

Decision No. 39863**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Canton Transbay Express, Inc., et al.)
 for an order authorizing an increase) Application No. 27554
 in rates between San Francisco and)
 East Bay points)

and

Related Applications of Kellogg)
 Express and Draying Co., et al.)
 for an order authorizing increases) Applications Nos. 27947,
 in rates other than Transbay and) 27948, 27957 and
 East Bay rates and in East Bay)
 minimum drayage rates.) Cases Nos. 4108 and 4109

Appearances

Clair W. MacLeod, for Transbay Motor Express.
 Reginald L. Vaughan, for other applicants.
 Myron D. Alexander and C. C. Burgin, for the
 Office of Price Administration.
 Eugene A. Read, for the Oakland Chamber of Commerce.
 Walter A. Rohde, for the San Francisco Chamber
 of Commerce.
 H. F. Alvin, for Western Traffic Conference.
 J. E. Myers, for Durkee Famous Food Division
 of the Glidden Company.
 Cliff Brooks, for Delivery Service Company.

(See also appearances listed in Decision No. 39166,
 46 C.R.C. 537).

O P I N I O N

Decision No. 39166 (46 C.R.C. 537) authorized applicants in Application No. 27554 to increase their transbay rates by 6 per cent. It also raised the minimum rates established in Cases Nos. 4108 and 4109 for East Bay drayage operations by 18 per cent. Further increases in these rates are now proposed. In addition, applicants in Applications Nos. 27947 and 27948 propose to establish higher rates for transportation over their lines from and to San Francisco and East Bay points. In Application No. 27957, Transbay Motor Express Co. seeks authority to increase its rates between San Francisco and

East Bay cities.

Public hearings were had at San Francisco on November 4 and 18, 1946, before Examiner Mulgrew.

Applicants, other than Transbay Motor Express Co., contend that the increased revenues derived from the higher rates in their transbay tariffs made effective July 15, 1946, and the increased rates established in the East Bay drayage minimum rate structure effective July 10, 1946, pursuant to Decision No. 39166, supra, have proved inadequate.¹ They seek further increases of 6.46 per cent in the transbay rates and 13.20 per cent in the drayage rates. In connection with their common carrier operations between San Francisco, South San Francisco and East Bay drayage points on the one hand and Alameda, Contra Costa, Marin, Napa, Solano and Sonoma County points on the other, which were not included in the July, 1946 increases, applicants propose to increase their rates by 14.50 per cent. As an exception to this proposal, they request an increase of 13.89 per cent in their rates from and to Martinez and intermediate points and between such points. For operations not subject to rates fixed by the Commission, applicants consider that an increase of 11.00 per cent is required.

Applicants urge that all of these increases are necessary in order to produce sufficient earnings to enable them to continue to render adequate and efficient service. The varying amounts of the proposed increases assertedly were designed substantially to restore the rate relationships prevailing prior to the 6 per cent increase in transbay and other line-haul rates established in April, 1942. The drayage rates, applicants point out, were not adjusted until July, 1946. The increases now sought are intended to produce an operating ratio of 90 before provision for income taxes as well as to establish the prior-to-1942 rate relationships. Applicants'

¹ Transbay Motor Express was not involved in these rate adjustments. Its proposed increase will be hereinafter discussed.

consulting engineer, characterizing such an operating ratio as "not unreasonable," said that this margin between revenues and expenses is required to build up reserves for the replacement of equipment at the materially higher prices now prevailing, to meet such other increased costs as may arise, and to enable the carriers to do business at a profit and in a normal way.

Studies of revenues and expenses of the 15 carriers said to handle most of the transbay and East Bay traffic and of the 7 carriers operating to points outside of the San Francisco-East Bay area, for the period July 1 to September 30, 1946 were submitted. These studies show aggregate revenues for the transbay-East Bay carriers of \$1,007,126 and expenses of \$1,007,321 before provision for income taxes. On this basis, the indicated over-all loss from operations for the three-month period studied is \$195 and the operating ratio is approximately 100. For the carriers serving points outside the San Francisco-East Bay area, the studies disclose aggregate revenues of \$810,488, expenses of \$817,369, an operating loss of \$6,881 and an operating ratio of 101 without provision for income taxes.

