

**ORIGINAL**

Decision No. 47436

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

|                                     |   |               |
|-------------------------------------|---|---------------|
| In the Matter of the Investigation  | } | Case No. 4808 |
| into the rates, rules, regulations, |   |               |
| charges, allowances and practices   |   |               |
| of all common carriers, highway     |   |               |
| carriers and city carriers relating |   |               |
| to the transportation of property.  | } |               |

Appearances

- Edward M. Berol, Frank M. Chandler and Robert O. Boynton, for Truck Owners Association of California, petitioner.
- Francis X. Vieira, for N. A. Gotelli Trucking Co., in support of petitioner. ✓
- L. W. L. Cooper, Joseph G. Fitzhenry, R. C. Neill, Lester Parker, Thomas R. Phillips and Charles C. Wilson, for various carriers, shippers and shipper organizations, interested parties. ✓
- Grant L. Malquist, for the Commission's staff.

INTERIM OPINION

By Decision No. 47064 of April 29, 1952, in this proceeding, the Commission denied the request of the Truck Owners Association of California for a 15 percent interim increase in minimum rates for the transportation of fresh fruits and vegetables between Los Angeles territory, on the one hand, and San Francisco and Sacramento territories, on the other. By petition filed May 16, 1952, the association requested reconsideration and rehearing of the matter. In addition, petitioner seeks increases of a like amount (15 percent) in all other state-wide minimum rates established for the transportation of fresh fruits and vegetables.

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<sup>1</sup> The rates in issue are those set forth in Highway Carriers' Tariff No. 8 (Appendix "C" to Decision No. 33977, as amended, in Case No. 4293.)

Public hearings were held before Examiner Lake at San Francisco on June 19 and 20, 1952. Evidence was submitted by petitioner and by carriers which allegedly are substantial haulers of fruits and vegetables. Members of the Commission's staff and shipper representatives assisted in the development of the record through cross-examination of the witnesses. No one opposed the granting of the relief sought.

Assertedly, the proposed increases are of an emergency nature to accord the carriers immediate relief to meet the higher costs of transportation resulting from increases in wages and certain material and supplies. They are sought for a temporary period, to apply pending completion of the development of a study<sup>2</sup> to determine the propriety of a state-wide rate adjustment.

Petitioner contends that the financial position of the carriers which are engaged in the transportation of the commodities here in issue is precarious. It alleges that the effect of the present rates upon the net earning position of the carriers "imminently threatens their ability to provide a full and adequate service for the shipping public."

The fruit and vegetable rates were last adjusted effective March 4, 1951. Petitioner pointed out that since that time the carriers have experienced substantial increases in the costs of operations, particularly with respect to the cost of labor. According to the record, labor costs since the last rate adjustment for drivers, mechanics and platform men have increased the carriers' payroll expenses by more than 12 percent. Since the issuance of

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<sup>2</sup> According to the record, the study in issue is almost complete. The first hearing to be held in connection therewith is scheduled for September 3, 1952.

Decision No. 47084, supra, wage increases amounting to 19 cents per hour, plus an increase in the health and welfare fund, have been accorded the over-the-road drivers.<sup>3</sup> It is to be noted that the increases which exceed 14 cents per hour require the approval of the Wage Stabilization Board.<sup>4</sup>

The transportation of fruits and vegetables is of a specialized nature. The producing seasons are of relative short duration and vary with the type of produce and the geographical location of the producing area. Because of the inherent nature of the commodities here involved and their perishable characteristics, specialized equipment, personnel and handling are required. Generally this transportation comprises only a one-way movement. It is from the producing areas to markets. On return hauls and during off-season periods the produce carriers transport dry freight.

Petitioner pointed out that the minimum rates established for the transportation of dry freight have been subjected to two increases since the fruit and vegetable rates were last adjusted.<sup>5</sup> These adjustments, they alleged, were designed to offset higher costs of operations. They assert that the costs of handling produce are as great as, or greater than, those experienced in handling dry freight subject to corresponding classification ratings. Higher costs, petitioner's witnesses testified, for the transportation

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<sup>3</sup> Other crafts have also been accorded increases in wages or are in the process of negotiations therefor.

