

ORIGINAL

Decision No. 39735

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the establishment of maximum and minimum, or maximum or minimum, rates, rules and regulations of all common carriers, as defined in the Public Utilities Act of the State of California, as amended, and all highway carriers, as defined in Statutes 1935, Chapter 223, as amended, for the transportation, for compensation or hire, of any and all agricultural products.

Case No. 4293

Appearances

J. T. Arsenio and F. W. Turcotte, for petitioner, Arroyo Grande Truck Company,
C. G. Anthony, Willard Barr, H. J. Bischoff, John W. Crowe, Aaron H. Glickman, Marvin Handler, Hugh Hendrick, H. M. Hendrix, J. E. Lyons, W. A. Steiger, and Roy B. Thompson, for other carriers and carrier associations,
Myron D. Alexander, Benjamin Chapman, and C. O. Burgin, for the Office of Price Administration,
Jack Bias, James E. Harris, C. B. Moore, Thomas R. Phillips, J. C. Simpson, and W. G. Stone, for interested shippers and shipper organizations.

SUPPLEMENTAL OPINION

Arroyo Grande Truck Company is a highway common carrier. Its principal operation is transporting fresh vegetables grown in San Luis Obispo and Santa Barbara Counties in the vicinity of Arroyo Grande to the Los Angeles produce markets. The company also transports vegetables to San Francisco, Oakland and San Jose markets. It handles relatively small quantities of fresh fruits from the producing area to the markets. In addition, it hauls limited amounts of such commodities as feeds, fertilizers and seeds from Los Angeles and San Francisco Bay points to the Arroyo Grande area. It urges

that the minimum rates and charges established by prior orders in this proceeding (Decision No. 33977, as amended) for the transportation of fresh fruits and vegetables by highway carriers and for accessorial services rendered in connection with that transportation be increased by 25 per cent. Petitioner also seeks authority to increase its tariff rates and charges on fresh fruits and vegetables, which are now on the minimum rate levels, by 46 per cent. No adjustment is proposed in the minimum rates and charges or in petitioner's tariff rates and charges on other commodities.

Public hearings were had at San Francisco on October 30 and 31, 1946, and at Los Angeles on November 13 and 14, 1946, before Examiner Mulgrew.¹

Revenue and expense statements were submitted by petitioner covering the period from November 18, 1944, when the present owners of Arroyo Grande Truck Company took over its operation, to June 30, 1946. The operating results disclosed by these statements follows:

<u>Period</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Loss</u>
Nov. 18 to Dec. 31, 1944	\$9,907.34	\$11,855.22	\$1,947.88
Jan. 1 to Dec. 31, 1945	124,299.91	133,806.19	9,506.28
Jan. 1 to June 30, 1946	<u>65,872.25</u>	<u>74,596.67</u>	<u>8,724.42</u>
TOTAL	\$200,079.50	\$220,258.08	\$20,178.58

The business is owned by six copartners. During the time the foregoing operating results were experienced, their participation in its management was on a part-time basis. On July 15, 1946, one of them replaced the manager who had theretofore been in charge. The partner now managing the enterprise devotes some 90 per cent of

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Evidence was also received at these hearings concerning statewide minimum rates for the transportation of fresh fruits and vegetables. The taking of evidence relating to the Arroyo Grande Truck Company petition was concluded at the November 14 hearing when it was requested that it be disposed of in advance of the statewide rate matter on which further hearings are still in progress.

his time to its affairs. The position of assistant manager has been created. It has been filled by promoting a former driver. The manager, admittedly inexperienced in transportation prior to the time he assumed that position, is paid \$275 per month. The assistant is paid on an hourly basis. His monthly compensation averages \$430. The former manager received \$333 per month. The managing partner testified that since June 30, 1946, the company had also been required to pay higher wages and salaries to other employees and had experienced higher costs in fuel, repair parts, tire and tubes and certain other expense factors. He estimated that the increased costs thus experienced aggregated \$4,559.²

Petitioner's witness said that operations for the first six months of 1946 were representative, that they included both peak and slack seasons, and that, in the face of current operating costs, either substantially higher rates must be assessed or service discontinued. Based on operations for the first half of this year, the proposed 46 per cent increase on fruit and vegetable traffic would yield \$26,455.06 in additional revenues. Had this increase been in effect during that period, and had petitioner experienced the higher expenses shown in its cost estimates as having been subsequently increased, revenues would have amounted to

² The following tabulation shows the various items of increased costs:

	<u>January 1 to June 30, 1946</u>		
	<u>Actual Experience</u>	<u>Restated at Present Cost Levels</u>	<u>Increase (Except as noted)</u>
Management salaries	\$ 2,000.00	\$ 4,232.00	\$ 2,232.00
Drivers' wages	17,457.00	18,037.00	580.00
Mechanics' wages	2,065.86	2,465.86	400.00
Office salaries	973.00	1,144.25	171.25
Repair parts	5,274.00	6,065.13	791.13
Fuel	8,366.45	9,200.62	834.17
Tires and Tubes	3,110.00	3,288.85	178.85
Contract Unloading	3,872.00	4,065.60	193.60
Cargo Loss	139.00	289.00	150.00
Depreciation	8,311.00	7,339.00	(972.00)
Other	23,028.36	23,028.36	-
TOTAL	\$74,596.67	\$79,155.67	\$ 4,559.00

() Indicates decrease

\$92,327.31 and expenses would have aggregated \$79,155.67. On this basis, petitioner's operating ratio before taxes would be 85.7. This is substantially lower than the 95.0 operating ratio which petitioner's witness said the proposed increase had been designed to produce.

