

Decision No. 37010

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
G. F. D. LINES, INC. ) Application No. 25769  
For an increase in rates. )

PHIL JACOBSON, for Applicant.

F. W. TURCOTTE, for R. M. Addcox and E. C. Kimbrough,  
Interested Parties.

GWYN H. BAKER, for Thomas W. Gilboy, Edward Hunter  
and Albert L. Webb, Interested Parties.

JOHN E. HUNT, Interested Party.

CLARK, Commissioner:

**ORIGINAL**

O P I N I O N

Applicant is a California corporation engaged in the business of transporting films and accessories by motor vehicle between the so-called "Film Row," located in the vicinity of Vermont and Washington Streets in Los Angeles, and theater houses located in California and Arizona, which are served from this distributing center. In addition to the film-delivery service, applicant conducts an interstate business between California and Arizona transporting general commodities. Prior to November 8, 1943, applicant's film-delivery operations in California were divided into three classes of service, namely, city delivery, intrastate and interstate. In this proceeding authority is sought to increase the delivery rates 20 per cent on the intrastate operation.

Public hearing was conducted in this matter at Los Angeles, December 23, 1943 and March 27, 1944 and it is now ready for decision.

By Decision No. 36906, in Application No. 25847, dated February 29, 1944, applicant was authorized to dispose of certain of

(1)  
its intrastate operations. This authority to transfer was exercised by applicant March 13, 1944. We are therefore concerned herein with the matter of adjusting rates applicable to the revised intrastate operations as presently conducted which, in general, consist of transporting films and accessories between "Film Row" in the city of Los Angeles and various cities in the counties of Los Angeles, Orange, San Diego, Riverside and Imperial.

Applicant's Exhibit No. 4 shows that for the 10-months' period January 1 to October 31, 1943, the following results obtained from its entire system operations:

	<u>Intra- state*</u>	<u>City Del.** and close-in Intrastate</u>	<u>Interstate</u>		<u>Total</u>
			<u>Freight</u>	<u>Film</u>	
Optg. Revenue	\$43,552	\$27,296	\$138,501	\$31,630	\$240,979
Optg. Expense	<u>50,749</u>	<u>27,933</u>	<u>142,527</u>	<u>32,726</u>	<u>253,935</u>
Optg. Income (deficit)	\$ (7,197)	\$ (637)	\$ (4,026)	\$ (1,096)	\$ (12,956)

\* Intrastate operations as presently conducted.

\*\* Operations in the city of Los Angeles and that portion of the intrastate business which was disposed of March 13, 1944 pursuant to authority granted by Decision No. 36906.

Applicant's Exhibit No. 5 shows the operating results for the calendar year of 1943 for the entire system to be as follows:

Operating Revenue	\$294,522
Operating Expense	<u>305,256</u>
Operating Income (deficit)	\$ (10,734)

It may be noted from the above that the average monthly operating deficit for the 10-months' period as shown in Exhibit No. 4, amounted to \$1,296 whereas the average monthly deficit for the

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(1) The operations authorized to be transferred were conducted between the "Film Row" in the city of Los Angeles and the following points: El Sereno, Glendale, Alhambra, South Pasadena, Pasadena, Montrose, Tujunga, North Hollywood, West Hollywood, Beverly Hills, Westwood, Sawtelle, Santa Monica, Ocean Park, Venice, Culver City, Inglewood, Hawthorne and Hyde Park.

calendar year 1943, as reflected in Exhibit No. 5, amounts to \$895. This monthly variation results from the fact that the interstate freight revenue fluctuates considerably throughout the year, whereas the revenue from the film business remains practically constant. The interstate freight business for November, 1943, was unusually heavy.