<sup>4</sup> Petitions for this approval have been filed with the controlling agency.

<sup>5</sup> The rates for shipments of general commodities weighing 20,000 pounds and less, were increased by varying amounts effective April 2, 1951. Effective June 24, 1952, all the rates on general commodities were further increased by a 9 percent surcharge.

of fruit and vegetable traffic stem from the perishable nature of the commodity which requires refrigeration and expeditious and careful handling. Loading requires longer time, they stated, and unloading necessitates additional manpower and higher rates of pay than is usually incurred in the handling of shipments of other commodities of comparable weights.

A consulting engineer employed by the association submitted a study of the operating results under present and proposed rates. The study embraces the operations for a 12-month period ending March 31, 1952, of 13 carriers who allegedly handle approximately 90 percent of the fruit and vegetable traffic moving under the rates here involved. The operating results under the present rates experienced by these carriers, after adjustment for wage and fuel tax increases and for what the witness considered equitable management salaries are indicated in the following table:

TABLE NO. 1

| R E V E N U E S |                   |                   |             |              |                         |                             |                      |                                     |  |
|-----------------|-------------------|-------------------|-------------|--------------|-------------------------|-----------------------------|----------------------|-------------------------------------|--|
| Carrier Code    | (1)<br>H.C.T.No.8 | (2)<br>H.C.T.No.2 | Other       | Total        | %<br>Produce<br>Revenue | (3)<br>Adjusted<br>Expenses | (4)<br>Net<br>Income | (4)<br>%<br>Oper-<br>ating<br>Ratio |  |
| 1               | 73,662            | 14,309            | 172,176     | 260,147      | 28.3                    | 248,345                     | 11,802               | 95.5                                |  |
| 2               | 40,336            | 26,380            | —           | 66,716       | 58.7                    | 70,250                      | (3,534)              | 105.3                               |  |
| 3               | 1,194,562         | 692,581           | —           | 1,887,143    | 63.3                    | 1,910,957                   | (23,814)             | 101.3                               |  |
| 4               | 717,020           | 816,653           | 387,259     | 1,920,932    | 37.3                    | 1,942,076                   | (21,144)             | 101.1                               |  |
| 5               | 132,346           | 28,666            | 151,765     | 312,777      | 42.3                    | 335,848                     | (23,071)             | 107.4                               |  |
| 6               | 44,605            | 222,406           | —           | 267,011      | 16.7                    | 265,118                     | 1,893                | 99.3                                |  |
| 7               | 54,034            | 81,050            | 49,852      | 184,936      | 29.2                    | 199,764                     | (14,828)             | 108.0                               |  |
| 8               | 481,000           | 786,433           | —           | 1,267,433    | 38.0                    | 1,323,841                   | (56,408)             | 104.5                               |  |
| 9               | 176,303           | 5,804,808         | 520,095     | 6,501,206    | 2.7                     | 6,483,162                   | 18,044               | 99.7                                |  |
| 10              | 184,664           | 353,930           | —           | 538,594      | 34.2                    | 596,000                     | (57,406)             | 110.7                               |  |
| 11              | 13,363            | 329,964           | —           | 343,327      | 3.9                     | 384,538                     | (41,211)             | 112.0                               |  |
| 12              | 137,567           | 70,024            | 17,741      | 225,332      | 61.1                    | 215,558                     | 9,774                | 95.7                                |  |
| 13              | 37,373            | 49,463            | 41,095      | 127,931      | 29.1                    | 127,674                     | 257                  | 99.8                                |  |
| TOTALS          | \$3,286,835       | \$9,276,667       | \$1,339,983 | \$13,903,485 | 23.6                    | \$14,103,131                | (\$199,646)          | 101.4                               |  |

( ) - Indicates Loss

(1) Highway Carriers' Tariff No. 8 (fresh fruits and vegetables).

(2) Highway Carriers' Tariff No. 2 (general commodities).

(3) Does not include the amount of wage increases for which authority must be secured from the Wage Stabilization Board.

(4) Before income taxes.

