

ORIGINAL

Decision No. 39436

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation by the Commission upon its own motion into the rates, rules, regulations, charges, allowances, and practices of all common carriers, as defined in the Public Utilities Act of the State of California, highway carriers, as defined in Chapter 223, Statutes of 1935, of the State of California, as amended, and city carriers, as defined in Chapter 312, Statutes of 1935, of the State of California, as amended, relating to the transportation of property for hire within the State of California.)

Case No. 4808

Appearances

Wallace K. Downey and Arlo D. Poe, for petitioners,

H. J. Bischoff, W. B. Sleiser, Edward M. Berol, T. W. Russell, A. B. Paxton, L. R. Guerra, Geo. T. Hurst, A. J. Eyraud, Jr., John H. Moore, J. E. Lyons, Frank E. Scott, John E. Carroll, P. A. Fitting, and L. M. Wright, for various carriers.

Myron D. Alexander, for the Office of Price Administration.

F. P. Kensinger, Eugene A. Reed, Emuel J. Forman, L. M. Wright, J. B. Costello, James L. Roncy, George S. Beach, L. H. Wolters, Walter A. Rohde, A. H. Valentine, W. G. O'Barr, John F. Kirkman, T. E. McCue, L. M. Parlette, B. F. Bolling, L. B. Harmon, B. F. MacDonald, A. T. Esch, W. O. Narry, R. T. Hunt, Harold E. Smith, F. H. Powers, R. T. Morley, Paul C. Helin, John A. Grimes, F. W. Kerrigan, L. A. Bey, P. J. Arturo, W. G. Stone, James E. Harris, T. J. Reardon, E. A. Maher, and Harry L. Gunnison, for various shippers, shipper organizations and other interested parties.

(The above are appearances in the instant proceeding. For additional appearances, see previous decisions in this case.)

## O P I N I O N

Case No. 4808 is a general investigation proceeding embracing rates, rules and regulations for the transportation of all classes of property by for-hire carriers between points in this state. This opinion is concerned with the petition of Pacific

Freight Lines and Pacific Freight Lines Express seeking increases in minimum charges and in state-wide minimum rates; abolition of split pickup and delivery rules or increases in the rates and charges for these services, and cancellation of the so-called "liberalized packing" rule, and with the petition of the Motor Truck Association of Southern California seeking increases in state-wide minimum rates in all weight brackets.<sup>1</sup> Evidence relating to these petitions was received at public hearings held in Los Angeles before Examiner Gorman on August 6, 7 and 8, 1946, and oral argument was had before the Commission en banc on August 26, 1946. The matters are ready for decision.

In an earlier decision in this proceeding, Decision No. 39004, effective June 10, 1946, the Commission prescribed an increase of approximately 12 per cent in the minimum rates then in effect. A stated purpose of one petitioner herein, the Motor Truck Association of Southern California, was to introduce evidence showing increases in operating costs of motor carriers since January 1, 1946, which increases the Association believed were not considered by the Commission in arriving at its Decision No. 39004, and to urge further increases in the minimum rates to compensate for such increased costs.

A consulting engineer, called as witness by the Association, testified at length concerning wage increases that the motor truck industry in southern California has had to meet from January 1 through August 1, 1946. According to exhibits he introduced, wage increases made effective during this period range from 10.42 per cent to 17.65 per cent for drivers and freight handlers; from 15.68 per cent to 21.51 per cent for service station employees; and from 11.67 per cent to 14.89 per cent for mechanics. Basing calculations upon the

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<sup>1</sup> Where reference is made to minimum rates, rules and regulations herein, it is to be understood that such minimum rates, rules and regulations are those which were established pursuant to this Commission's Decision No. 31606, as amended, in Case No. 4246, as set forth in Highway Carriers' Tariff No. 2.