The over-all revenue figures submitted by applicants were broken down so as to disclose their earnings from each of the classes of traffic involved in the proposed increases. In the case of the 15 transbay-East Bay carriers, 38.20 per cent of their revenues was derived from transbay operations, 17.55 per cent from other line-haul traffic, 22.70 per cent from East Bay drayage, and the remaining 21.55 per cent from operations not subject to rates established by the Commission. For the 7 carriers operating to points outside the San Francisco-East Bay area, the corresponding percentages of revenue were 29.28 transbay, 31.81 other line-haul, 13.55 East Bay, and

25.36 other operations. These ratios were used by applicants in calculating their revenue requirements and in determining the increases to be proposed for each of the four types of operations here involved. Applicants' consultant said that it was not possible to break down expenses in a similar manner to that used in connection with revenues without exhaustive further study based upon more complete records than those now kept by the carriers. Because of their critical revenue deficiencies, he said, the carriers cannot afford to embark on such a program at this time. Counsel for applicants argued that such a showing was not essential in a revenue proceeding where carriers are seeking rate adjustments to meet the greater earning requirements occasioned by increased operating costs.

Various parties participated in the examination of applicants' witness. The granting of the applications was not opposed.

From April, 1942 when the transbay and other line-haul rates were increased 6 per cent, as hereinbefore noted, there was no general adjustment of these rates until June, 1946 when a further increase of 12 per cent was established. The transbay tariff rates were subjected to an additional 6 per cent increase in July, 1946. The general level of the minimum rates for East Bay drayage, which had not been disturbed since it was established in 1936, was increased 18 per cent. No proposal involving line-haul operations other than transbay service was then before the Commission. The proposals here being considered are clearly supplemental to those disposed of by Decision No. 39166, supra, which, as pointed out at the outset of

this opinion, authorized the adjustments of July, 1946 in addition to the June, 1946 line-haul increase.

In the circumstances, it appears that the carriers' revenue requirements are more appropriately determined by starting from the rate levels prevailing prior to June, 1946 rather than by reverting to the rate situation existing more than four years ago as advocated by applicants. Had applicants' revenues for the three-month period studied been $6\frac{1}{2}$ per cent greater for transbay and East Bay operations, $12\frac{1}{2}$ per cent greater for line-haul traffic other than transbay and 11 per cent greater for service not subject to rates established by the Commission, the revenues of the 15 transbay-East Bay carriers would have amounted to \$1,098,465 and the revenues of the 7 carriers serving points outside the San Francisco-East Bay area would have been \$891,342. Aggregate expenses adjusted so as to make provision for federal income taxes amount to \$1,037,220 and \$843,189, respectively.² On this basis the transbay-East Bay carriers would have enjoyed net aggregate earnings of \$61,245 and the other carriers' net earnings of \$48,153. Operating ratios would have been 94.4 for the former and 94.6 for the latter.

The upward adjustments in applicants' revenues described in the preceding paragraph have been justified by the showing made. Authority to increase their tariff rates will be granted and the minimum East Bay drayage rates will be increased accordingly. Greater increases have not been demonstrated to be necessary on the record. As pointed out by the representative of the Oakland Chamber of Commerce, the East Bay drayage accessorial service rate for additional labor required to handle heavy or bulky cargo was increased effective November 23, 1946 pursuant to Decision No. 39583. A further increase in that rate at this time has not been shown to be warranted and it will, therefore, not be increased.

² For this purpose computations have been made as though all of the carriers were corporations. No allowance has been made for any income tax credit.

The 15 per cent increase in tariff rates sought by Transbay Motor Express Co. remains to be discussed. Applicant is engaged exclusively in transporting property between San Francisco and East Bay cities by means of motorcycles with side-car attachments.

The owner of the company submitted a study of operating results for the period January 1 to September 30, 1946. It shows revenues as \$47,850 and expenses as \$48,593. The indicated loss is \$743 and the operating ratio 102. The owner said that, although during the period studied he had devoted his full time to the management of the business, he had been unable to take any salary. He stated that he considered \$500 per month as an appropriate manager's salary. He also stressed the fact that the wages of drivers had been increased on May 1, 1946 and pointed out that had this wage increase been in effect for the full nine-month period studied, his payroll expense would have been \$939 higher than his actual wage cost. The 12 per cent increase in his rates established effective June 10, 1946, he asserted, had been entirely inadequate to meet his revenue requirements. According to the owner, all possible operating economies have been effected and the proposed further increase of 15 per cent is necessary in order to permit operations to be continued on a sound financial footing. He anticipates little, if any, diversion of traffic to other carriers in the event the sought higher rates are permitted to be established.

The proposed increase would have raised applicant's revenues to \$58,775 during the period studied. Adjustment of his expenses to reflect a management salary of \$500 per month and the increased wage rates and to make provision for federal income taxes results in aggregate expenses amounting to \$55,049³. The net return from

³ As in the case of the other carriers, computations relating to taxes have been made as though applicant were a corporation and no allowance has been made for any income tax credit.

operations thus indicated under the proposed increase is \$3,726 and the estimated operating ratio 93.7 for the period studied.