Exhibit No. 5 also shows the present-day investment in facilities to conduct the intrastate business to be \$19,283, divided as follows:

Materials and Supplies	\$ 476
Truck Equipment (14 units-depreciated)	14,300
Working Cash Capital (1-month operating expenses before taxes, depreciation and rentals)	4,507
TOTAL	\$19,283

Exhibit No. 3, presented by associate engineer Benn W. Porter of the Commission's staff, introduced at the hearing December 23, 1943, shows the results of the applicant's over-all system operation from January 1, 1940 to October 31, 1943 to be as follows:

	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1-1 to 10-31</u> <u>1943</u>
Optg. Revenue	\$159,889	\$175,136	\$232,967	\$240,979
Optg. Expense	<u>155,467</u>	<u>175,343</u>	<u>237,902</u>	<u>242,025</u>
Optg. Income	\$ 4,422	\$ (207)	\$ (4,935)	\$ (1,046)

( ) Indicates deficit

This exhibit also shows the operating results of the system for the first ten months of 1943, segregated as to interstate, city and intrastate operations.

	<u>Intrastate</u>	<u>City</u>	<u>Interstate</u>		<u>Total</u>
			<u>Freight</u>	<u>Film</u>	
Optg. Revenue	\$46,150	\$24,698	\$138,501	\$31,630	\$240,979
Optg. Expense	\$49,615	24,203	136,745	31,463	242,026
Optg. Income	<u>\$ (3,465)</u>	<u>\$ 495</u>	<u>\$ 1,756</u>	<u>\$ 167</u>	<u>\$ (1,047)</u>

( ) Indicates deficit

The difference in the operating results shown in the exhibit introduced by the Commission's engineer, from that of applicant's witness, is due to the fact that in the case of applicant's witness the following adjustments were added to the operating expenses for the calendar year 1943.

Provision for retroactive wages actually payable, and accrued	\$3,406
Provisions for deferred maintenance and repairs	5,319
Provision for additional mechanics' wages for maintenance and repairs	2,375
Provision for maintenance and replacement for tires and tubes	<u>2,920</u>
	\$14,020

The Commission's witness testified that the figures shown in his Exhibit No. 3 were taken from the company's general ledger, with no adjustments for any of the items shown above. He did state, however, that it appeared to him that the adjustments proposed by applicant's witness were reasonable in the light of prevailing conditions.

Applicant stated that he notified all of his patrons of the proposed increase and of the pending hearing and, in so doing, no objection was voiced to the proposed increase in rates. Also, the Commission's engineer contacted a number of the patrons, as well as an association in which most of applicant's patrons are members, and advised them both as to the proposed increased rates and the hearing. In his contact, no objection to the proposed increase was registered, so the witness stated. Notwithstanding the fact that all of the patrons were notified of the hearing, the record is entirely devoid of any opposition to the proposed increase in rates. The record also shows that at the present time applicant's rates, in so far as they can be compared with those of other

carriers engaged in this business in that general area, are lower, at least to the extent of the increase proposed herein.

With the proposed 20 per cent increase of rates the operating income for this intrastate business should amount to approximately \$1,800. This is equivalent to about 9 per cent interest return on the rate base as shown in this record. A review of the record shows that the present rates on the intrastate business does not provide sufficient revenue to return the cost of providing the service and a reasonable return upon the rate base. It also shows that while the revenue from the interstate business is remaining more or less constant under these rates the operating expenses are materially increasing.

Based upon this entire record it is concluded that applicant has justified the granting of this application and it will be so ordered.

The following form of order is recommended.

O R D E R

A public hearing having been held in the above-entitled matter, evidence having been received and the matter submitted for decision,

IT IS ORDERED that G. F. D. Lines, Inc., a corporation, be and it hereby is authorized to establish on not less than ten (10) days' notice to the Commission and to the public, an increase of twenty (20) per cent in all rates and charges.

IT IS FURTHER ORDERED that fractional parts of a cent resulting from the percentage increase herein authorized shall be disposed of and published according to the following rule:

Fractions of less than one-half of a cent shall be dropped;  
Fractions of one-half of a cent or more shall be increased to the next whole cent.

The authority herein granted shall be void unless the rates and charges authorized in this order are published, filed, and made effective within sixty (60) days from the effective date hereof.

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

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14<sup>th</sup> day of April, 1944.

Richard Kachke

Francis R. Havens  
Bonnie E. Carr

Walter H. Russell  
COMMISSIONERS