

ORIGINAL

Decision No. 46781

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|--|---|-----------------------|
| In the Matter of the Application of |) | |
| Thomas W. Gilboy, Thomas E. Gilboy |) | |
| and Patricia Gilboy Shortall, a co- |) | |
| partnership, doing business as "Gilboy |) | Application No. 32976 |
| Company," for authority to increase |) | |
| rates. |) | |

Appearances

Gwyn H. Baker, for applicants.
 Grant L. Malquist and Henry J. Miller,
 for the Commission Staff.

O P I N I O N

Applicants are engaged in the transportation of motion picture film and motion picture supplies as a highway common carrier between San Francisco and Los Angeles and between San Francisco and other points in northern California. They also operate as a city carrier for the same commodities within San Francisco and as a highway contract carrier for the transportation of newspapers between San Francisco and other points in northern California. Applicants seek authority to increase, on less than statutory notice, their highway common carrier rates and charges by 25 percent.

Public hearings were held at San Francisco on December 27, 1951, and January 7, 1952, before Examiner Lake.

The common carrier operations were commenced in 1935. Since then the tariff rates and charges have been increased twice,

by 12 percent in June 1946 and by 14 percent in December 1946. In this proceeding applicants allege that, since their rates were last adjusted, substantial increases have occurred in their operating expenses, including wages, insurance, repairs and maintenance, and in the cost of materials and supplies. Applicants' managing partner testified that during this period of increasing costs they had been able to conduct operations without losing money because of an increase in the volume of business occasioned by new theaters and so-called "drive-ins." He asserted, however, that the upward trend in new business had not only reached its peak but that due to the influence of television, poor pictures and the high cost of living, the motion picture business would decrease. He estimated that the decrease in their revenues during 1952 due to a decrease in business would be approximately 15 percent. He testified that an increase in rates of 25 percent was necessary to offset recent increased costs and the anticipated decrease in revenues. He stated that similar increases would be assessed on their city carrier operations and that negotiations were being conducted for increased rates for the transportation of newspapers which are handled under their contract carrier permit.

Exhibits were introduced showing revenues and expenses covering the combined operations for a five-year period ending December 31, 1950. The exhibits also show, for the first 11 months of 1951, estimated revenues and expenses under the present and proposed rates. The financial results of applicants' operations under the present and proposed rates set forth in the following tabulation are taken from these exhibits.

(1) TABLE NO. 1

| | 1946 | 1947 | 1948 | 1949 | 1950 | 1951 (11 Months) | 1952 (11 Months) Under Proposed Rates |
|-----------------------|------------------|---------------|---------------|---------------|---------------|---------------------|---|
| Revenues | | | | | | | |
| Common | \$222,228 | \$273,053 | \$279,592 | \$298,915 | \$324,550 | \$316,109 | \$335,866(3) |
| Contract | 66,787 | 74,484 | 84,729 | 100,564 | 104,830 | 95,963 | 95,963 |
| City | <u>47,045</u> | <u>54,474</u> | <u>52,696</u> | <u>53,236</u> | <u>53,147</u> | <u>50,437</u> | <u>53,589(3)</u> |
| Total | \$336,060 | \$402,011 | \$417,017 | \$452,715 | \$482,527 | \$462,509 | \$485,418 |
| Expenses | \$337,634 | \$369,361 | \$395,105 | \$425,428 | \$426,961 | \$430,829 | \$453,183(4) |
| Net Income | <u>(\$1,574)</u> | \$32,650 | \$21,912 | \$27,287 | \$55,566 | \$31,680 | \$32,235 |
| Operating Ratio(2) | 100.47% | 91.87% | 94.74% | 93.97% | 88.48% | 93.15% | 93.36% |

(1) The exhibits also include the operating results under present and proposed rates for the 11-month periods in 1951 and 1952 for highway and local operations. However, the showing made for the separate operations does not reflect an accurate distribution of the costs involved nor are the expenses segregated between common and contract operations. For these reasons, the expense data submitted for the separate operations have not been shown in the tabulation for each operation but have been combined to show the results of the over-all services.