No one opposed the proposed further increase.

It appears from the record that applicant, Transbay Motor Express Co., is not operating on a compensatory basis under its existing rates and that the sought increase in these rates has been justified.

Upon consideration of all the facts of record we are of the opinion and find that an increase of $6\frac{1}{2}$ per cent in the minimum rates for East Bay drayage operations, except accessorial service rates and charges for handling bulky or heavy cargo, and increases of not more than 15 per cent in local rates and charges of Transbay Motor Express Co., not more than $6\frac{1}{2}$ per cent in local and joint transbay rates and charges and East Bay drayage rates and charges, except accessorial service rates and charges for handling bulky or heavy cargo, of other applicants, and of not more than $12\frac{1}{2}$ per cent in other local and joint rates of these applicants which are here in issue, except to the extent that such other rates and charges were increased pursuant to Decision No. 39166, supra, have been justified; that, where increases were established pursuant to said Decision No. 39166 from and to points outside the East Bay drayage area, increases to the extent necessary to bring such rates and charges to the $12\frac{1}{2}$ per cent increase level between those points have been justified; and that in all other respects applicants' proposed increased rates and charges have not been justified.

O R D E R

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

IT IS HEREBY ORDERED that applicants in Applications Nos. 27554, 27947, 27948 and 27957 be and they are hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, the increased local and joint rates and charges found justified in the opinion which precedes this order.

IT IS HEREBY FURTHER ORDERED that Appendix "A" of Decision No. 29217 of October 26, 1936, as amended, in Cases Nos. 4108 and 4109, be and it is hereby further amended by increasing the rates and charges set forth in said Appendix "A", as amended, by $6\frac{1}{2}$ per cent, computed in accordance with the provisions of the third ordering paragraph hereof, effective five (5) days after the effective date of this order; that respondents in Case No. 4109 be and they are hereby authorized and directed to establish for transportation service for which rates are provided by said Appendix "A", as amended, and not later than five (5) days after the effective date of this order, rates no lower than the increased minimum rates prescribed herein.

IT IS HEREBY FURTHER ORDERED that rates specifically set forth in applicants' tariffs shall be increased under the provisions of this order before computing rates which are based on multiples or percentages of rates or ratings and that in applying all increases herein authorized, fractions shall be disposed of as follows:

(a) When the rates or charges before applying the increase are 5 cents or less:

Fractions of less than $\frac{1}{8}$ or .125 of a cent shall be omitted;
 Fractions of $\frac{1}{8}$ or .125 of a cent or greater but less than $\frac{3}{8}$ or .375 of a cent shall be stated as $\frac{1}{4}$ or .25 of a cent;
 Fractions of $\frac{3}{8}$ or .375 of a cent or greater, but less than $\frac{5}{8}$ or .625 of a cent shall be stated as $\frac{1}{2}$ or .50 of a cent;
 Fractions of $\frac{5}{8}$ or .625 of a cent or greater but less than $\frac{7}{8}$ or .875 of a cent shall be stated as $\frac{3}{4}$ or .75 of a cent;
 Fractions of $\frac{7}{8}$ or .875 of a cent or greater shall be increased to the next whole cent.

(b) When the rates or charges before applying the increase are 10 cents or less but greater than 5 cents:

Fractions of less than $\frac{1}{4}$ or .25 of a cent shall be omitted;
Fractions of $\frac{1}{4}$ or .25 of a cent or greater but less than $\frac{3}{4}$ or .75 of a cent, shall be stated as $\frac{1}{2}$ or .50 of a cent;
Fractions of $\frac{3}{4}$ or .75 of a cent or greater, shall be increased to the next whole cent.

(c) When the rates or charges before applying the increase are greater than 10 cents:

Fractions of less than $\frac{1}{2}$ or .50 of a cent shall be omitted;
Fractions of $\frac{1}{2}$ or .50 of a cent or greater shall be increased to the next whole cent.

IT IS HEREBY FURTHER ORDERED that in establishing increased rates and charges pursuant to this order applicants be and they are 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 this order; and that the authority herein granted shall be void unless exercised within thirty (30) days from the effective date hereof.

IT IS HEREBY FURTHER ORDERED that, except to the extent provided for in the preceding ordering paragraphs, Applications Nos. 27554, 27947, 27948 and 27957 be and they are hereby denied.

IT IS HEREBY FURTHER ORDERED that in all other respects Decision No. 29217, as amended, in Cases Nos. 4108 and 4109 shall remain in full force and effect.

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

Dated at San Francisco, California, this 30th day of December, 1946.

Harold P. Kula
Justice F. Calmes
Frank H. Powell
G. E. Johnson
 Commissioners