

**ORIGINAL**

Decision No. 48487

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
J. A. Nevis Trucking, Inc., for an ) Application No. 34063  
emergency increase in rates and )  
revenue. )

Willard L. Johnson and Fred H. Chesnut,  
for applicant.  
Robert A. Penk and C. H. Costello, for  
Continental Can Co., Frank L. Merwin,  
for Kaiser Steel Corporation, and  
Jack Henderson, for Paxton Truck Co.,  
interested parties.  
Grant L. Malquist, for the staff of the  
Commission.

O P I N I O N

J. A. Nevis Trucking, Inc., operates as a highway common carrier of property between points in the territory extending generally from Sacramento and Santa Rosa on the north to Santa Ana and San Bernardino on the south.<sup>1</sup> By this application, it seeks authority to increase certain of its rates and to discontinue other rates on less than statutory notice.

A public hearing of the application was held at San Francisco on March 11 and 13, 1953, before Examiner Jacopi.<sup>2</sup> Evidence was introduced by applicant's president, its secretary-treasurer and its traffic manager and by a consulting engineer retained by applicant. A member of the Commission's staff participated in the development of the record through examination of the witnesses.

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<sup>1</sup> In general, the operations are limited to iron and steel articles, roofing, building and paving materials, waste paper and other materials, lumber and forest products, clay and clay products and petroleum and its products, in quantities of 30,000 pounds or more.

<sup>2</sup> The application was filed with the Commission on February 2, 1953.

Applicant's rate structure consists of class and commodity rates on the level of the established minimum rates for the transportation of general commodities. The commodity rates include rail competitive rates on various commodities, including iron and steel articles, of the same volume as those maintained by the rail lines. The record shows that the competitive rates were established by applicant to meet rail competition and that of other highway carriers who observe rail rates. Under applicant's proposal herein, its rail competitive rates on iron and steel articles between points in northern and southern California areas which are subject to a minimum weight of 60,000 pounds would be replaced by higher rates based upon a minimum weight of 40,000 pounds. A new proportional rate of 38 cents per 100 pounds, minimum weight 60,000 pounds, for use only as a factor in constructing rates from, to or between off-rail points in the aforesaid areas would be established in lieu of the present rate of 34.98 cents per 100 pounds, minimum weight 60,000 pounds. In addition, the present rail competitive rates of 9.1 cents per 100 pounds, minimum weight 60,000 pounds, and 11.66 cents per 100 pounds, minimum weight 50,000 pounds, on iron and steel articles moving between various points in the San Francisco Bay area would be raised to 10.5 cents per 100 pounds and 14 cents per 100 pounds, respectively. It is proposed also to discontinue various rail competitive rates under which there has been no movement for the past 12 months.

According to the testimony of the witnesses for applicant, the company's financial position has become critical due to the inadequacy of its present rates under steadily increasing cost levels. Exhibits of record showed that operations in the year 1952 under the present rates produced net earnings of only \$6,196 before income taxes. The revenue for the year amounted to \$2,087,427, the operating expenses were \$2,081,231 and the operating ratio before taxes

was 99.7 per cent. The evidence disclosed also that increases in wages and in the cost of insurance and fuel which occurred since the end of 1952 were equal to \$47,196 per year and that if these advances in expenses had been in effect during 1952 the operations under the present rates would have been conducted at a loss.

Applicant's witnesses stated that because of the competitive influences confronting the company, as reflected in its rate structure, a consulting engineer was retained to determine the traffic movements mainly contributing to the company's poor earning position and to recommend the remedial action to be taken. The detailed studies made by the engineer were introduced in evidence by him. The studies disclosed that various rail competitive rates now maintained by applicant failed to cover the cost of transporting iron and steel articles, including tin plate, in both directions between Pittsburg and other San Francisco Bay area points, on the one hand, and Los Angeles and other points in southern California territory, on the other hand, and also from Pittsburg and adjacent points to Oakland and San Jose and points grouped therewith. The record shows that the tonnage involved in the foregoing movements under the rail competitive rates represents the bulk of applicant's total traffic. As summarized from the engineer's exhibits, the tabulation which follows shows a comparison of the costs incurred by applicant in performing the transportation in question with the present and proposed rail competitive rates for movements of iron or steel articles, including tin plate.