operating experiences for the first 5 months of 1946 of 33 Association members, which he considered to be representative carriers, he computed that an increase of 3.96 per cent in revenue would be required to compensate for the lowest rate of wage increase effected in 1946 for drivers and freight handlers. His calculations allowed for increased revenues resulting from the 12 per cent increase in minimum rates, recently prescribed, but made no provisions for premium payments for overtime, increased vacation allowances, increased wages and salaries for supervisors and clerical help, and increased fuel costs; nor did they provide for any margin of profit. Moreover, he testified that the carriers have maintained inadequate depreciation schedules and are now faced with the costs of rehabilitating or replacing much of their present equipment. Although he stated that his studies had not been extensive enough to enable him to make a specific recommendation as to the volume of rate increase needed, he estimated that the carriers should have an immediate horizontal increase of at least 7 per cent in the minimum rates to offset the increased operating costs since January 1, 1946; he recommended also an increase in minimum charges, for he believed that a minimum charge of less than \$1.00 per shipment was insufficient to cover the costs of the services performed.

The witness for Pacific Freight Lines and Pacific Freight Lines Express, petitioners, hereinafter referred to jointly as "Pacific", introduced and explained exhibits which included detailed comparisons of the costs of vehicle parts, supplies, labor and rolling stock to show that the costs of these various items have risen substantially during 1946 as compared to costs of items of the same character in 1945 and in earlier periods. He testified that wage increases which have become effective since the first of 1946 have weighed heavily upon motor truck carriers.

Increased costs of new equipment have also been a heavy burden, one aggravated by the fact that many units of the carriers' fleets are virtually worn out and will have to be replaced in the near future. He said that depreciation reserves which in normal years would have been adequate to cover the cost of replacing old equipment now fall short of the sums necessary to purchase new trucks, tractors, and trailers at current prices. The motor carriers, with their capital impaired by losses and threatened by a continued period of unfavorable operating conditions, are not in a position to attract additional capital to fill the gap between their depreciation reserves and the costs of new equipment required for their future operations. As one remedy to this situation, the witness urged that the carriers be permitted to establish depreciation annuities based upon anticipated costs of replacing old equipment instead of upon the original costs of the equipment replaced.

Some other factors referred to by the witness that have added to the Pacific's burdens in recent years are the necessity of maintaining a larger fleet of motor equipment because shippers generally no longer receive shipments on Saturdays; the lower grade of freight transported because of selection of the higher grades of freight by contract carriers and by the smaller common carriers; and increased claim costs resulting from increased value of merchandise, inferior quality of shipping materials, careless packing by shippers, and inefficient labor.

The impact upon Pacific of the increased operating costs has been very heavy, the witness stated. According to his exhibits, Pacific lost from operations \$90,339 in 1944, \$291,192 in 1945, and \$156,074 for the first six months of 1946. The loss predicted for a 12-months' period at the level of revenues and expenses prevailing as of August 5, 1946, was \$328,650. These losses have assertedly left

Pacific in a critical financial condition. The witness declared that it is faced with an emergency need for an increase in annual revenues of \$315,481 in order to cover operating deficits, and that the revenues should be increased \$670,625<sup>2</sup> annually, if Pacific is to be permitted to earn a reasonable profit. An exhibit indicates that gross revenues should be increased 15.28 per cent in order to realize the \$670,625 additional revenue desired.

Pacific's witness held that a horizontal increase in rates of 15.28 per cent would not result in the revenue relief needed, however, and that Pacific will not be able to continue operations if granted only a horizontal rate increase. He asserted that the increased operating costs, particularly increased labor costs, have fallen more heavily on shipments in the lower weight brackets than on other shipments, for the reason that labor costs for transporting small shipments comprise a greater proportion of the total transportation costs than they do for transporting large shipments.<sup>3</sup> He believed that the minimum rate for the transportation of shipments in the lower weight brackets had been originally set unduly low, that a minimum charge of less than \$1.00 per shipment was no longer compensatory, and that the minimum rate scale should now be adjusted to reflect current costs by the addition of a graduated scale of surcharges in which the higher surcharges would be added to rates applicable to shipments in the lower weight brackets.

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The difference between \$328,650 and \$315,481 represents an expected increase in revenue on interstate traffic.

