

Decision No. 50786

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of BRUNO MALUCCHI, doing business)
under the firm name and style of the)
A. M. DEVINCENZI COMPANY, for an)
order granting permission to charge)
less than the minimum rates for the)
transportation of flour for certain)
customers located near 1598 Carroll)
Avenue in the City and County of)
San Francisco.)

Application No. 35575

Delaney, Fishgold, Freitas and Rowe, by
Matthew M. Fishgold, for applicant.
Russell Bevans, for Draymen's Association
of San Francisco, interested party.
Owen G. Stanley and John W. Mallory, of
the Commission's staff.

O P I N I O N

Bruno Malucchi, an individual doing business as A. M. Devincenzi Company, operates as a city carrier in the transportation of property within San Francisco.¹ By this application, as amended, he seeks authority to transport flour for Monarch Flour Company and eight other flour companies² at rates less than those established as minimum.

A public hearing of the application was held at San Francisco on August 19, 1954, before Examiner Carter R. Bishop.

The record shows that six of the flour companies involved have storage facilities in warehouses owned by applicant and which are adjacent to his terminal, located in the southeast section of

¹ Applicant also holds radial highway common carrier and highway contract carrier permits from this Commission. Additionally, he derives a small portion of his revenues from warehousing services.

² The eight other companies are: Fischer Flour Mills, Centennial Flour Mills, Cook Flour Company, Coast-Dakota Flour Company, General Mills, Terminal Flour Mills, Northwest Flour Mills and the Blue and Gold Sales Service.

San Francisco. General Mills has spur track facilities, also adjacent to applicant's terminal. The eighth concern, Coast-Dakota Flour Company, is located on Bayshore Boulevard, directly on the route of applicant's trucks between his terminal and the other areas of the city. The shipments of flour move from the above-described facilities to consignees throughout San Francisco. These are in most instances restaurants, hotels and bakeries. Assertedly, most of the individual shipments consist of from 10 to 20 sacks of flour, each weighing 100 pounds. The record shows also that the transportation of flour comprises approximately 95 per cent of applicant's San Francisco drayage operations. He estimates that he hauls about 500 tons of flour per month in that service.

The established minimum rates for the transportation in question are set forth in Items Nos. 390 and 392 series of City Carriers' Tariff No. 1-A. In most instances the rates are stated in cents per shipment. They vary according to weight of shipment and depending upon whether deliveries are made at tailgate or inside consignee's premises. Pursuant to Decision No. 49886, dated April 6, 1954, in Case No. 4084, the minimum rates on flour were increased from their previous levels.³ The rates for which authority is sought herein are higher than those in effect prior to the time of the above-mentioned adjustments, but are lower than the current minimum rates.

Testimony in support of the application was presented by applicant, by his accountant and by the proprietor of Monarch Flour Company. According to the record, the transportation by applicant of flour in San Francisco drayage is accomplished with unusual efficiency. Since the facilities of all of the consignors, except one,

³ Most of the rates in question became effective June 1, 1954. Those applicable to "inside" deliveries of shipments weighing not over 2,150 pounds went into effect on September 1, 1954. In Appendix "A" attached hereto, the rates sought herein are compared with the present minimum rates.

are located adjacent to applicant's terminal practically no time is consumed by applicant's equipment in going from the terminal to points of pickup. Moreover, no additional mileage is involved in making pickups at the facilities of Coast-Dakota Flour Company, since applicant's trucks uniformly pass the premises of that company en-route from his terminal to the various points of delivery. Assertedly, the trucks are fully loaded either when they leave the warehouses adjacent to applicant's terminal or when they leave the Coast-Dakota plant. Applicant's dispatcher plans the loading of the equipment so that all deliveries from a single unit on a particular trip will be made in the same part of the city.

Applicant's accountant introduced financial statements in which results of applicant's operations for the six-month period ending June 30, 1954, were set forth. Revenues for the period, from all sources, amounted to \$112,697 and expenses totaled \$97,916, leaving an operating income of \$14,781 before provision for income taxes. According to the exhibits, applicant's revenues from city drayage operations for the period in question totaled \$56,941. In order to arrive at the expenses incurred in connection with those operations the accountant had allocated the various expense items between the city drayage, highway and warehouse services on a revenue basis.⁴ He thus calculated the drayage expenses to be \$50,453, and the net operating revenue from the drayage services before taxes to be \$6,488. The witness said that the method employed in ascertaining that proportion of the total expenses which was attributable to applicant's city carrier operations was the only practical one. Applicant does not maintain separate expense records for the different

⁴ Of the total revenues for the period employed in the exhibits 36 per cent accrued from highway operations, 51 per cent from San Francisco drayage and 13 per cent from warehouse services. Of the transportation revenues 42 per cent was derived from drayage and 58 per cent from highway movements.

classes of services rendered. Assertedly, it would be a very difficult and expensive task to break down the expenses between the highway and city carrier operations. According to the accountant, the size of applicant's business would not warrant such a procedure.

