

ORIGINAL

Decision No. 36750

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
certain railroads (and connecting  
highway carriers and water lines)  
for authority to increase their rates,  
fares and charges (1942). ) ) )  
Application No. 24670

In the Matter of the Application of The  
Truck Owners Association of California,  
a corporation, and Pacific Motor Truck-  
ing Company, a corporation, for an order:  
(1) modifying certain outstanding orders  
of your Commission establishing minimum  
rates, rules and regulations for the  
transportation of various classes of  
property as herein more particularly de-  
scribed; (2) authorizing highway common  
carriers and express corporations to  
increase their local and joint rates and  
charges as more particularly herein de-  
scribed; and (3) authorizing departures  
from sections of the Public Utilities  
Act and of the Constitution, as herein  
more particularly described. ) ) )  
Application No. 24724

In the Matter of the Establishment of  
maximum or minimum, or maximum and  
minimum rates, rules and regulations of  
all common carriers as defined in the  
Public Utilities Act of the State of  
California, as amended, and all highway  
carriers as defined in Chapter 223,  
Statutes of 1935, as amended, for the  
transportation, for compensation or hire,  
of any and all commodities. ) ) )  
Case No. 4246

In the Matter of the Establishment of  
maximum and minimum, or maximum or mini-  
mum rates, rules and regulations of all  
common carriers, as defined in the  
Public Utilities Act of the State of  
California, as amended, and all highway  
carriers, as defined in Statutes 1935,  
Chapter 223, as amended, for the trans-  
portation, for compensation or hire, of  
any and all agricultural products. ) ) )  
Case No. 4293

BY THE COMMISSION:

Appearances

(A list of appearances is contained in Appendix "A" hereof.)

OPINION ON REHEARING

By Decision No. 36088 of January 5, 1943, (44 C.R.C. 597) in these proceedings, the Commission ordered the cancellation of the horizontal rate increases previously prescribed in so far as they were applicable to contract and radial highway common carriers.<sup>1</sup> Upon petition of The Truck Owners Association of California and Pacific Motor Trucking Company the Commission suspended the effective date of this decision until its further order, and granted rehearing.

Rehearing was had before the Commission en banc on February 3, 18 and 24, and November 22, 1943.

The circumstances which prompted the issuance of Decision No. 36088, supra, are fully set forth therein and are too well known to bear repeating here. Suffice it to say that the sole purpose of the order was to end a conflict obtaining between minimum rates prescribed by this Commission and price-fixing orders of the Office of Price Administration. On rehearing, carriers and shippers and their associations urged that the increased rates established by this Commission be retained. The carriers asserted that rates, on this level, or higher, were absolutely necessary to continued operations. Almost without exception the shippers agreed that the carriers should not be expected to reduce their rates below this level. The Office of

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<sup>1</sup> These increases which, with certain exceptions, amounted to 6 per cent for the transportation of property generally and 3 per cent for the transportation of basic raw products of agriculture, animals, animal products and products of mines, were prescribed by Decision No. 35271 of April 14, 1942 (44 C.R.C. 145).

Price Administration, as an intervenor, took the position that the rate conflict should be reconciled without delay, but that it could not authorize increases in the maximum prices which it had established except upon a satisfactory showing conforming to established principles. During the course of rehearing it was recognized that the factual evidence offered by petitioners did not adequately disclose the financial condition of the trucking industry as a whole. A committee was chosen for the purpose of examining thoroughly a cross-section of the trucking industry to determine its financial condition and need.<sup>2</sup>

This committee made a selection of representative carriers and basic information was obtained from these carriers for the calendar years 1941 and 1942 through the media of questionnaires and field studies. Testimony and exhibits respecting the information secured was introduced in evidence by Grant L. Malquist, a senior engineer and William F. Krause, an assistant rate expert of the Commission's Transportation Department. Among other things, the data introduced show the investment, operating revenues, expenses, rate of return and operating ratio, before and after certain minor adjustments, for a representative cross-section of certificated and permitted highway carriers, upon an individual carrier and weighted average basis. The financial position of the carriers as portrayed by this data may be ascertained by re-

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<sup>2</sup> The committee, of which Commissioner Sachse was chairman, consisted of eight members. The trucking industry was represented by Mr. Roy B. Thompson of The Truck Owners Association of California and Mr. Arlo D. Poe of the Motor Truck Association of Southern California; the shippers were represented by Mr. J. J. Deuel of the California Farm Bureau Federation; and the Office of Price Administration by Mr. Frank Sloss, Regional Price Attorney. The remaining three members of the Committee were W. C. Fankhauser, Financial Expert; Howard G. Freas, Rate Expert; and Grant L. Malquist, Senior Engineer from the Commission's staff.

ferring to the following tabulation:<sup>3</sup>

Class of Carrier	Number of Carriers	1941		1942	
		Rate of Return Per Cent	Operating Ratio Per Cent	Rate of Return Per Cent	Operating Ratio Per Cent
I	14	8.92	95.91	9.34	96.49
II	36	9.94	96.15	11.98	96.07
III	20	4.94	97.88	8.76	96.51
IV	4	-10.89	105.63	0.37	99.84
TOTAL	74	8.97	96.13	10.08	96.36

Inasmuch as the carriers' 1942 gross revenues reflect operations at rates which include the horizontal rate increases here in issue, as well as other minimum rate increases which were made after March, 1942, estimates were made of what the carriers' actual gross revenues would have been had they observed (1) their actual March, 1942 rates throughout that year, and (2) the Commission's minimum rates in effect during March, 1942, throughout that year. The study discloses that if the carriers had observed their March, 1942 rates throughout the year they would have experienced a weighted average rate of return of -0.84 per cent and a weighted average operating ratio of 100.29 per cent. If the carriers had observed the minimum rates in effect in March, 1942, throughout the entire year, the weighted average rate of return and operating ratio would have been -2.42 per cent and 100.85 per cent, respectively.