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An exhibit indicates that of the shipments Pacific transports 96.43% of the total number and 53.63% of the total weight are shipments of less than 2,000 pounds and that 99.17% of the total number and 72.50% of the total weight are shipments of less than 10,000 pounds. It was explained that the reason that Pacific is primarily a carrier of small shipments is that contract carriers haul large shipments and do not handle small shipments.

In addition to proposing surcharges to the present minimum rates, Pacific's witness proposed the cancellation of provisions in Highway Carriers' Tariff No. 2 governing split shipments (Items 160 and 170 series) and cancellation of the so-called "liberalized packing rule" (Item 300 series). He held that charges provided for split shipments were unreasonably low for the services performed, and that either the provisions therefor should be canceled or the charges should be increased to return the cost of service plus a profit. The liberalized packing rule, he said, has the effect of reducing classification ratings on many items and unduly cutting carriers' revenues. He did not press his proposal for revision of the split shipment rules and stated he would not object to consideration of these rules being deferred to a separate proceeding. Regarding the liberalized packing rule, it was indicated that cancellation thereof would not affect Pacific's revenues substantially.

Testimony of a witness for the Truck Owners Association of California<sup>4</sup> and of six individual carriers operating within southern California corroborated evidence introduced by petitioners concerning increased cost of labor, materials and supplies, fuel, and equipment. The witness for the Truck Owners Association presented detailed figures to show the extent since the first of 1946 of increases in rates of pay for labor, in costs of fuel, and in certain other factors governing the costs of operation of the carriers he represented. He testified that increased rates of pay for labor alone will increase carriers' operating costs in northern California by approximately 10 per cent and will result in an average labor cost of about 50 per cent of gross operating revenues. The Association members who transport many small shipments have been more affected by the increases in

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The Truck Owners Association of California is an association of all types of motor truck carriers operating in northern California.

costs than other carriers. According to a cost study conducted in San Francisco by the Association, a minimum charge of \$1.00 per shipment is inadequate. The Association witness requested an immediate horizontal interim increase of 10 per cent in the minimum rates; he stressed that the carriers are confronted with such an emergency need for increased revenues that time does not permit the Commission's making a detailed investigation into the cost of transportation before establishing increased rates in this instance.

The individual carrier witnesses concurred that the minimum rates should be increased to compensate for recent increases in operating costs. Two favored a horizontal increase in the minimum rates and the establishment of a minimum charge of \$1.00 per shipment. However, a witness representing two large common carriers<sup>5</sup> proposed that the minimum rates be increased by surcharges applicable only to shipments in the "any quantity" weight bracket and shipments of 30,000 pounds or more, and that the minimum charges be increased 10 cents and 15 cents a shipment, depending upon the size of the shipment. He also proposed revisions in the present rules in Highway Carriers' Tariff No. 2 governing split shipments to limit the number of individual pickups or deliveries and to increase the scale of charges applicable to such shipments. He urged that the Commission give recognition to the present inadequacy of depreciation reserves for equipment and authorize compensating adjustments therefor.

Various shippers and organizations testified and participated in the cross-examination of petitioners' and carriers' witnesses. In general, they contended that the level of minimum rates should not be increased without more comprehensive justification shown for such

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Southern California Freight Lines and  
Southern California Freight Forwarders.

increases than was developed. They objected to the cancellation of the split-pickup and split-delivery provisions and the liberalized packing rule in Highway Carriers' Tariff No. 2, and maintained that before these rules are amended or canceled, they should be made the subject of separate investigation by the Commission. Opposition, moreover, was expressed to the proposed scales of surcharges, for it was held that they would result in discriminatory charges on shipments moving short distances and would disrupt present marketing practices. The shippers, however, did not protest a minimum charge of \$1.00 per shipment; one witness stated he believed that lesser minimum charges were a source of many of the carriers' ills. Representatives of cement producers developed that the transportation of cement in quantities of 38,000 pounds or more is performed under different circumstances than those which attend transportation of commodities in general. They requested that consideration of the rates for the transportation of cement in quantities of 38,000 pounds or more be excluded from this proceeding. Counsel for petitioners consented to this request and so stipulated.