<u>Between</u>	<u>And</u>	(In Cents Per 100 Pounds)		
		<u>Applicant's Costs</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Pittsburg	Los Angeles area	43.4	34.98	47.0
Pittsburg	Oakland area	9.33	9.01	10.5
Pittsburg	San Jose area	12.45	11.66	14.0

It was determined also that the other rail competitive rates named in applicant's tariffs do not require adjustment at this time and no increase thereof is being sought. Neither is any upward

adjustment proposed in applicant's other rates consisting of distance class and commodity rates which are on the level of the established minimum rates. It was pointed out that these class and commodity rates already had been increased pursuant to the upward adjustment of the minimum rates on general commodities made effective March 1, 1953.

The witnesses for applicant agreed that the establishment of the higher rail competitive rates proposed herein would result in some loss of traffic to competing services. They anticipated that the traffic loss generally would amount to 10 per cent except for the movement of tin plate now handled by applicant between the Los Angeles territory and Pittsburg and other San Francisco Bay area points. The witnesses asserted that all of the tin plate traffic would be lost. They pointed out, however, that the various rates that would be adjusted under the proposals herein were those which it was clear no longer were compensatory. Assertedly, these adjustments reflected the judgment of applicant's officials relative to the rate changes that could be made under current competitive conditions which would result in the improvement of applicant's financial position. The proposed higher rates and those resulting from the recent upward adjustment of the established minimum rates, it was estimated, would provide additional revenue of \$171,773 per year.

Calculations of the future annual operating results anticipated under the proposed rates were submitted by the consulting engineer retained by applicant. The calculations were based upon the actual operations for the year 1952. He adjusted the revenues to include the additional amounts expected from the proposed rates and also from the rate adjustments recently made in conformity with those authorized in the established minimum rates. The loss of traffic expected to result from the higher rates also was given effect in the calculations. All known advances in costs were provided for in the estimate of the operating expenses. Adjustments were made also to

provide for reductions in certain expenses attributable to the aforesaid loss of traffic. The estimated annual operating results under the sought rates shown below were taken from the consulting engineer's exhibits.

Adjusted Estimated Annual Revenues and Operating Expenses  
For a Test Year Based upon the Proposed Rates

Revenues	\$2,259,200
Operating Expenses	* 2,125,905
Net Operating Revenue	<u>133,295</u>
Income Taxes	<u>50,010</u>
Net Income	83,285
Estimated Rate Base	** 1,034,240
Rate of Return	8.05%
Operating Ratio after Income Taxes	96.3 %

\* Adjusted to include provision for gross revenue tax.

\*\* Adjusted to provide for the effect of the extension of service lives on trailers.

Copies of the application herein were served by applicant upon each of its shippers and upon chambers of commerce of the principal cities between which the operations are conducted. In addition, the Commission's secretary sent notices of the hearing to other parties believed to be interested. No one appeared in opposition to the granting of the application.

The record made in this proceeding shows that under current cost levels the revenue under applicant's present rates is insufficient to cover the cost of operation. The rate changes proposed appear to be a studied effort on the part of applicant's management to place the company's earning position on a compensatory basis by adjusting competitive rates which have been found to be too low and have contributed materially to the present adverse financial condition. The earnings set forth in the tabulation shown above which would result from the sought rate adjustments are reasonable. The application will be granted.

Applicant has requested authority to establish the proposed rates on five days' notice. It has requested also that it be granted relief from the long and short haul provisions of Article XII, Section 21 of the Constitution of the State of California, and Section 460 of the Public Utilities Code in order to establish the proposed rates between Los Angeles and other points in southern California grouped therewith in applicant's tariff and Pittsburg and other points in the San Francisco Bay area tariff group and also between Pittsburg and Oakland. For the competitive reasons that departures from the above statutory provisions were authorized in connection with the establishment of applicant's present rates, like authority is justified for the increased rates herein authorized to be established between the aforesaid points. The requested authority will be granted.

Upon careful consideration of all of the facts and circumstances of record, the Commission finds as a fact that the increases in rates proposed in the application filed in this proceeding are justified.

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 J. A. Nevis Trucking, Inc., be and it is hereby authorized to establish in its tariffs, on not less than five days' notice to the Commission and to the public, the increased rates and changes in rates proposed in the application filed in this proceeding and specifically set forth in Exhibit No. 1 herein, and to depart from the long and short haul 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 shown in the foregoing opinion as necessary to establish the rates proposed and authorized herein.

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

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

Dated at San Francisco California, this 14<sup>th</sup> day of April, 1953.

R. J. [Signature]  
President  
Justice J. Cassel  
Harold P. Kula  
[Signature]  
[Signature]  
Commissioners