(2) Before income taxes.

(3) Includes 25 percent increase in rates and an anticipated 15 percent loss of business.

(4) Includes approximately 5 percent increase in costs.

() - Denotes loss.

The record shows that the carrier has enjoyed an increase in its common carrier revenues from increased business each year since 1947.¹ Applicants' apprehension that a decrease of 15 percent

¹ Specifically, the percentages of increase in revenues as shown by the record are as follows:

| 1948 | 1949 | 1950 |
|------|------|------|
| 1.45 | 5.98 | 7.25 |

The record also shows an increase in the 1947 revenues over those received in 1946. However, it was during this period that the carrier last raised its rates.

in revenues due to a downward trend in business appears to be speculative and is not supported by the record. It will not be given effect in determining the need for the increase herein sought. The operating results which would prevail under the proposed rates and those contemplated for city operations for the 11-month period ending November 30, 1952, based upon applicants' estimate of expenses and with revenues based upon those experienced in the 1951 11-month period, are indicated as follows:

| | TABLE NO. 2 | |
|-----------------------|----------------------------|-----------------------------|
| | <u>Under Present Rates</u> | <u>Under Proposed Rates</u> |
| Revenues | | |
| Common | \$316,109 | \$395,136 |
| Contract | 95,963 | 95,963 |
| City | <u>50,437</u> | <u>63,046</u> |
| Total | \$462,509 | \$554,145 |
| Expenses | \$453,183 | \$453,183 |
| Net Income | \$9,326 | \$100,962 |
| Operating Ratio | | |
| Before Income Taxes | 97.98% | 81.78% |
| After Income Taxes(1) | 98.64% | 90.61% |

(1) Calculated on a corporate basis.

No one appeared in opposition to the granting of the application.

The record is clear that applicants' present rates in light of increased expenses are not enough to provide a sufficient margin between revenues and expenses to insure an adequate and dependable operation. It is apparent, however, that the increase sought is greater than has been shown on this record to be necessary. An increase of 6 percent appears to be as high as is justified. This increase will be authorized.

Based upon applicants' estimated expenses for 1952, an increase of 6 percent when calculated from their 1951 revenues would produce a net operating income of \$31,319 and an operating ratio of 93.54 percent before income taxes and 95.89 percent after income taxes, determined on a corporate basis.

As this proceeding has only considered applicants' over-all revenue requirements, no study has been made of individual rates or charges. In authorizing applicants to increase their present rates and charges by a given percentage the Commission does not make a finding of fact of the reasonableness of any particular rate or charge.

Upon consideration of all the facts and circumstances of record, we are of the opinion and hereby find that an increase in rates and charges to the extent indicated above has been justified. Applicants' request to establish the increase herein authorized on less than statutory notice appears to be reasonable. It will be granted. In all other respects the application will be denied.

O R D E R

Public hearing having been held in the above proceeding and based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Thomas W. Gilboy, Thomas E. Gilboy and Patricia Gilboy Shortall, a copartnership doing business as Gilboy Company, be and they are hereby authorized to establish on not less than five (5) days' notice to the Commission and the public, an increase in the amount of six (6) percent in the rates and charges published in their Local Freight Tariff No. 6, Cal.P.U.C. No. 3 (series of Thomas W. Gilboy); and that in computing the increased

rates and charges herein authorized, fractions of less than one-half cent shall be dropped and fractions of one-half cent or over shall be increased to the next whole cent.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the express condition that applicants will never urge before this Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as consent to this condition.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED that in all other respects the above-entitled application be and it is hereby denied.

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

Dated at San Francisco, California, this 19th day of February, 1952.

R. J. [Signature]
 President

James F. [Signature]
J. Harold [Signature]

 Commissioners