During the instant proceeding several requests for special investigations by the Commission were made by the participating parties. Investigations were requested into (a) the present state-wide costs of transportation for the purpose of amending the existing minimum rate structure to conform to present operating conditions; (b) the operations of all common carriers to determine the extent such carriers are performing their full obligations to the public; (c) the reasonableness and lawfulness of rates applicable to shipments moving in full truckload or carload quantities; and (d) the rules and minimum charges governing split-pickup and split-delivery shipments to determine what amendments should be made in the light of current



circumstances and costs. The cement producers requested that the rates for transporting cement be excluded from Highway Carriers' Tariff No. 2 and a separate tariff be established therefor. These various proposals involve matters which are broad and far-reaching. They will be the matter of further investigation.

The record in this proceeding is convincing that carriers operating within California have been subject to further increases in operating costs since January 1, 1946. Petitioners' arguments that the Commission in its Decision No. 39004, referred to earlier herein, did not anticipate and could not have anticipated the extent of the expense increases from January 1 through August 1, 1946, are not without force. The question is whether a showing of additional costs can, in this instance, be accepted as full justification for the increases in minimum rates sought.

Increases in operating costs are significant from a rate making standpoint in their effect upon net operating results. A showing that costs have risen may carry the presumption that rates should be increased to yield compensating increases in revenues. However, the extent to which such presumption may be valid cannot be measured without reference to the net results of the operations. The evidence submitted in this proceeding was related primarily to showing the percentage and dollar increases in operating costs. No figures disclosing the net operating results for the northern California carriers were provided. Only Pacific submitted detailed figures relative to its revenues, expenses, net operating results and financial position. In general, the carriers represented that the cost increases to which

they testified had resulted in a condition of financial emergency for those in their industry.<sup>6</sup> The principal evidence in this respect was in the form of an exhibit submitted by the witness for the Motor Truck Association of Southern California. This exhibit sets forth various operating figures for 33 Association member carriers whose operations are primarily within the southern part of the State. The exhibit indicated that those carriers, as a group, would earn insufficient revenues at current rates to pay increased expenses and to provide a reasonable margin of profit. However, no satisfactory basis was provided for accepting the operating experience of these carriers as being representative of the experience of other highway carriers engaged in transporting general merchandise within the state. Except in one general respect the witness did not attempt to develop points of similarity between these carriers and other carriers of general merchandise. He testified that he had selected these carriers because their traffic was principally that under Highway Carriers' Tariff No. 2; nevertheless he did not attempt to analyze the specific nature of the traffic handled nor to relate the level of the rates these carriers currently assess with the present minimum rates. His exhibit did not include details permitting analysis of the revenue and expense figures shown thereon. No other carrier witnesses attempted to show that this exhibit represented a typical cross-section of experience of motor carriers under present conditions, nor did they attempt to present corresponding data.

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Petitioners apparently proposed that an adjustment in the minimum rates could be made upon a composite showing of common carriers as defined in the Public Utilities Act and of highway carriers as defined in the Highway Carriers' Act. Any adjustment in minimum rates that might be made would have to reflect the lowest lawful rates applicable to any of the defined types or classes of carriers (Sec. 32(d) Public Utilities Act).

Petitioners' proposals, other than those related to increases in minimum rates, were elimination or curtailment of split-pickup and split-delivery rules, and cancellation of the liberalized packing rule, and adjustments in depreciation reserves. Pacific, the principal proponent of the rule changes, did not press the proposals nor offer substantive cost evidence in support thereof. Neither was such evidence provided by other carrier witnesses. Such evidence or testimony regarding the proposed rule changes as was submitted will not be discussed here because changes of this kind can only be made on a full record. Petitioners urged that depreciation reserves should reflect recent and anticipated increases in the costs of new equipment and other capital expenditures. No formula for accomplishing the results desired was suggested, nor was it shown how such a formula could be practically applied without penalty to rate payers. Neither was a convincing showing made that such adjustment would be proper.

