

ORIGINAL

Decision No. 41594

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment of rates, rules and regulations for the transportation of property by radial highway common carriers and highway contract carriers between, and by city carriers within, the cities of Oakland, Alameda, Albany, Berkeley, Emeryville and Piedmont.

Case No. 4108

In the Matter of the Investigation and Establishment of rates, charges, classifications, rules, regulations, contracts and practices of East Bay Drayage & Warehouse Co., et al., between the cities of Oakland, Alameda, Albany, Berkeley, Emeryville and Piedmont.

Case No. 4109

Appearances

Reginald L. Vaughan, Emmett H. Hart, George D. Hart, Hyland H. Hinman, E. S. Waldie, Jack Kueper, L. D. McLaurin, and Clifton Brooks, for petitioners.

U. M. Cheatham, Francis J. Lambert, John E. McCurdy, R. J. Hopkins, and Eugene A. Read, for shippers and shipper organizations.

SUPPLEMENTAL OPINION

By petition, Draymen's Association of Alameda County and certain city and highway carriers seek a 10.87 per cent increase in minimum rates and charges established in these proceedings for the transportation of property within the East Bay Drayage Area.

A public hearing was had at San Francisco on April 20, 1948, before Examiner Mulgrew.

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The petitioning carriers are Canton Transbay Express, Inc., East Bay Drayage & Warehouse Co., Haslett Warehouse Company, Inter-Urban Express Corporation, Kellogg Express & Draying Co., Merchants Express Corporation, Peoples Express Company, West Berkeley Express & Draying Company and United Transfer Company. The East Bay Drayage Area consists of the cities of Alameda, Albany, Berkeley, Emeryville, Oakland and Piedmont.

The level of the East Bay drayage rates was last considered in Decision No. 40600 of August 12, 1947. That decision established an 8 per cent increase, effective September 11, 1947. In support of the further increase now sought, a consulting engineer retained by petitioners submitted a study of revenues and expenses of 14 carriers for the period October 1, 1947 through February 29, 1948.² These carriers, which assertedly handle the bulk of the drayage business, are also engaged in transbay and other so-called "over-the-road" operations and in providing certain services not subject to minimum rates. The study shows that overall revenue for the five-month period was \$2,285,093 and that aggregate expense, without provision for income taxes, was \$2,250,813, leaving net revenue of \$34,280. The operating ratio was 98.50.

The consultant testified that certain items of expense required adjustment in order properly to reflect current costs. He explained that three of the carriers had not included salaries for management. The reasonable "minimum" management expense for these carriers, he said, is \$7,160 for the period covered by the study.³ The consultant also pointed out that during that period fuel costs, motor vehicle license fees and salaries of office employees had increased, and that adjustment of actual costs in these respects was necessary. These adjustments amounted to \$4,827 for fuel, \$7,651 for license fees and \$3,075 for salaries. In addition,

² The consultant explained that operating results prior to October 1 had not been included in the study because they would not reflect revenue under current rates and that the results of operations subsequent to February 29 were not available in time for inclusion in his study.

³ The witness stated that in arriving at this amount he considered the nature and extent of the carriers' operations and the salaries for similar duties performed for carriers conducting comparable operations.

an allocation of \$6,549 for vacation pay accruals was made. These adjustments amount to \$29,262. The adjusted aggregate expense, before income taxes, is \$2,280,075, net revenue is \$5,018, and the operating ratio is 99.78.

On the basis of the foregoing, the consultant determined that a 10.87 per cent increase in rates is necessary to develop an operating ratio of 90. He said that the carriers are faced with further increases in costs, particularly for insurance, labor and materials. An operating ratio of 90, he claimed, would provide "not more than a proper margin of safety" for carriers of the type here involved in a period of rising costs. The witness explained that some extra margin is required in such circumstances because rate adjustments necessarily lag behind cost increases. He pointed out that provision for income taxes materially affects operating ratios. He submitted estimates showing that an operating ratio of 90 before taxes is increased after taxes are calculated on corporation bases to 92.37 on net income of \$5,000 and ranges upward to 94.01 on net incomes of \$50,000 and over.

The consultant's revenue studies show that only 17.47 per cent of the carriers' aggregate revenues are derived from their drayage traffic. Petitioners propose to take the necessary steps to secure appropriate increases in the remainder of their revenues and to seek further adjustments of the drayage rates when anticipated increases in costs materialize. They have filed a petition in Case No. 4808 seeking adjustment of minimum rates for transbay traffic. They also intend to participate in further hearings in that proceeding involving other "over-the-road" rates and to adjust their rates for services not covered by minimum rate provisions.

