

Decision No. 47084

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)
into the rates, rules, regulations,)
charges, allowances and practices of)
all common carriers, highway carriers)
and city carriers relating to the)
transportation of property.)

Case No. 4808

Appearances

Edward M. Berol, for The Truck Owners Association of California, Petitioner.
Henry J. Bischoff, for Southern California Freight Lines and Southern California Freight Forwarders, in support of petitioner.
John B. Harman, for Office of Price Stabilization, interested party.
Edson Abel, M. J. Davis, Paul O. Helin, J.A. Montgomery, Ralph E. Moyse, Robert C. Neil, T. R. Phillips, Melville A. Tuchler, for various shippers and shipper organizations, interested parties.
Grant L. Malquist, for Engineering Division, Transportation Department, Public Utilities Commission.

SUPPLEMENTAL OPINION

The Truck Owners Association of California, by petition filed January 23, 1952, seeks a 15 percent interim increase in the minimum rates established for the transportation of fresh fruits and vegetables between the Los Angeles Territory, on the one hand, and the San Francisco and Sacramento Territories, on the other.¹ The increase is sought on an interim basis pending the development of cost studies to show the need of state-wide rate adjustments.

Public hearing was held at San Francisco on March 18, 1952, before Examiner Lake.

¹ The rates in issue are contained in Highway Carriers' Tariff No. 8 (Appendix "C" to Decision No. 33977, as amended, in Case No. 4293).

The fruit and vegetable rates were last adjusted effective March 4, 1951, by Decision No. 45315 of January 30, 1951, in this proceeding. Petitioner alleges that since that time carriers have experienced increased costs in taxes, wages, equipment and materials and supplies. It also claims that the adoption of Distance Table No. 4 has served to reduce constructive mileages between many points with the result that the carriers' revenues have decreased. It contends further that the cumulative effect of these changed conditions has had an adverse effect upon the net revenue position of the several carriers engaged in the transportation of fruits and vegetables between Los Angeles, on the one hand, and San Francisco and Sacramento, on the other.

A consulting engineer retained by petitioner submitted exhibits showing, for the year 1951, the operating results of four highway common carriers which assertedly handle approximately 90 percent of the produce transported by for-hire highway carriers between the points here involved. The exhibits also show results of operations for transportation of general commodities as well as fruits and vegetables for the same period.

The exhibits indicate that the combined operations of the four carriers, for the year 1951, produced an operating ratio of 98.9 percent before provision for income taxes. To show the estimated results for the future under present rates, the 1951 figures were adjusted to reflect the increased revenues under current rate levels and increased expenses under present wage rates and diesel fuel taxes.² With these adjustments the anticipated revenues and expenses under the present rates for the carriers studied would be as follows:

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The engineer testified that increases had occurred in other costs but that he had made no provision in his study for these increases.

TABLE NO. 1

Carrier Code	Revenues			Total	Total Adjusted Expenses	(3) Net Income	(3) Operating Ratio
	(1) H.C.T.No.8	(2) H.C.T.No.2	Other				
A	\$ 593,785	\$ 986,460	-	\$1,580,245	\$1,563,287	\$16,958	98.93%
B	1,058,860	679,111	-	1,737,971	1,752,347	(14,376)	100.82
C	486,073	729,075	-	1,215,148	1,198,517	16,631	98.63
D	68,393	208,353	\$939	277,685	277,750	(65)	100.02
Totals	\$2,207,111	\$2,602,999	\$939	\$4,811,049	\$4,791,901	\$19,148	99.60%

(1) Highway Carriers' Tariff No. 8 - Applies on fruits and vegetables.

(2) Highway Carriers' Tariff No. 2 - Applies on general commodities.

(3) Before income taxes. Data after income taxes not submitted.

() - Indicates loss.