As has been indicated in this opinion, the minimum rate level throughout the state was increased approximately 12 per cent, effective June 10, 1946, less than three months prior to the conclusion of hearings on August 26, 1946, in this proceeding. It seems improbable that shippers and carriers have had full opportunity to evaluate the effect of the increase and to accomplish the multitudinous and intricate commercial adjustments that necessarily follow basic changes in transportation rates. Because of this fact, the Commission is constrained to hold that only a full measure of affirmative evidence can justify a further increase in minimum rates at this time. After full consideration of all matters involved, it must be concluded that the evidence of record is insufficient to justify any statewide increase in the present minimum rates or rules heretofore discussed. The petitions will be denied. In denying

the petitions, the Commission is aware that increases in operating costs may have resulted in a condition of financial emergency for some carriers. Should common carriers who are bound by rates in their published tariffs wish to file applications for specific rate increases in accordance with provisions in the Public Utilities Act, consideration of their applications will be given as expeditiously as possible. As to carriers who are bound by only minimum rates, it is appropriate to observe that such carriers are not prohibited by regulations of this Commission from assessing rates and charges higher than those prescribed as minimum. That such carriers avail themselves of this privilege was evidenced in initial hearings in this proceeding.

We turn now to consider whether on the basis of this record any rate increase should be authorized for any specific carrier. As hereinbefore indicated, only Pacific submitted figures in detail to show the extent of increased operating costs and their effects upon its net operating results, and figures related to its general financial condition. According to Pacific's balance sheet introduced as an exhibit, its book net worth as of June 30, 1946 was \$1,593,770. Since it appears that Pacific lost \$291,192 in 1945 and that its rate of loss now exceeds \$315,000 per year, it may be assumed that unless Pacific can curtail the losses it cannot long survive. Furthermore, aside from the fact that its capital may soon be dissipated, its ability to replace worn-out equipment will determine to a large extent whether it can continue operations on its present scale. If new equipment will have to be obtained through the medium of credit financing, Pacific's success in obtaining such financing may depend largely on its ability to operate at a profit.

Pacific's witness asserted that operations are being conducted efficiently and with all economies possible. From an exhibit

he introduced, it appears that Pacific's difficulties are a product of cost increases which are subject to a relatively small degree of managerial control. Of these various increases, higher wage costs predominate. This exhibit indicates that payroll costs have increased from 58.9 per cent of total operating revenues in 1942 to 67.37 per cent of total operating revenues in 1945. For the 12-month period from August 5, 1946, it was estimated that payroll costs would be 70.12 per cent of the revenues.<sup>7</sup> Other such cost increases include increased costs of parts, fuel and insurance. From these data it appears that improvements in Pacific's net operating results, if services are continued on their present scale, must come primarily from an increase in revenue rather than from a reduction in expenses.

As has been indicated herein, Pacific's witness considered that an increase of \$670,625 (equivalent to a percentage increase of 15.28) in annual revenues would be necessary to overcome losses and return a fair profit. His figures were predicated upon estimates that 12 months' operating revenues at rates prevailing as of August 5, 1946, would be \$4,389,713 and that operating expenses for the corresponding period would be \$4,718,363.<sup>8</sup> The amount of revenue increase the witness deemed necessary was that which would produce an operating ratio of 93, resulting in a net operating revenue of \$355,144.

To show how rates might be increased, Pacific's witness

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<sup>7</sup> These percentage figures include general officers' salaries. The witness testified that there has been no increase in the salaries or in the number of general officers for the past 5 years.

<sup>8</sup> According to its witness, about 5 per cent of Pacific's total revenues, as set forth herein, are derived from interstate business. It is Pacific's intention to increase its interstate rates in the same amount as increases are authorized for its intrastate rates.

submitted an exhibit in which were listed three scales of surcharges.<sup>9</sup> According to calculations set forth in this exhibit, any one of the surcharge scales would produce the revenue increase desired. It was stated that these scales had been developed after consideration of Pacific's operating experiences and of engineering studies made several years ago into the cost of transportation. The witness did not attempt to justify the reasonableness of the surcharges except by reference to increases in costs, particularly those pertaining to the transportation of small shipments. Various shippers' witnesses opposed the addition of any of the proposed surcharge scales to the present rate structures. They held that such surcharges would disrupt present marketing practices and would be discriminatory. In this latter respect it was pointed out that the addition of the proposed surcharges to present rates would produce much higher percentage increases in transportation costs for shippers who customarily ship over short distances than for those who ship over long distances.

