

Decision No. 37779

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
READER TRUCK LINES, a corporation, ) Application No. 26321  
for authority to increase its rates )  
and charges. )

In the Matter of the Establishment )  
of Maximum rates, rules and regula- )  
tions for READER TRUCK LINES, a )  
highway carrier as defined in Chap- )  
ter 223, Statutes of 1935, as ) Case No. 4732  
amended, and a carrier as defined )  
in Chapter 312, Statutes of 1935, as )  
amended, for the transportation for )  
compensation or hire of any and all )  
commodities. )

BY THE COMMISSION:

Appearances

- Arthur Glanz, for Reader Truck Lines.
- Arlo D. Poe, for Motor Truck Association of Southern California, as its interests may appear.
- M. D. Miller, Mahlon Lee Harker and Benjamin Chapman, for Office of Price Administration, interested party in Case No. 4732 and protestant in Application No. 26321.
- L. A. Bey, for Los Angeles Traffic Managers Conference and for William Volker Company, as their interests may appear.
- W. E. Paul, for Union Oil Company, as its interests may appear.

O P I N I O N

Case No. 4732 is an investigation on the Commission's own motion for the purpose of establishing maximum rates for Reader Truck Lines, a corporation engaged in the transportation of general commodities by motor vehicle in southern California, particularly within Los Angeles County. By Application No. 26321 the carrier seeks authority to make a general increase of 8 per cent in all of the rates and charges applicable to its highway common carrier operations. The proceedings were consolidated for hearing and decision, and were submitted on February 28, 1945, following public hearings held at Los

Angeles before Examiner Howard G. Freas.

Applicant took the position that (1) the fixation of maximum rates for it without the fixation of similar rates for other carriers engaged in similar services would be an unreasonable classification and a deprivation of property in contravention of the Fourteenth Amendment to the Federal Constitution; and that (2) Reader was not required to go forward with the proof or to assume the burden of proof in the investigation proceeding. Applicant recognized and assumed the burden of proof in the application proceeding.<sup>1</sup>

Subject to the foregoing objections, the carrier introduced evidence through a consulting engineer and through A. R. Reader, its president. As explained by these witnesses, Reader operates as a highway common carrier of both intrastate and interstate traffic, and also conducts various services as a radial highway common carrier, highway contract carrier and city carrier. Only the intrastate traffic transported as a highway common carrier is involved in the application proceeding, under which a rate increase of 8 per cent is sought. The rates for applicant's radial highway common carrier services and most of its city carrier services were increased by 8 per cent on July 1, 1944. For this no authority from this Commission was required. The interstate rates were increased by 4 per cent on February 1, 1945, in accordance with tariff filings made with the Interstate Commerce Commission. A check of shipments handled during a 10-day period in July, 1944, indicated that approximately 20 per cent of Reader's revenue was derived from the traffic involved in the application, 3 per cent from interstate traffic, 67 per cent from radial and city carrier traffic, and the remainder from contract and other services.

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For convenience, Reader Truck Lines is referred to herein as "Reader" and "applicant." It is, of course, the respondent in one proceeding and the applicant in the other.

The consulting engineer introduced and explained an exhibit setting forth the results of his study of the operations of Reader Truck Lines for the years 1943 and 1944. According to this study, the carrier earned a profit from all operations, before income taxes, of \$807 in 1943 and \$3,183 in 1944, resulting in operating ratios of 99.5 per cent and 98 per cent, respectively.<sup>2</sup> The witness pointed out that although a profit was earned for the full year, operations for the last six months of 1944 resulted in a loss of \$1,359. He made adjustments in the 1944 income statement for the purpose of estimating the effect of the proposed rate increase, and reached the conclusion that the resulting profit would approximate \$9,772 before and \$7,234 after income taxes. The operating ratios on these bases would be 93.9 per cent and 95.5 per cent, respectively. Applicant did not undertake to develop a rate base in any detail, but approximate rates of return will be referred to hereinafter.

