

ORIGINALDecision No. 39759

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of COAST LINE TRUCK SERVICE, INC.,)
a corporation, for an Order) Application No. 27949
Authorizing an Increase in Rates.)

Appearances

Reginald L. Vaughan, for applicant.
C. C. Burgin and Myron D. Alexander, for
Office of Price Administration, intervenor,
J. C. Simpson for Wholesale Fruit and Produce
Dealers Assn. of San Francisco, protestant.

O P I N I O N

Applicant in this proceeding seeks an increase in its rates for the transportation of fruits and vegetables, as a highway common carrier, between certain San Francisco Bay points and the Watsonville-Santa Cruz area on the one hand and Los Angeles territory on the other hand.

A hearing was had at San Francisco before Examiner Krause on November 15, 1946.

A consulting engineer introduced a study of Coast Line's operating results for four one-year periods ending July 31, 1946.

<u>Year Ended July 31</u>	<u>Profit or Loss</u>
1943	\$16,562
1944	28,800
1945	(29,699)
1946	(38,543)

() Denotes loss.

Applicant attributes the unfavorable operating results for the last two periods shown to the increased operating costs it has experienced. Its consulting engineer testified that based on the

increases occurring since July, 1945 in wages for drivers and dockmen and prices for oil, fuel, repair parts and supplies, the annual increase will approximate \$68,000. He stressed the fact that applicant has experienced increases in expense items other than those studied and explained that he was unable to measure the amount thereof in the time allotted for preparation of his study. Moreover, it was testified that applicant's supervisory and office personnel salaries are depressed and should be increased.

The precise increases sought are 21.84 per cent northbound and 8.79 per cent southbound. They were requested because they were believed to return an operating ratio of 94.5 before income taxes, the ratio which applicant seeks in this proceeding. However, the consulting engineer determined that increases of 20.42 per cent northbound and 7.51 per cent southbound would produce the sought ratio, following a recalculation of the increases required on a basis which would more precisely measure them. This ratio would, he said, produce earnings lower than those necessary to place applicant in a strong financial position. It was explained that rate increases producing a more favorable ratio were not sought because of the danger of higher rates diverting traffic to other carriers. He explained that a lower increase is being sought on southbound traffic in recognition of the fact that such fruit and vegetable traffic received a 12 per cent rate increase effective June 10, 1946 pursuant to Decision No. 39004 in Case No. 4808.

Applicant's president and general manager testified that every possible operating economy has been effected. He said that claim expense has been substantially reduced through the employment of a claim prevention expert. This witness also stated that he is devoting all of his time to supervising the operations of the company whereas formerly his time was mainly devoted to solicitation.

The Wholesale Fruit and Produce Dealers Association of San Francisco, while appearing as a protestant, did not state the basis for their protest.

Of applicant's total gross revenue of \$810,248 for the year ended July 31, 1946, \$272,627 was derived from the transportation of so-called backhaul general commodities for which minimum rates are established in the Commission's Highway Carriers' Tariff No. 2. These minimum rates were increased by 12 per cent, effective June 10, 1946. The engineer recognized that until the minimum rate level for the transportation of general commodities is further increased, applicant cannot expect to receive increased revenues from the backhaul transportation. However, in his calculation of the amount of increase necessary to produce an operating ratio of 94.5, he subjected this \$272,627 of backhaul traffic to the further increase sought on the theory that both the fruit and vegetable traffic and the backhaul traffic should stand the full burden of increased costs. In doing so he failed to reduce applicant's gross revenue by \$4,798, the approximate amount of additional revenue applicant received from the 12 per cent increase on backhaul commodities from June 10 to July 31, 1946.

Moreover, the engineer increased applicant's actual operating expenses by \$68,103 to give effect to the additional increase in expenses accruing from increases in drivers' and helpers' wages and in prices paid for parts, supplies, fuel and oil. However, \$23,085 of this expense is already reflected in the operating expenses for the period.

After making correcting adjustments for the foregoing revenue and expense items of \$4,798 and \$23,085, respectively, increases of 5.50 per cent on traffic receiving the benefit of a 12 per cent increase effective June 10, 1946 and 18.16 per cent on

traffic not receiving such increase would produce operating ratios of 94.5 before income taxes and 96.8 after provision for such taxes.

It is clear that applicant requires additional revenue to place its operations on a compensatory basis. Under the circumstances of record increases of 5.5 per cent on fruit and vegetable traffic already subject to the 12 per cent increase and of 18.16 per cent on all other fruit and vegetable traffic moving at tariff rates, do not appear excessive. Increases in existing rates by these percentages would place all of applicant's fruit and vegetable rates on the same level. They should be authorized.

Upon consideration of all the facts of record we are of the opinion and find that increases of the amounts hereinbefore expressed are justified.

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 Coast Line Truck Service, 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 18.16 per cent in all rates not subject to the 12 per cent increase authorized by Decision No. 39004 in Case No. 4808 and of 5.5 per cent in all rates subject to the 12 per cent increase; and that in effecting the increases hereinbefore authorized in connection with rates named in Local Freight Tariff No. 2, C. R. C. No. 2, applicant shall apply such increases to the rates and charges required to be published by Decision No. 37816 of April 24, 1945 in Case No. 4293.

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 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 these tariffs.

IT IS HEREBY FURTHER ORDERED that Coast Line Truck Service, 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.

IT IS HEREBY FURTHER ORDERED that, except to the extent provided for in the preceding ordering paragraphs, the application 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 ten (10) days from
the date hereof.

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

Harold P. Kula
Justice J. Craven
Marion Brown
James H. Kull
A. J. [unclear]
Commissioners