker.

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The increase was made as a part of the general horizontal freight rate increase authorized by Decision No. 7983 in Application No. 5728.

for all of the split sections as a single newspaper, whereas other newspaper companies were paying for each split section as a single newspaper.

Exhibits comparing the sought rates with rates maintained by other common carriers for transportation of newspapers within California and between points in other states were also introduced. These exhibits indicate that many rates as high as, or higher than, those here proposed are maintained by other carriers and in other territories.

Applicant's accounting officer introduced a statement showing the operating revenues and expenses of Pacific Electric Railway Company for the years 1925 to 1938, inclusive. According to this statement, applicant's operating expenses have exceeded its operating revenue each year since 1931, the deficit for the year 1938 being \$826,505. A sharp increase in the net operating deficit for the years 1937 and 1938, over previous years, was attributed to increased wage scales and increased taxes.⁵

It was estimated that, based on the existing traffic volume, the sought rates would produce revenue to 141 per cent in excess of the revenue accruing under the rates in effect. It was said to be anticipated, however, that this revenue increase would be limited, in part, by reductions in the volume of traffic expected to result by reason of the rate increase.

As just stated, applicant admitted that, on the whole, the sought rates reflected an increase of approximately 141 per cent over the present rates. As a matter of fact, several of the proposed increases would result in rate increases of more than 400

⁵ A financial statement as of October 31, 1938, was appended to the application. That statement shows a corporate deficit on that date of \$28,983,978.96.

per cent. Manifestly, such startling increases require strong evidence in justification. Applicant has demonstrated its need for increased revenue; however, it has not shown to what extent the newspaper traffic has contributed to this deficiency. Applicant has given numerous comparisons with rates in effect by other carriers in the same and other territories, but it has not shown that similar conditions attend transportation under the compared rates. Under these circumstances, it cannot be said that rate increases to the extent sought have been shown to be necessary or justified.

By a decision entered this day in Application No. 21832, Railway Express Agency, was denied authority to establish an increased rate of 50 cents per 100 pounds for statewide transportation of newspapers, but was permitted to increase existing rates by 10 per cent. It was also authorized to publish a restriction that portions or supplements of newspapers, when shipped separately, would each be charged for as a complete newspaper. This action was stated to be without prejudice to the submission of a revised proposal naming rates on a weight basis but reflecting only moderate increases in existing rates. In essential respects, the record in that proceeding was substantially the same as the one here under consideration, and the same findings and conclusions appear appropriate in connection with the operation of Pacific Electric Railway Company. Upon consideration of the facts and circumstances of record, therefore, we are of the opinion and find that applicant should be authorized to increase existing rates by an amount not to exceed 10 per cent, in recognition of the increases in average weights per copy of newspapers and of increased operating expenses and reduced traffic volume. It should also be authorized to publish a restriction that portions or sup-

plements shipped separately will each be rated as a complete newspaper. In all other respects, the application will be denied without prejudice.

O R D E R

Public hearings having been held in the above entitled application and based upon the evidence there received and upon the conclusions and findings contained in the preceding opinion,

IT IS HEREBY ORDERED that Pacific Electric Railway Company be and it is hereby authorized to increase its rates for the transportation of newspapers within California by amounts not to exceed ten (10) per cent; and to establish a rule providing, in substance, that portions or supplements of newspapers shipped separately shall each be charged for as a complete newspaper.

IT IS HEREBY FURTHER ORDERED that, in all other respects, this application be and it is hereby denied without prejudice.

The authority herein granted shall expire if not exercised within ninety (90) days from the effective date hereof.

This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 19th day of March, 1940.

Ray & Rice
James R. Hullett
Paul J. Hullett
Justice J. Craven
Commissioners.