Meanwhile, they assert, their "over-the-road" rates cannot be increased because the minimum rates are the "going" rates for this traffic and the business they now enjoy would be lost to other carriers. With respect to operations not covered by minimum rates, applicants claim that rates for these services cannot be increased until rates for the operations to which they are related are likewise increased.

The carriers strongly urge that their need for additional revenue is so pressing that they must have immediate relief. For the reasons above stated, they consider the drayage traffic the only business on which higher rates can be secured at the present time. They assert that the "over-the-road" shippers are generally the same shippers which utilize their drayage services, that they have effected all possible operating economics, and that unless they secure relief their ability to provide service will be impaired and eventually destroyed. They propose that the drayage rates here sought be reviewed in the light of such adjustments as they may subsequently obtain in rates for their other operations.

The participation of shipper interests in the proceeding was limited to cross-examination of petitioners' witnesses. The granting of the petition was not opposed.

It is clear from the showing made that the carriers' revenues are inadequate in the face of their current cost experience. It is likewise clear that additional revenues cannot now be obtained from "over-the-road" and certain other operations. The drayage rate adjustment is proposed to be made on a temporary basis and to be reconsidered in the light of the conclusions reached with respect to the need for other increases. In view of the fluid cost and rate situation, it appears that further consideration of the drayage rates will be required in the near future. It is plain that the carriers

are in need of additional revenue. An increase of 10 per cent in their drayage rates has been demonstrated to be necessary. Because the increase will evidently be temporary in nature, it should be applied as a surcharge.

Upon consideration of all the facts of record we are of the opinion and hereby find that an increase of 10 per cent in East Bay drayage rates and charges has 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 Decision No. 29217 of October 26, 1936, as amended, in these proceedings be and it is hereby further amended by adding Supplement No. 1 to City Carriers' Tariff No. 2-A - Highway Carriers' Tariff No. 1-A (Appendix "A" to Decision No. 41362 of March 23, 1948); that tariff publications required to be made by common carrier respondents in Case No. 4109 as a result of the amendment herein of the aforesaid tariff shall be made effective not later than June 15, 1948 and on not less than three (3) days' notice to the Commission and to the public; that said respondents be and they are hereby authorized concurrently to establish a corresponding increase in rates and charges for transportation and accessorial services within the East Bay drayage area for which minimum rates and charges have not been prescribed; and that 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 this order.

IT IS HEREBY FURTHER ORDERED that, except to the extent provided for in the preceding ordering paragraph, the petition of

Canton Transbay Express, Inc., et al., filed in these proceedings on April 1, 1948, be and it is hereby denied.

In all other respects Decision No. 29217, as amended, shall remain in full force and effect.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 18th day of May, 1948.

R. F. Montgomery
Justice F. Calves
Charles F. Lawrence
Harold P. Kula
Herbert P. Patten
Commissioners

SPECIAL INCREASE SUPPLEMENT

SUPPLEMENT NO. 1

TO

CITY CARRIERS' TARIFF NO. 2-A -

HIGHWAY CARRIERS' TARIFF NO. 1-A

(Cancels City Carriers' Tariff No. 2 -
Highway Carriers' Tariff No. 1)

NAMING

MINIMUM RATES,

RULES AND REGULATIONS

FOR THE

TRANSPORTATION OF PROPERTY OVER THE
PUBLIC HIGHWAYS WITHIN AND BETWEEN THE CITIES OF

ALAMEDA ALBANY BERKELEY

EMERYVILLE OAKLAND PIEDMONT

BY

CITY, RADIAL HIGHWAY COMMON
AND HIGHWAY CONTRACT CARRIERS

APPLICATION OF SURCHARGE

◇ (a) Compute the amount of the charges in accordance with the rates, rules and regulations of the tariff, other than the provisions of Item No. 1070 series. Increase the amount so computed by ten (10) per cent, disposing of fractions as provided in paragraph (b) below.

(b) Fractions of less than one-half cent shall be dropped; fractions of one-half cent or greater will be increased to one cent.

EFFECTIVE JUNE 15, 1948

◇ Advance. Authorized by Decision No. 41594 dated May 18, 1948, in Case No. 4108.

Issued by the
Public Utilities Commission of the State of California
State Building, Civic Center,
San Francisco, California