The accountant's exhibits did not make provision in the expense items for the services rendered by applicant and his wife. Applicant testified that an allowance of \$750 per month for this purpose would be fair. After adjusting the total expenses by inclusion of this salary item and elimination of certain questionable items,⁵ the expenses allocated to city carrier operations for the selected period would, under the method employed by the accountant, be \$50,047. Net operating revenues from those operations would amount to \$6,894, before provision for income taxes. The net operating revenue after taxes would be \$3,277, reflecting an operating ratio of 94.2 per cent.

The owner of Monarch Flour Company, testifying in support of the application, indicated that the competitive nature of the flour business made it imperative that the sought rates be authorized. He pointed out that the recent increase in minimum rates, for a 1,000-pound lot of flour, reflected an increase in transportation charges of 12 cents per sack. Assertedly, he would not be in a position to absorb the increase, which would of necessity be passed on to his customers. It was his position that if he had to raise his prices to reflect the increase in rates he would lose most of his accounts. He asserted that he was reliably informed that certain large flour concerns would do their own hauling rather than pay the higher rates, and would thus not find it necessary to increase their prices to the

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The expenses in question were for interest payments and for legal and professional services, both incurred in connection with applicant's acquisition of the business from predecessor owners.

consumer.⁶ Such an eventuality, the witness asserted, would have a serious effect on his business, and would result in less traffic for applicant.

Counsel for applicant and the interested parties stipulated that representatives of five other concerns for whom applicant transports flour within San Francisco would, if called, testify to the same effect as did the proprietor of the Monarch Flour Company.

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

The evidence discloses that virtually all of applicant's operations as a city carrier have been and are devoted to the transportation of flour; that, from the best available data, his city carrier operations during a recent six-month period have been profitable; and that during that period the rates which he assessed for said transportation were lower than those for which he now seeks authority. Additionally, the record indicates that applicant does not anticipate any increased operating costs during the months ahead. Furthermore, the evidence is convincing that the sought rates are necessary to retain the traffic for for-hire carriage.

The Commission is of the opinion and hereby finds that the proposed reduced rates are reasonable and consistent with the public interest. The application will be granted. Since the circumstances may change, however, the authority will expire at the end of one year, unless sooner canceled, changed or extended by order of the Commission.

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Applicant alleged, in this connection, that if the sought relief were not authorized the consignees would commence picking up the flour in their own trucks, thus eliminating the factor of for-hire transportation.

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 Bruno Malucchi, doing business as A. M. Devincenzi Company, operating as a city carrier, be and he is hereby authorized to transport flour for Monarch Flour Company, Fischer Flour Mills, Centennial Flour Mills, Cook Flour Company, Coast-Dakota Flour Company, General Mills, Terminal Flour Mills, Northwest Flour Mills, and Blue and Gold Sales Service from their established places of business in San Francisco to points and places within the city and county limits of San Francisco, at rates less than the minimum rates but not less than those set forth in the column headed "Proposed Rates" in Appendix "A" hereof.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire one year after the effective date of this order unless sooner canceled, changed or extended by order of the Commission.

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

Dated at San Francisco, California, this 23rd day of NOVEMBER 1954.

Arthur E. Mitchell
President

Justin J. Cassel

Deane Higgins

Paul H. Bremer

Commissioners

Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX "A"

FLOUR

(Rates Per Shipment, Except as Noted)

Weight (Pounds)		Present Minimum Rates		Proposed Rates (Cents)#
Over	But Not Over	Sidewalk Deliveries (Cents) (1)	Inside Deliveries (Cents) (2)	
0	350	200	250	195
350	500	260	250	195
500	750	315	335	235
750	1,000	350	335	235
1,000	1,250	380	410	325
1,250	1,500	415	410	325
1,500	1,750	450	515	417
1,750	2,000	485	515	417
2,000	2,150	555	515	417
2,150	2,500	555	24*	22.5*
2,500	3,000	630	24*	22.5*
3,000	3,500	700	24*	22.5*
3,500	4,000	785	24*	22.5*
4,000	4,500	870	24*	22.5*
4,500	5,000	950	24*	22.5*
5,000	6,000	1,120	18*	18 *
6,000	7,000	1,285	18*	18 *
7,000	8,000	1,375	18*	18 *
8,000	9,000	1,465	18*	18 *
9,000	10,000	1,550	18*	18 *
10,000	-	15.5*	15.5*	15.5*

(1) Applies on "Inhaul", "Shipping" or "City" deliveries.

(2) Applies on "City" deliveries.

To apply on both sidewalk and inside deliveries.

* Rate in cents per 100 pounds.