

ORIGINAL

Decision No. 46207

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 and Warehouse Co., et al.,)
between the cities of Oakland,)
Alameda, Albany, Berkeley, Emeryville)
and Piedmont.)

Case No. 4109

Appearances

Clifton E. Brooks and Philip A. Winter,
for applicant.
Dan Baker, for Draymen's Association
of Alameda County.
Preston Davis, for United Parcel Service.
Fred V. Irwin, for Retail Delivery Drivers
of Alameda County.

O P I N I O N

Minimum rates, rules and regulations established for drayage operations within and between the East Bay cities are promulgated in City Carriers' Tariff No. 2-A - Highway Carriers' Tariff No. 1-A. This tariff contains minimum rates for the transportation of small shipments regardless of the classification of the property. Certain of these rates apply for retail parcel deliveries. Others apply to small shipments transported for jobbers, wholesalers and industries. The volume of the rates varies with the number of shipments transported

per month and the number of daily deliveries furnished the shipper. A higher basis is provided for special delivery service.¹

By petition filed July 27, 1951, C. R. Becker, doing business as Delivery Service Company, proposes that the present rates be increased approximately 12½ percent.² The proposed rates are specifically set forth in the petition.

Public hearing was held at San Francisco on August 22, 1951, before Examiner Lake.

Petitioner alleges that for his common carrier operation the present rates are unreasonable, inadequate and unremunerative in view of the cost of performing the service. He testified that since the rates were last adjusted substantial increases have occurred in the cost of labor and in the price of materials and supplies.³ He introduced exhibits showing that more than 70 percent of his operating costs had increased approximately 22 percent since the last rate adjustment and that, although increases were experienced in revenues, the increases were not in proportion to the advance in operating costs.

For petitioner's common carrier operation, the exhibits show financial results from August 6, 1948 to June 15, 1951. In

¹ The rates herein involved are set forth in Items Nos. 950, 960 and 990 series of the above referred to tariff.

² Petitioner specializes in the transportation of small shipments as a highway common carrier between, and as a city carrier within, the East Bay cities of Alameda, Albany, Berkeley, El Cerrito, Emeryville, Oakland and Piedmont. For convenience, this operation will herein be referred to as "common carrier operation." In addition, he conducts another highway carrier operation under a contract carrier permit between the East Bay cities mentioned and San Leandro, Hayward, Niles, Pleasanton, Walnut Creek, Martinez, Pittsburg, Antioch, Richmond, Vallejo and intermediate points.

³ The minimum rates here in issue were last adjusted August 9, 1948 (Decision No. 41834 in these proceedings).

addition, they show the effect of the proposed increases on the operating ratio under the sought rates had they been in effect during the period March 24, 1951 to June 15, 1951. These data are set forth in the following tabulation:

Operating Results for Common Carrier Operation

	Under Present Rates				Under Proposed Rates	
	(1) 1948	Year 1949	Year 1950	(2) 1951	(3) 1951	(3) 1951
Revenues	\$38,677	\$98,677	\$105,888	\$50,779	\$24,626	\$27,704
Expenses	35,586	93,238	101,967	50,070	25,234	25,234
Net Income	3,091	5,437	3,921	709	(608)	2,470
Operating Ratio	*92.0%	*94.6%	*96.3%	*98.6%	*102.5%	*91.1% **93.3%

() - Indicates Loss

* - Before Income Taxes

** - After Income Taxes

(1) - From August 6, 1951

(2) - To June 15, 1951

(3) - From March 24 to June 15, 1951

Petitioner has been requested by the Secretary of the Retail Drivers' Union to reopen existing wage agreements for the purpose of negotiating an increase in the wages of drivers of \$1.00 per day. Petitioner testified that such an increase would result in 47.17 percent of his operating costs being increased 7.5 percent and an increase in the operating ratio under the proposed rates from 93.3 percent to 96.8 percent.

For petitioner's combined operations, only the financial results for the period March 24 to June 15, 1951, were submitted. For this period revenues, expenses and net income were indicated as \$35,583, \$35,557 and \$26, respectively. The operating ratio before provision for income taxes was 99.93 percent.⁴

⁴ The operating ratio for the same period for services conducted under the contract carrier's permit was stated as 94.21 percent before provision for income taxes.

In determining the financial results of the common carrier operation, petitioner stated that he had used actual costs for the direct expenses and that for the indirect expenses he had allocated a percentage of the total indirect expenses equal to the ratio of man hours worked for common carrier operation to the total man hours worked.

No one opposed the granting of the relief sought.

The Executive Secretary of the Draymen's Association testified that his association had considered applicant's request and was in favor of it being granted. He stated that he had conducted an investigation of the East Bay carriers affected by the rates in issue and found petitioner to be the only carrier operating wholly in this field. Other carriers, he stated, handled this class of traffic only to a limited extent and then only as a convenience to their customers.

Counsel for the United Parcel Company testified that his company is engaged as a permitted carrier in the handling of parcels from retail stores within the area embraced by this petition and is subject to the rates in issue. He said that the rates assessed by his company were higher than those herein proposed and that, therefore, his company had no objection to petitioner's proposal.

As is hereinabove indicated, petitioner conducts a dual highway carrier operation. Assertedly, the common carrier operation is conducted separately from that performed under the contract carrier permit. The witness testified that different equipment is used but that the same terminal facilities and office staff are employed for both operations. He requests that the minimum rates established by the Commission within the East Bay drayage area be increased. He does not request an increase in, nor does he propose to raise, the minimum rates established for the transportation of small shipments handled under his contract carrier permit.

In dual operations such as are here before us and where the rates of only one operation are involved, it is necessary to determine as precisely as practicable the financial results of the operation for which increased rates are sought. In the absence of detailed data the use of allocations are often necessary. Such allocations, however, must be supported by a showing establishing their reasonableness and propriety. In this instance, petitioner submitted data showing actual revenues and direct expenses. The figures submitted for indirect expenses were derived from allocations based upon man hours worked. The indirect expenses thus developed were not established as being on the same ratio as the man hours nor was it shown that the service rendered in the common carrier operation incurred similar expenses to those incurred in the contract carrier service. In view of these deficiencies, the financial results submitted for the common carrier operation cannot be accepted.

We turn now to the revenue results for the combined operations. The record indicates that the revenues generated from the dual operations are insufficient to permit the rendering of adequate and efficient service. However, the indicated need for additional revenue was developed from a study of less than three months of operation. In the circumstances, this period is too short a time within which to test the reasonableness of the minimum rates for the transportation of small shipments within the East Bay drayage area. The petition will be denied.

O R D E R

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

IT IS HEREBY ORDERED that the petition filed July 27, 1951, by C. R. Becker, doing business as Delivery Service Company, be and it is hereby denied.

In all other respects Decision No. 41362, as amended, shall remain in full force and effect.

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

Dated at Los Angeles, California, this 18th day of September, 1951.

R. Z. Anderson
President
Justus F. Craemer
Harold P. Kule
John L. McKell
Commissioners