Other evidence shows that operating costs of highway carriers have increased considerably since the rate increases in issue became effective.

<sup>3</sup> For the purpose of this tabulation, carriers are grouped in the following four classes based upon the total 1942 gross revenue of the individual carriers:

- Class I - Carriers reporting gross operating revenue of \$500,000 or over.
- Class II - Carriers reporting gross operating revenue of \$100,000 or over but under \$500,000.
- Class III - Carriers reporting gross operating revenue of \$25,000 or over but under \$100,000.
- Class IV - Carriers reporting gross operating revenue of less than \$25,000.

The present record is more extensive than that upon which the increases in issue were first prescribed (Decision No. 35271, supra). It leaves no doubt that the highway carriers in this State would have operated at a loss or, certainly at an overall confiscatory rate, had they observed throughout 1942 either their actual March, 1942 rates or the Commission's minimum rates in effect during that month. Truck operating costs have increased substantially since 1942. We must therefore conclude that the horizontal rate increases heretofore established in various outstanding minimum rate orders after March, 1942, are fully justified and necessary to the maintenance of adequate transportation facilities. The suspension of Decision No. 36088, supra, will be continued to permit the matter of an adjustment in the price ceilings of highway contract carriers to be brought to the attention of the Office of Price Administration.

In view of our conclusions herein an order is not required at this time.

Dated at San Francisco, California, this 7<sup>th</sup> day of December, 1943.

Francis R. Havens

Justus J. Cooper  
Richard L. Baker  
Francis J. [unclear]  
Commissioners

APPENDIX "A"

List of Appearances

- Roy B. Thompson and Edward M. Berol, for The Truck Owners Association of California.
- R.E. Wedekind and William Meinhold, for Pacific Motor Trucking Company.
- Starr Thomas and George P. Hurst for The Atchison, Topeka and Santa Fe Railway Company and Santa Fe Transportation Company.
- Frank H. Sloss, for Prentiss M. Brown, Administrator, Office of Price Administration.
- John W. Barker, for California Van and Storage Association and United Van and Storage Association.
- A. H. Glickman, for Motor Freight Truck Conference.
- F.W. Turcotte, for Furniture Fast Freight, Southwestern Portland Cement Company, Riverside Portland Cement Company and Commercial Transfer Company.
- McCutchen, Olney, Mannon and Greene by F.W. Meilke and Scott Elder, for The River Lines.
- E.H. Hart for Draymen's Association of Alameda County and Pacific Motor Trucking Association.
- J.F. Vizzard, for San Francisco Movers.
- John M. Desch, for Pacific Southwest Tariff Bureau.
- J.B. Costello and N.R. Moon, for Sperry Flour Company.
- L.R. Keith, for California Packing Corporation.
- William Gissler, for Eureka Freight Lines.
- E.R. Warren, for San Francisco Hay, Grain and Feed Dealers Association.
- J.J. Deuel, for California Farm Bureau Federation.
- H.J. Bischoff, for Southern California Freight Lines, Southern California Freight Forwarders and Direct Delivery System.
- E.A. Read, for Oakland Chamber of Commerce.
- Walter A. Rohde, for San Francisco Chamber of Commerce.
- R.D. Sangster, for Los Angeles Chamber of Commerce.
- E.J. Forman, for Pillsbury Flour Mills and Globe Mills.
- R.J. Jones, for General Foods Corporation and Los Angeles Traffic Managers' Conference.
- E.R. Henderson, for San Francisco Grain Exchange.
- Arlo D. Poe, for Motor Truck Association of Southern California.
- R.F. Walker, for Spreckels Sugar Company and Western Sugar Refinery.
- Malcomb Meyer, for Certain-teed Products Corporation.
- Harold Frasher, for Valley Express Company and Valley Motor Lines, Inc.
- F.H. Peterson, for Valley Contract Milk Haulers.
- W.C. Wing, for California Wool Growers Association.
- Paul O. Helin, for Calavo Growers of California and Calavo Incorporated.
- P.J. Arturo, for Swift and Company.
- A.H. Van Slyke, for Yosemite Portland Cement Company.
- Thomas R. Speakman, for Owens-Illinois Pacific Coast Company.
- Dan McKinney, for California Cattlemen's Association.
- R.A. Henderson, for Pioneer-Flintkote Co.
- Elmer Ahl, in propria persona.
- A. J. Zyraud, for Asbury Transportation Company.
- Othal P. Wells, for Wells Transportation System.
- Joseph T. Enright, for Monolith Portland Cement Company.
- W. G. Stone, for Sacramento Chamber of Commerce.
- T. J. Label, for Baker and Hamilton.
- R.C. Fels, for Retail Furniture Ass'n. of California, Inc.
- O'Melveny & Meyers by L. M. Wright, for Riverside Cement Company.