The contentions of Pacific's witness that increased costs of transportation have fallen more heavily on small shipments than on large shipments are persuasive. Nevertheless, the record is not sufficiently adequate to permit a rate adjustment in the form of surcharges suggested. It does not contain sufficient cost data to

<sup>9</sup> Proposed surcharge scales in cents per 100 pounds to be added to the rates for shipments of the weight indicated.

A	S c a l e		Weight of Shipment (In pounds)	
	B	C	Over	Less than
12½	12½	10	0	2,000
10	10	5	2,000	4,000
7½	7½	5	4,000	10,000
5	5	5	10,000	20,000
2	4	4	20,000	--

In addition to the above, the following charges would apply: Minimum charge shipments: Scale A, minimum charge per shipment \$1.00; Scale B, add 20 cents to present minimum charge scale; Scale C, add 15 cents to present minimum charge scale. Charge for transshipping, at Pacific's Los Angeles junction point, applicable to shipments of less than 4,000 pounds which originate at outlying points of origin and are consigned to outlying points of destination; Scale A, no charge, Scale B, no charge, Scale C, \$2.00 per ton.

provide a basis for selecting any one of the surcharge scales proposed. It does not show which of these scales would best serve the interests of both Pacific and the shipping public. It does not show that the adjusted rates would be reasonable, nondiscriminatory and otherwise lawful.

The record is convincing, however, that for Pacific a minimum charge of \$1.00 per shipment would be proper. Although it does not set forth the costs of transporting minimum charge shipments, it is clear that over half of the shipments Pacific transports are such shipments. In view of Pacific's experience with these small shipments much weight can be given to the testimony of its witness that a charge of less than \$1.00 is not compensatory. In this respect Pacific's witness was supported by testimony of other carriers. The shippers participating did not oppose such a charge. It does not appear that discrimination will result. A minimum charge of \$1.00 per shipment will be authorized.

Such additional rate increases as Pacific has shown necessary should, on this record, be authorized as a horizontal percentage increase. Should the management of Pacific deem a horizontal form of increase to be inadvisable or unacceptable for its purposes, further hearing may be requested for the purpose of proposing specifically the method or methods by which it considers that the necessary increases may be applied most feasibly. Should alternative methods be thus advanced, they should be calculated to produce additional revenues in an amount approximating that herein found to be required. Pacific should be prepared to show at such further hearing that the rates and charges which would result from its proposals would be reasonable and otherwise lawful.

On a percentage basis, it may be calculated that an increase of 12 per cent in rates, in addition to the increase in the minimum

charge per shipment to \$1.00 will be necessary to offset operating deficits and return a profit. This calculation follows from the estimate, supplied in an exhibit of record, that the \$1.00 minimum charge would augment revenues by \$176,418. An additional amount of approximately \$500,000 in revenues would be required to return the full revenue increase sought. Based on the estimated revenue figure of \$4,389,712 for twelve months, it may be computed that an increase in revenues of 12 per cent would return \$526,765. The total increase in revenue to be realized from an increase of 12 per cent in rates and an increase in the minimum charge of \$1.00 would be \$703,183 if there were no diversion of traffic nor other offsetting factors. The net revenue, after allowance for an estimated operating deficit of \$315,461 would be \$387,702.

It appears probable, however, that the dollar volume of net revenue that will be realized from an increase of 12 per cent in rates will fall short of the \$387,702 calculated here. This calculation makes no provision for loss of revenue from diversion of traffic to competing modes of transportation operating at lower rates, nor did Pacific's witness make any such provision in his calculations. Nevertheless, it seems probable that an increase in rates will be followed by a lessened demand for Pacific's services. Pacific's witness made no estimate of the effect of further increases in expenses, although he testified that further increases were occurring daily. Any rate increase which may be authorized on this record will be applicable only to Pacific's local rates. Where, however, the rates herein authorized to junction points exceed joint rates beyond the junctions, increases should be authorized to the extent necessary to avoid departures from the provisions of Section 24(a) of the Public Utilities Act. Since the calculations of expected net revenues were based on figures which included revenues earned under joint rates it is evident that the revenue increase to be realized will be somewhat less than the amount set forth. More precise calculations could not be made on the figures of record. In view of these several considerations and of Pacific's sustained losses it does not appear that excessive net revenues will



accrue from increasing the local rates by 12 per cent and the minimum charge per shipment to \$1.00.