Table No. 2, set forth below, shows what the estimated results of operations would have been for the same 12-months period ending March 31, 1952, under the proposed 15 percent increase on fresh fruits and vegetables and under the 9 percent horizontal adjustment in the general commodity rates (Highway Carriers' Tariff No. 2) which became effective June 24, 1952.

TABLE NO. 2

| Carrier Code | REVENUES           |                    |             | Total        | %    | (3)<br>Adjusted Expenses | (4)<br>Net Income | (4)<br>Operating Ratio |
|--------------|--------------------|--------------------|-------------|--------------|------|--------------------------|-------------------|------------------------|
|              | (1)<br>H.C.T.No. 8 | (2)<br>H.C.T.No. 2 | Other       |              |      |                          |                   |                        |
| 1            | \$ 84,711          | \$ 15,597          | \$ 172,176  | \$ 272,484   | 31.1 | \$ 256,993               | \$ 15,491         | 94.3                   |
| 2            | 46,386             | 28,754             | --          | 75,140       | 61.7 | 72,038                   | 3,102             | 95.9                   |
| 3            | 1,373,746          | 754,913            | --          | 2,128,659    | 64.5 | 2,001,975                | 126,684           | 94.0                   |
| 4            | 824,573            | 890,152            | 387,259     | 2,101,984    | 39.2 | 2,007,995                | 93,989            | 95.5                   |
| 5            | 152,198            | 31,246             | 151,765     | 335,209      | 45.4 | 338,596                  | (3,387)           | 101.0                  |
| 6            | 51,296             | 242,423            | --          | 293,719      | 17.5 | 275,845                  | 17,874            | 93.9                   |
| 7            | 62,139             | 88,344             | 49,852      | 200,335      | 31.0 | 200,726                  | (391)             | 100.2                  |
| 8            | 553,150            | 857,212            | --          | 1,410,362    | 39.2 | 1,358,742                | 51,620            | 96.3                   |
| 9            | 202,748            | 6,327,241          | 520,095     | 7,050,084    | 2.9  | 6,719,476                | 330,608           | 95.3                   |
| 10           | 212,364            | 385,784            | --          | 598,148      | 35.5 | 599,901                  | (1,753)           | 100.3                  |
| 11           | 15,367             | 359,661            | --          | 375,028      | 4.1  | 387,315                  | (12,287)          | 103.3                  |
| 12           | 158,202            | 76,326             | 17,741      | 252,269      | 62.7 | 230,706                  | 21,563            | 91.5                   |
| 13           | 42,979             | 53,915             | 41,095      | 137,989      | 31.1 | 131,628                  | 6,361             | 95.4                   |
| TOTALS       | \$3,779,859        | \$10,111,568       | \$1,339,983 | \$15,231,410 | 24.8 | \$14,581,936             | \$649,474         | 95.7                   |

( ) - Indicates Loss

(1) Highway Carriers' Tariff No. 8 (fresh fruit and vegetables).

(2) Highway Carriers' Tariff No. 2 (general commodities).

(3) Includes income taxes and gross revenue expenses but does not include the amount of wage increases for which authority must be secured from the Wage Stabilization Board.

(4) After income taxes.

It will be noted that in Table No. 2 the fruit and vegetable revenues for Carriers Nos. 9 and 11 constitute only 2.9 and 4.1 percent, respectively, of their total revenues. In addition, the revenues shown for Carriers Nos. 4 and 8 were based upon estimates. Excluding the results of the aforementioned carriers the operating results for the remaining 9 carriers, under the adjustments reflected in Table No. 2, would be as follows:

TABLE NO. 3

|                    | <u>Under Present<br/>Rates</u> | <u>Under Proposed<br/>Rates</u> |
|--------------------|--------------------------------|---------------------------------|
| Revenues:          |                                |                                 |
| H.C.T. No. 8       | \$1,899,149                    | \$2,184,021                     |
| H.C.T. No. 2       | 1,677,302                      | 1,677,302                       |
| Other              | <u>432,629</u>                 | <u>432,629</u>                  |
| Total              | \$4,009,080                    | \$4,293,952                     |
| % Produce to total | 47.4%                          | 50.9%                           |
| Expenses           | \$3,969,514                    | \$4,122,928                     |
| Net Income         | \$ 39,566*                     | \$ 185,544**                    |
| Operating Ratio    | 99.0% *                        | 96.0% **                        |

