

Decision No. 39513

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application)
of DELTA LINES, INC., and its con-)
necting highway common carriers for)
an order under Section 63(a) of the)
Public Utilities Act authorizing an)
increase in rates and charges.)

Application No. 27811

Appearances

Frederick W. Mielke, for applicants,
Edson Abel, J. J. Deuel, John S. Griffin,
Thomas Louttit, C. W. Phelps, Eugene A. Read,
Walter Rohde, James L. Roney, J. C. Sommers
and J. Richard Townsend, for various shippers,
shipper organizations and other interested
parties.
C. O. Burgin and Myron D. Alexander, for Office
of Price Administration, intervenor.

OPINION

Delta Lines, Inc. is a highway common carrier engaged principally in the transportation of property between points in the San Francisco Bay area on the one hand and Sacramento, Stockton and intermediate points on the other hand. It also maintains through service under joint rates from and to points beyond Sacramento, Stockton and Vallejo on the lines of connecting carriers. By this application authority is sought to increase local and joint rates by 15 per cent for a six-months period.

A public hearing was had before Examiner Mulgrew at San Francisco on September 26, 1946.

Applicant began operations on May 13, 1946. Its operating rights are those acquired from The River Lines under authority of

1. Through service and joint rates are maintained with El Dorado Motor Transportation Company, Inc., Kellogg Express and Draying Company, Sacramento Auto Truck Company, Valley Motor Lines, Inc., Western Truck Lines, Ltd., Stockton Delivery Company, Vallejo Express Company, and Sacramento-Corning Freight Lines, Ltd.

Decision No. 38896 dated April 23, 1946 in Application No. 27349. Its actual operating results from the commencement of operations through July 31, 1946, as compared to those which would have prevailed were the proposed increase in effect during the last two months of that period, are as follows:

<u>Month</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Profit or Loss</u>	<u>Operating Ratio</u>
# May, 1946	\$39,703.38	\$50,185.41	<u>(\$10,482.03)</u>	126.4
# June, 1946	\$62,884.60	\$75,054.71	<u>(\$12,170.11)</u>	119.4
@ June, 1946	\$73,101.90	\$75,386.77*	<u>(\$ 2,284.87)</u>	103.1
# July, 1946	\$67,535.33	\$77,410.04	<u>(\$ 9,874.71)</u>	114.6
@ July, 1946	\$78,350.36	\$77,761.53*	\$ 588.83	99.2

Actual results.

@ Results had the proposed 15 per cent increase been in effect.

* Figures include additional expense for gross revenue taxes on increased revenue:

() Denotes loss.

Delta's president stated that all possible operating economies have been effected in an endeavor to minimize the effect of rising costs. He pointed out that the present rate structure is 18 per cent higher than that prescribed as minimum for highway carriers in 1938 (Decision No. 31606, as amended, in Case No. 4246). Since 1938, he testified, operating costs have increased by at least 50 per cent. According to the witness, four main factors have contributed to applicant's unsatisfactory operating results. They are increased wages, decreased efficiency of labor, higher cost of equipment and supplies and the reduction of the work week to 5 days. The reduction of the work week, he said, has been brought about by

overtime pay requirements for Saturdays and by many shippers adopting a 5-day operation. He anticipated that there would be no loss of traffic to competing carriers as a result of effecting the proposed increase.

The witness estimated that about 7 per cent of applicant's revenue has been derived from through traffic under joint rate arrangements.² He alleged that this revenue is substantially less than would otherwise accrue to Delta were the same shipments transported under a combination of local rates of the carriers involved. The expense for the handling of such traffic, he claimed, is approximately the same as for local shipments transported between the same points on Delta's line.

No one opposed the granting of increased rates to the extent that they are shown to be necessary to applicant's continued operation. Representatives of the Sacramento and Stockton Chambers of Commerce stated, however, that to preserve the present relationship between Sacramento and Stockton on the one hand and points beyond served by connecting carriers under joint rates with Delta on the other hand, any increases authorized in applicant's local rates should also be authorized and effected in the joint rates.

A representative of S & W Fine Foods inquired if the losses experienced were due to inadequate minimum charges and improper rate relationships rather than the general rate level. Delta's president asserted that these were statewide problems requiring long and costly studies and that applicant's need for additional revenue was so urgent and immediate that it could not defer its request for

2

Delta's revenues from joint line traffic during August are as follows: El Dorado Motor Transportation Company, Inc. - \$1,151.45, Sacramento Auto Truck Company - \$899.48, Stockton Delivery Company - \$439.49, Sacramento-Corning Freight Lines, Ltd. - \$1,085.32, Vallejo Express Company - \$11.54, Valley Motor Lines, Inc. - \$1,403.15 and Western Truck Lines, Ltd. - \$137.07.

higher rates while these studies were being undertaken.

The uncontested record clearly shows that applicant cannot long continue to operate under its present rates. The proposed adjustment of joint rates will not materially affect the revenue of connecting carriers. It will, however, preserve rate relationships of long standing. The sought increase in local and joint rates will be granted. It will be limited to a period of six months as requested by applicant.

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

O R D E R

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 Delta Lines, 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 and in its joint rates and charges proposed to be increased by this application.

IT IS HEREBY FURTHER ORDERED that the increase in rates and charges herein authorized, if established, shall be published and filed to expire six (6) months 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 the 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 in applying the increase hereinabove authorized, the rates specifically set forth in the tariffs involved in this application shall be increased before computing rates which are based on multiples or percentages of rates or ratings or before applying deductions provided for in these tariffs.

IT IS HEREBY FURTHER ORDERED that Delta Lines, Inc. be and it is hereby authorized to depart from the provisions of 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 exercised 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 15th day of
 October, 1946.

Harold H. Hub
Justice F. Greiner
Earl H. Russell
A. J. Johnson
 Commissioners