Representatives of cement producers requested that rates for the transportation of cement in quantities of 38,000 pounds and over be excluded from consideration in this proceeding. Their concern, however was primarily with shipments transported by contract carriers. The testimony indicated that Pacific hauls very little cement in these quantities. For this reason Pacific will not be required to exempt cement in publishing in its tariff any increased rates herein authorized.

Upon careful consideration of all the facts and circumstances of record in this proceeding, we find as a fact that

1. The evidence of record does not justify an increase in the minimum rates as set forth in Highway Carriers' Tariff No. 2 applicable to all carriers on a statewide scope.

2. On this record Pacific Freight Lines and Pacific Freight Lines Express have shown that the increased revenue resulting from increasing their local rates and charges by 12 per cent and increasing their minimum charges per shipment to \$1.00 is justified.

O R D E R

The above entitled petitions having been duly heard and submitted, full consideration of the matters and things involved having been had, and the Commission now being fully advised,

IT IS HEREBY ORDERED that the petitions of the Motor Truck Association of Southern California and of Pacific Freight Lines and Pacific Freight Lines Express for an increase in minimum rates be and they are hereby denied.

IT IS HEREBY FURTHER ORDERED that Pacific Freight Lines and Pacific Freight Lines Express be and they are, and each of them is, hereby authorized to establish on not less than one (1) day's notice to the Commission and to the public, an increase of twelve (12) per cent in all of their local rates and charges and in their joint rates

and charges to the extent necessary to avoid departures from the provisions of Section 24(a) of the Public Utilities Act; and to establish a charge of one dollar (\$1.00) as their minimum charge per shipment.

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

When present rates or charges are 5 cents or less:

Fractions of less than  $1/8$  or .125 of a cent omit.  
Fractions of  $1/8$  or .125 of a cent or greater but less than  $3/8$  or .375 of a cent will be stated at  $1/4$  or .25 of a cent.  
Fractions of  $3/8$  or .375 of a cent or greater but less than  $5/8$  or .625 of a cent will be stated at  $1/2$  or .50 of a cent.  
Fractions of  $5/8$  or .625 of a cent or greater but less than  $7/8$  or .875 of a cent will be stated at  $3/4$  or .75 of a cent.  
Fractions of  $7/8$  or .875 of a cent or greater increase to the next whole cent.

When present rates or charges are 10 cents or less but greater than 5 cents:

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

When present rates or charges are over 10 cents:

Fractions of less than  $1/2$  or .50 of a cent omit.  
Fractions of  $1/2$  or .50 of a cent or greater, increase to next whole cent.

IT IS HEREBY FURTHER ORDERED that the authority herein granted which is based on overall revenue needs is subject to the express condition that Pacific Freight Lines and Pacific Freight Lines Express will never urge before this Commission in any proceeding under Section 71 of the Public Utilities Act, or in any other proceeding, that the opinion and order herein constitutes a finding of fact of the

reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as consent to this condition.

IT IS HEREBY FURTHER ORDERED that in publishing the increases herein granted, Pacific Freight Lines and Pacific Freight Lines Express be and they are, and each of them is, hereby authorized to depart from the provisions of Tariff Circular No. 2, General Order No. 80 and Section 24(a) of the Public Utilities Act, to the extent necessary to carry out the effect of the order herein.

The authority herein granted shall be void unless the rates and charges authorized in this order are published, filed, and made effective within ninety (90) days from the effective date hereof.

This order shall become effective ten (10) days from the date hereof.

Dated at San Francisco, California, this 24<sup>th</sup> day of September, 1946.

Harold A. Kula  
Justice F. Cooney  
Irving H. Powell  
A. J. [Signature]  
Commissioners.