A. R. Reader testified that the highway common carrier traffic, both intrastate and interstate, was not "carrying its share of the load." He stated that in his judgment regulatory and competitive conditions precluded any further rate advances on traffic other than that involved in the application. Explaining the relationships between the common carrier intrastate and interstate rates maintained by his company for the same transportation, this witness said that the current interstate rates were lower than the intrastate rates between some points, and 4 per cent higher between others. He did not make specific comparisons between the highway common carrier rates and those assessed for the radial, contract and city carrier services.

Other witnesses were a senior transportation engineer of the Commission's staff, and an accountant for the Office of Price Administration. The former testified briefly concerning details of

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The term "operating ratio" as used herein means the per cent which the operating expenses are to the total operating revenue.

Reader's depreciation accounting, and the latter introduced two exhibits for the purpose of comparing applicant's current earnings with those of earlier years.

Although Case No. 4732 was instituted upon written request of the Office of Price Administration, the evidence contributed by that agency is extremely meager. It consists of calculations of operating ratios and rates of return based upon reports filed by the carrier with this Commission and the Interstate Commerce Commission. The witness who introduced these data explained that he was uncertain as to the factors properly includable in a rate base for highway carriers, and conceded that his investment bases were incomplete.

The evidence of record does not serve to establish either a necessity for the imposition of maximum rates upon applicant at this time, or a basis upon which such rates might properly be prescribed if they were found to be necessary or desirable.

In so far as the application proceeding is concerned, the question to be considered is whether or not applicant has justified the proposed increase. The statement of A. R. Reader that the traffic involved in the application was not "carrying its share of the load" was not supported by factual evidence, since no segregation of expenses for the several operations was available. While he asserted that it would not be feasible to make further advances in the interstate rates, it appears from his testimony that granting of this application would authorize the establishment of rates on the intrastate traffic ranging from about 4 per cent to more than 8 per cent higher than those maintained for transportation of the same commodities between the same points in interstate commerce. According to applicant's figures, only 20 per cent of its total operating revenue would be affected by the proposed increase. Applicant's exhibit sets forth estimated income based upon 1944 experience, giving effect to increases already made in rates on other traffic, and to certain wage

adjustments expected but not yet established. As stated therein, the estimated net operating revenue before income taxes would be \$9,772 if the application were granted, and \$7,280 if it were not. The latter figure would apparently provide a rate of return in the neighborhood of 20 per cent before income taxes or 15 per cent after income taxes, and the operating ratios before and after taxes would be 95.4 per cent and 96.6 per cent, respectively.<sup>3</sup> If the application were granted the rates of return would of course be higher, and the operating ratios would be 93.9 per cent before income taxes and 95.5 per cent after income taxes.

We recognize the importance of adequate transportation, particularly with respect to the war effort, and consider it to be in the public interest that essential carriers be enabled to earn whatever is necessary to permit the maintenance of adequate and satisfactory service. However, in a proceeding where a rate increase is sought it is incumbent upon the applicant to make an affirmative showing as to the necessity for the adjustment by the presentation of complete factual data. This has not here been done.

Upon careful consideration of all the facts and circumstances of record, the Commission is of the opinion and finds as follows:

1. The evidence of record in Case No. 4732 does not afford any basis for the establishment of maximum rates for the respondent therein, nor does it disclose any public or other necessity for the imposition of maximum rates upon the respondent at this time.

2. The evidence of record in Application No. 26321 does

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<sup>3</sup> For purposes of this opinion, rates of return were calculated on a rate base determined as follows:

(a) Operating Property - Less Reserve	\$23,122.23
(a) Materials and Supplies	1,907.01
(b) Working Cash	12,149.92
	<u>\$37,179.16</u>

(a) Balance Sheet as of Dec. 31, 1944, from Exhibit 1.  
 (b) 1/12 of 1944 operating expenses, less depreciation.

not show that the increased rates proposed therein are justified.

The investigation will be discontinued, and the application will be denied.

O R D E R

Public hearings having been held in the above entitled proceedings, and based upon the evidence received at the hearings and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Case No. 4732 be and it is hereby discontinued.

IT IS HEREBY FURTHER ORDERED that Application No. 26321 be and it is hereby denied.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 4<sup>th</sup> day of April, 1945.

Harold Radner  
Justice J. C. Quinn  
Richard K. ...  
Francis ...  
James ...  
 Commissioners.