In further explanation of petitioner's unsatisfactory operating results, its managing partner testified that, in the producing territory served, the farms were relatively small, ranging up to 40 acres; that nonproducing areas were interspersed throughout the territory; and that for the most part shipments were made in small quantities. The company's pickup trucks, he said, traveled on the average approximately 60 miles to receive and bring to its Arroyo Grande depot 5 or 6 shipments aggregating some 500 pounds. The time involved in making such trips, he estimated as 2½ hours. Not more than 1 out of 30 shipments, he also said, was a full truckload. Questioned concerning the handling of small shipments, he stated that the expense of picking up and assembling the produce, the advisability of the establishment of branch depots for the receipt of the freight, and the possibility of reducing expenses by increasing differentials between rates on shipments picked up and those received at depots, were matters which had not been studied.

In regard to the relatively small revenue, approximately 12½ per cent of the total, derived from hauling freight from the market points to the producing area, the manager claimed that it was not feasible to develop more traffic because its handling would interfere with the produce movement and additional equipment units would be required if a greater volume of business were to be handled on the market-to-producing area trips.

In justification of restricting the proposed increase to the fruit and vegetable rates, petitioner's witness said other carriers of these commodities generally observed rates substantially

higher than the minimum rates and that on other freight his company's rates and the rates of competing carriers were on the minimum level. He predicted that if the proposed increases in the fruit and vegetable rates were permitted to be established there would be no appreciable diversion of freight from his company but that if it were to increase its rates on other commodities that traffic would be lost to competitors.

Witnesses for other carriers agreed with petitioner's witness that fruit and vegetable rates generally exceed the minimum rates while rates on other commodities were maintained at the minimum rate level. One of them said, however, that the management of his concern was convinced that a heavy volume of traffic must be developed from market points to producing territory in order to operate successfully.

Western Growers Association, an organization said to represent most of the vegetable growers and distributors forwarding produce in full truckloads and carloads, opposed greater increases being made in rates on fruits and vegetables than in rates on other commodities.

Southern California Freight Forwarders and Southern California Freight Lines, common carriers of fruits and vegetables, as well as general freight, supported petitioner's request that the minimum rates on fresh fruits and vegetables be increased 25 per cent. They made no showing, however, in support of an increase of this amount.³

Other interested parties participated in the questioning of petitioner's witness but took no position in the matter.

³ The evidence submitted by these carriers will be treated in the disposition of the statewide minimum rate matter referred to in Footnote 1 hereof.

It is evident that petitioner has miscalculated its revenue requirements. On the basis of its revenue and expense figures it needs an increase of 30.3 not 46 per cent in its fresh fruit and vegetable rates to produce an operating ratio of 95, the result which is professed to be desired. Moreover, although it is apparent that petitioner recognizes that the picking up of shipments few in number and small in size in a rather extensive area has an important bearing on its over-all operating results, it admittedly has made no study of the cost of this service or of operating or rate adjustments involving this traffic as means of improving its operating results.

A percentage increase as substantial as that here sought should be based on more critical analysis of operations and rate-making considerations than that on which the showing made is precipitated.⁴ It is evident, however, that under the impact of increased operating expenses experienced since the existing minimum rates on fruits and vegetables were prescribed, higher rates than those now maintained are justified. The minimum rates and petitioner's tariff rates on general commodities were recently increased 12 per cent pursuant to Decision No. 39004 (46 C.R.C. 486). A like increase in petitioner's fruit and vegetable rates is as much as is justified on

⁴ For example, the record shows that petitioner's pickup drivers are paid \$1 per hour and to meet bare payroll costs \$2.50 is required on each trip. The revenue from 5 100-pound shipments from origin to market points aggregates \$3.70. In such cases, and 500 pounds is according to petitioner its average total pickup, more than two-thirds of the revenue is required to pay the pickup driver's wages, leaving one-third for running cost of the pickup equipment, the handling expense at Arroyo Grande, all of the expenses of the line-haul movement of more than 200 miles and the delivery costs at the market points.

the record here made. This conclusion is without prejudice to such other and different conclusions as may be reached on a more comprehensive record.

In regard to petitioner's request that the minimum rates and charges be increased by 25 per cent, it is sufficient to say that a showing such as that made in connection with the petition here under consideration utterly fails to establish justification for such action.

Upon consideration of all the facts and circumstances of record we are of the opinion and find that an increase of 12 per cent in petitioner's rates on fresh fruits and vegetables has been justified, and that in all other respects its proposals have not been justified.

O R D E R

Based on the evidence of record and the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Arroyo Grande Truck Company be and it is hereby authorized to establish, on not less than three (3) days' notice to the Commission and to the public, an increase of not more than twelve (12) per cent in rates and charges for the transportation of fresh fruits and vegetables and accessorial services performed in connection with such transportation.

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 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 Arroyo Grande Truck Company be and it is hereby authorized to depart from the tariff filing provisions of General Order No. 80 and from the provisions of Section 24(a) of the Public Utilities Act to the extent necessary to carry out the effect of the order herein.

IT IS HEREBY FURTHER ORDERED that in all other respects the petition of Arroyo Grande Truck Company, filed October 3, 1946 in this proceeding, and as amended, be and it is hereby denied..

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

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 16th day of December, 1946.

Harold B. Kula

Justin F. Creecher

Frank H. Powell

A. I. [Signature]

Commissioners