

ORIGINAL

Decision No. 39389

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of HIGHWAY TRANSPORT, INC., a corporation, for authority to increase rates.))))	Application No. 27763
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Appearances

- Berol and Handler, by Edward M. Berol,
for applicant.
- C. C. Burgin and J. E. Simmonds, for
Office of Price Administration,
intervenor,
- John S. Griffin, Office of Solicitor,
U.S. Department of Agriculture,
interested party,
- N. Bohun, for Drug Shippers, Inc.,
interested party,
- L. E. Binsecca, for M.J.B. Company,
interested party.

O P I N I O N

Highway Transport, Inc. is a highway common carrier of property between San Francisco on the one hand and Salinas, Soledad, Monterey and intermediate points on the other. It seeks authority to increase its local rates and charges by 15 per cent for a one-year period.

A public hearing was had before Examiner Krause at San Francisco on August 30, 1946.

The record shows that Highway has been operating at a loss since 1944 despite rate increases of 10 per cent, effective September 4, 1945 and 2 per cent, effective June 12, 1946.¹ The unsatisfactory

¹ The 10 per cent increase was authorized by Decisions Nos. 34184 and 38720 in Application No. 26858; the 2 per cent increase was effected pursuant to Decision No. 39004 in Case No. 4808. Decision No. 39004, supra, prescribed an increase of 12 per cent in statewide minimum rates for highway carriers.

operating results were attributed principally to the continuing rise in labor and other classes of operating expense. After excluding interest, which is not an allowable operating expense, the operating results for the years commencing 1942 and ending June, 1946, as portrayed by exhibits of record, are as follows:²

	<u>Year</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net Profit* or Loss</u>	<u>Operating Ratio</u>
	1942	\$423,741	\$404,098	\$ 19,643	95.4
	1943	570,977	560,132	10,845	98.1
	1944	631,083	628,647	2,436	99.6
First 6 Mos.	1945	330,057	348,844	(18,787)	105.7
Last 6 Mos.	1945	352,364	375,528	(23,164)	106.6
First 6 Mos.	1946	383,515	411,135	(27,620)	107.2

*After taxes.

() Denotes Loss.

Applicant does not expect the rate increase sought to result in any loss of traffic to competing carriers. This expectation is based upon the negligible loss of traffic it experienced during the ten-month period its rates were ten per cent higher than the general level. Had the increase sought been in effect on its intrastate traffic during the first half of 1946 and the expenses which applicant incurred in June, 1946 been incurred uniformly throughout that period, it is estimated that applicant, after excluding interest, would have experienced a net operating revenue of \$18,256 before income taxes and \$13,536 after payment of such taxes. Its operating ratios before and after provision for income taxes would have been 96 and 97, respectively.

² The 1942, 1943, 1944 and first 6 months-1945 figures are taken from exhibits offered by Highway in Application No. 26858, supra. By reference, these exhibits were made a part of the record herein.

Applicant expects, if an increase is granted intrastate, to effect a similar increase on its interstate traffic. Applying the sought increase on the latter traffic would not have reduced applicant's operating ratios by more than 1 per cent.

Highway's president testified that all possible operating economies have been effected and that unless the sought increase is obtained, it would be forced to discontinue operations. He pointed out that Highway already owes \$89,000 to affiliated companies for money they loaned it; and that to continue to borrow money to enable Highway to remain in operation would jeopardize the ability of the affiliates to maintain their operations. He expressed the opinion that there is no early prospect for increased labor efficiency or decreased costs.

No one opposed the granting of increased rates to the extent that they are shown to be necessary to assure continued operations by Highway. The record shows that applicant gave the Office of Price Administration the required thirty days' notice and consented to that agency's intervention in this proceeding.

It is clear that applicant's operations have been conducted at an out-of-pocket loss and that the increase sought is no higher than necessary to assure its continued operations under existing conditions. The sought increase will be granted. In view of the possibility that conditions may change at any time, the authorization will be limited to a one-year period, subject to earlier cancellation, modification or extension.

Upon consideration of all the facts of record, we are of the opinion and find that the increase involved in this application is fully justified for the period hereinbefore stated.

ORDER

A public hearing having been had in the above entitled application and based upon the evidence received at the hearing and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Highway Transport, Inc. be and it is hereby authorized to establish, on not less than two (2) days' notice to the Commission and to the public, an increase of fifteen (15) per cent in its existing local rates and charges.;

IT IS HEREBY FURTHER ORDERED that the increases in rates and charges herein authorized shall be published and filed to expire one (1) year after the date they become effective, unless sooner changed, canceled or extended by order of the Commission.

IT IS HEREBY FURTHER ORDERED that in computing the increased rates and charges herein authorized the following will govern in the disposition of fractions:

Where present rates or charges are 10 cents or less:

Fractions of less than $\frac{1}{4}$ or .25 of a cent omit.
 Fractions of $\frac{1}{4}$ or .25 of a cent or greater but less than $\frac{3}{4}$ or .75 of a cent will be stated at $\frac{1}{2}$ or .50 of a cent.
 Fractions of $\frac{3}{4}$ or .75 of a cent or greater, increase to next whole figure.

Where present rates or charges are over 10 cents:

Fractions of less than $\frac{1}{2}$ or .50 of a cent omit.
 Fractions of $\frac{1}{2}$ or .50 of a cent or greater, increase to next whole figure.

IT IS HEREBY FURTHER ORDERED that the rates specifically shown in Highway Transport, Inc. Local Freight Tariff C.R.C. No. 11 shall be increased as hereinbefore provided before computing rates which are based on multiples or percentages of rates or ratings or before applying deductions named in Item No. 60 thereof.

IT IS HEREBY FURTHER ORDERED that Highway Transport, Inc. be and it is hereby authorized to depart from the provisions of General Order No. 80 to the extent necessary to carry out the effect of the order herein.

The authority herein granted shall be void unless exercised within ninety (90) days from the effective date hereof.

This order shall become effective upon the date hereof.

Dated at San Francisco, California, this 10th day of September, 1946.

Harold J. Kula
Justin F. Calver
Charles D. ...
...
A. J. ...
 Commissioners