\* Before Income Taxes

\*\* After Income Taxes

The record is clear that the revenues of the carriers engaged in the transportation of fruits and vegetables are insufficient to meet the increased costs of operation and afford efficient transportation services. However, here as in the prior proceeding (Decision No. 47084 supra), the record falls short of providing the data from which can be determined the adjustments necessary in the various rate scales applicable to both classes of freight. It is apparent, however, that the increased costs which have been experienced by the carriers are common to both the produce and dry freight

traffic. As hereinbefore stated, the rates on dry freight were increased, effective June 24, 1952, by a 9 percent surcharge. A like increase, to be effective for 120 days, will be authorized in the rates for fruits and vegetables. Based upon the operating results shown in Table No. 3, the rates herein authorized would produce an operating ratio of 98.3 percent after income taxes.

While the adjustment in rates herein authorized may not give effect to all of the costs and other rate-making elements, it will restore the relationship between the rates for produce and dry freight which has prevailed for several years. Moreover, the adjustment is of a temporary emergency nature. All parties will have full opportunity to present all of the facts and circumstances upon which they rely to establish rates of a more permanent nature at further hearings to be held in this matter.

Upon consideration of all the facts and circumstances of record, we are of the opinion and hereby find that an interim increase of 9 percent in the existing rates, rules and regulations of Highway Carriers' Tariff No. 8 is justified.

O R D E R

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

IT IS HEREBY ORDERED that Highway Carriers' Tariff No. 8 (Appendix "C" to Decision No. 33977, as amended) be and it is hereby further amended by incorporating therein to become effective July 23, 1952, Supplement No. 5 cancels Supplement No. 4, attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that tariff publications required to be made by common carriers as a result of this order may

be made effective not earlier than July 23, 1952, and on not less than one (1) day's notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that common carriers be and they are hereby authorized to depart from the provisions of Article XII, Section 21, of the Constitution of the State of California, and Section 460 of the Public Utilities Code to the extent necessary to adjust long and short haul departures now maintained under outstanding authorizations and to depart from the provisions of Tariff Circular No. 2 and General Order No. 80 to the extent necessary to carry out the effect of the order herein.

IT IS HEREBY FURTHER ORDERED that, except to the extent provided for in the preceding ordering paragraphs, the petition of the Truck Owners Association of California, filed May 16, 1952, in this proceeding, be and it is hereby denied.

In all other respects the aforesaid Decision No. 33977, as amended, shall remain in full force and effect.

The effective date of this order shall be July 22, 1952.

Dated at San Francisco, California, this 8<sup>th</sup> day of July, 1952.

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President  
  
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\_\_\_\_\_  
  
\_\_\_\_\_  
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

SPECIAL INCREASE SUPPLEMENT

SUPPLEMENT NO. 5  
(Cancels Supplement No. 4)

To

HIGHWAY CARRIERS' TARIFF NO. 8

Naming

MINIMUM RATES, RULES AND REGULATIONS

For The

TRANSPORTATION OF FRESH FRUITS, FRESH

VEGETABLES AND EMPTY CONTAINERS OVER

THE PUBLIC HIGHWAYS BETWEEN POINTS

IN THE STATE OF CALIFORNIA AS

DESCRIBED HEREIN

BY

RADIAL HIGHWAY COMMON CARRIERS

AND

HIGHWAY CONTRACT CARRIERS

◇ (1) APPLICATION OF SURCHARGE

(a) Except as provided in paragraph (b) below, compute the amount of charges in accordance with the rates, rules and regulations of the tariff. Increase the amount so computed by nine (9) percent, dropping fractions of less than one-half cent and increasing fractions of one-half cent or greater to one cent.

(b) The provisions of paragraph (a) will not apply to common carrier rates used under the provisions of Items Nos. 210, 220, 230 and 240 series.

◇ Increase, Decision No. 47436

(1) Expires with November 20, 1952, unless sooner canceled, changed or extended.

EFFECTIVE JULY 23, 1952

Issued by the  
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
State Building, Civic Center  
San Francisco, California