



The record shows that for the years 1941 through 1945 Clark Bros. derived 51.6 per cent of its revenue from fruit and vegetable traffic, 47.8 per cent from general commodity movements and .6 per cent from local drayage. It also shows that during the 12 months ending June 30, 1946, the revenue percentage derived from fruits and vegetables had declined to 42.5 per cent and that derived from general commodities had increased to 56 per cent. The remainder of applicant's revenue in that period was derived from local drayage and contract hauling. It was testified that for the 4 year period prior to June 30, 1945, applicant had experienced an average monthly profit of \$1,500 and that during the year ending June 30, 1946, an average monthly loss of \$890 was incurred.<sup>1</sup> Of the total traffic handled the interstate movement amounted to only 3 or 4 per cent. It is applicant's intention to increase its interstate rates on the same basis as the intrastate rates. A witness for applicant stated that the loss of traffic to competing carriers as a result of effecting the increases proposed is not anticipated.

Exhibits were submitted by a consulting engineer employed by Clark Bros. showing the actual operating results for the twelve

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Operating ratios during these periods were as follows:

Year ending	June 30, 1942	-	98.7
"	June 30, 1943	-	89.5
"	June 30, 1944	-	96.5
"	June 30, 1945	-	92.8
Average for 4 year period ending	June 30, 1945	-	94.5
Year ending	June 30, 1946	-	102.6

months' period ending June 30, 1946, as compared to those which would have obtained during the same period at existing operating costs and under present and proposed rates.. The results are as follows:

	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Profit or Loss</u>	<u>Operating Ratio</u>
(1)	415,828	426,464	( <u>\$10,636</u> )	102.6
(2)	441,879	463,113	( <u>21,234</u> )	104.8
(3)	489,000	463,113	*25,887 #18,787	* 94.7 # 96.2

- (1) Actual results..  
 (2) Results which would have obtained under present rates and increased expenses.<sup>2</sup>  
 (3) Results which would have obtained under increased expenses and under proposed increases of either 26.7% in fresh fruit and vegetable rates or 18.087% in fresh fruit and vegetable rates and 5.44% in general commodity rates.

\* Before income taxes.  
 # After income taxes.<sup>3</sup>

(      ) Denotes loss.

The unsatisfactory operating results which have been experienced by applicants, according to the consulting engineer, were due chiefly to increases in wages, higher cost of insurance, materials and supplies and curtailment of Saturday operations which has been brought about by overtime pay requirements and by the adoption of a 5 day week operation by many shippers. The engineer testified further that all possible operating economics have been effected and that Clark Bros. was one of the State's most efficient carriers..

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Rates on general commodities other than Fresh Fruits and Vegetables were increased by 12 per cent June 10, 1946 under authority of Decision No. 39004, dated May 21, 1946, in Case 4808..

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Income Taxes computed as though Clark Bros. was a corporation..

On a rate base of \$216,976.58 a rate of return of 8.7 per cent after taxes would have resulted had the proposed increased rates and higher costs been in effect during the period in question.<sup>4</sup>

An exhibit was also introduced by a member of the Commission's engineering staff showing (1) the results which would have obtained during the 12 month period ending June 30, 1946, at present costs and under a 25 per cent increase in rates on fresh fruits and vegetables, the increase initially proposed by applicant, and (2) the projected results of a like increase for the year ending December 31, 1946. After making certain necessary adjustments in the exhibit respecting wage rates and increased fuel cost and to provide for the higher increase subsequently proposed, the result for the 12 month period ending June 30, 1946 was substantially the same as that reached by applicant's witness. However, upon the basis of projecting revenue and expense figures for the 12 month period ending December 31, 1946 and adjusting the expense figures as outlined above, the exhibit indicates that Clark Bros. would experience an over-all loss of \$11,519 for that year even though the proposed increase were in effect during the entire period.<sup>5</sup>

A representative of the Western Growers Association and the Grower-Shipper Vegetable Association of Salinas testified that it was the position of these associations that any percentage increase in rates

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Of the rate base figure, \$175,757.93 represents the depreciated book cost of tangible operating property as of June 30, 1946, \$4,069.65 for the value of materials and supplies on hand, \$36,799.00 the allowance for working capital (one month's operating expense less depreciation), and \$350.00 the cost of acquiring franchises.

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Revenues and expenses for the last half of 1946 were estimated by projecting the figures for the first half of the year on the bases of 1944 and 1945 experience.

authorized pursuant to this proceeding should be 50 per cent less on agricultural products than on general commodities. This position, he contended, was in line with increases authorized by the Interstate Commerce Commission in Ex Parte 123 (226 ICC 41) and 147 (248 ICC 545) wherein agricultural products were accorded increases 50 per cent lower than those permitted on non-agricultural products. He also pointed out that in Ex Parte 162 now before the Interstate Commerce Commission, the rail carriers in their plea for a 25 per cent increase had voluntarily accorded preferential treatment to agricultural products by placing an increase limitation of 15 cents per hundred pounds on the rates covering such commodities.

While offering no opinion as to the amount of increase which should be authorized, a representative of the Office of Price Administration expressed the belief that applicant was entitled to such additional revenue as would permit the continuance of the essential service it is rendering.

The record is clear that Clark Bros. is in need of additional revenue in the amount requested. The selection of one of applicant's two increase proposals remains to be made. Based on the relative cost of transporting the two groups of commodities involved, Clark Bros.' witnesses expressed the belief that fruit and vegetable traffic should stand the entire burden of its revenue needs. He testified, however, that applicant had no objection to dividing the burden of the required increase in revenue between general commodities and fresh fruits and vegetables so as to maintain the relationship between the rates for these commodities which existed prior to June 10, 1946. The result of applicant's alternate proposal would be to restore the rate relationship between general commodities and fresh fruits and vegetables which had existed

in the Commission's outstanding minimum rate orders prior to June 10, 1946. Under the circumstances, Clark Bros.' alternate proposal appears to be reasonable.

Upon consideration of all the facts of record, we are of the opinion and find that increases of 18 per cent in the rates for the transportation of fresh fruits and vegetables and not more than 5½ per cent in the rates for the transportation of other commodities are justified.

O R D E R

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

IT IS HEREBY ORDERED that A. B. and Kenneth C. Clark, a co-partnership, doing business as Clark Bros. Motor Transport System, be and they are hereby authorized to establish, on not less than two (2) days' notice to the Commission and to the public, increases of eighteen (18) per cent in connection with fresh fruits and vegetables and not more than five and one-half (5½) per cent in connection with other commodities, in the rates involved in this proceeding.

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 ¼ or .25 of a cent omit.  
Fractions of ¼ or .25 of a cent or greater but less than ¾ or .75 of a cent will be stated at ½ or .50 of a cent.  
Fractions of ¾ 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 1/2 or .50 of a cent omit.  
 Fractions of 1/2 or .50 of a cent or greater,  
 increase to next whole figure.

IT IS HEREBY FURTHER ORDERED that in applying the increases hereinabove authorized, the rates specifically set forth in the tariff 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 the tariff.

IT IS HEREBY FURTHER ORDERED that A. B. and Kenneth C. Clark be and they are 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 29<sup>th</sup> day of October, 1946.

Harold P. Kuls

Justin F. Calver

James H. Lawrence

Commissioners