The effect of the proposed increase of 15 percent in the fruit and vegetable rates upon the net profits and the operating ratio, after income taxes, is indicated in the following table:

Total Revenues after adjustment for 15 percent increase on produce revenues	\$5,122,943
Total Adjusted Expenses before income taxes	<u>4,816,685</u>
Net Profit before income taxes	\$ 306,258
Operating Ratio before income taxes	94.02%
Income Taxes	\$ 146,660
Net Profit after income taxes	\$ 159,598
Operating Ratio after income taxes	96.88%

In addition to the increased rates herein sought a petition has been filed with the Commission seeking a 12 percent increase in the rates for the transportation of general commodities between the territories herein involved.³ When applied to the

³ Petitions have also been filed with the Commission seeking a 12 percent increase in the less-than-truckload rates in northern California and seeking increases of varying amounts in the state-wide rates for transportation of general commodities. The participation by the four carriers studied in the traffic covered by these petitions was not disclosed.

revenues of the four carriers studied, the sought increase together with those sought in the 12 percent proposal would produce an operating ratio before income taxes of 88.99 and 94.6 percent after income taxes.

Another carrier representative submitted evidence showing a comparison of the increases which have been accorded general commodities and those which have been accorded fruits and vegetables. According to these comparisons, increases which have been effected in the general commodity rates, during the past 10 years, range from 43.5 percent in Class C rates to 75.5 percent in the 4th class any-quantity rates. For fruits and vegetables between the points involved the increases range from 40 to 60 percent in the 24,000-pound and any-quantity rate scales, respectively.⁴

The amounts claimed as representing revenues earned under the produce rates as well as those shown for general commodities were not, except for one carrier, based upon actual experience but were predicated upon calculated estimates. For one of the carriers the produce revenues were developed upon a ratio of revenues between produce and general commodities handled during a one-month period. Similarly, for another the division of revenues was made upon a two-month study. For the third carrier the division of revenues between produce and general commodities was made on the basis of the tonnage of each class of freight handled. To compensate for a differential in rates between dry freight and produce, the dry freight tonnage of the latter carrier was arbitrarily increased 30 percent. The percentages of the produce revenues handled by the respective carriers were shown to be 37.4, 40.1 and 60.9. The other carrier's produce revenue was said to have been

⁴ In the 10,000-pound rate scales, the amount of increase in rates for both classes of commodities was shown to be identical.

determined upon the actual results of its operations. It represented 24.5 percent of the carrier's total revenues.

The propriety of the estimated results for three of the carriers was not sufficiently established to warrant the use of such data in determining the measure of revenues which would be subject to the proposed increase. This is particularly so because of the seasonal nature of the movements of fruits and vegetables. The actual results of the one carrier's operations are far too meager upon which to judge the needs of all. No segregation was made of the total expenses between the two classes of traffic. In the absence of such a segregation it cannot be determined that the ratio of expenses of the produce traffic is the same as the corresponding ratio for the over-all traffic. Necessarily, therefore, only the over-all operating results can be considered. ✓

The over-all operating results of the group of carriers studied under present rates would be 99.6 percent before income taxes. This, we believe, is indicative of the need for additional revenues. The over-all operating data, however, are the result of various transportation services subject to different rate scales and assertedly different costs.⁵ Standing alone these results afford no opportunity for determining the adequacy or inadequacy of any particular rate scale or of the rates for any particular commodity. Moreover, the comparisons of rate increases which have been applied to the two classes of traffic afford no basis for determining which, if any, of the produce rates should be revised.

While it is clear that the carriers studied require additional revenues to maintain and operate an efficient transportation service, this record affords no realistic opportunity of according an increase in rates to give the carriers such relief.

⁵ The record shows that produce requires a greater loading and unloading time than is experienced on general commodities.

In the circumstances, the sought increase will be denied. No further discussion of the evidence is necessary.

Counsel for petitioner pointed out that a state-wide study of the costs of transporting fruits and vegetables was in progress. He requested that this proceeding be kept open for the receipt of evidence in this respect. This request will be granted. When the parties advise the Commission that they are ready to proceed in this matter the petition will be set for further hearing.

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 interim increase sought in the petition, filed January 23, 1952, by The Truck Owners Association of California, be and it is hereby denied without prejudice.

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

Dated at San Francisco, California, this 29th day of April, 1952.

A. J. [Signature]
President

[Signature]

[Signature]
[Signature]

Commissioners

Commissioner JUSTIN E. CRASMAN, being necessarily absent, did not participate ~~in~~ the disposition of this proceeding.