

ORIGINAL

Decision No. 52367

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 general commodities (commodities
 for which rates are provided in Minimum
 Rate Tariff No. 2)

Case No. 5432
 Petition No. 72

In the Matter of the Application of A & B
 GARMENT DELIVERY OF SAN FRANCISCO, a cor-
 poration, for an order authorizing
 departure from the rates, rules, and regu-
 lations of Minimum Rate Tariff No. 2,
 under the provisions of Section 3666 of
 the Public Utilities Code.

Application No. 37510

Daniel W. Baker and Tom Maxwell, for petitioner-
 applicant.
Russell Bevans, for Draymen's Association of
 San Francisco; and Roger Ramsey, for United
 Parcel Service; interested parties.
Grant L. Malquist and John R. Laurie, for the
 Commission's staff.

O P I N I O N

A & B Garment Delivery of San Francisco, a corporation,
 operates as a highway permit, and highway common carrier in the
 transportation of property between points in this state. By Petition
 for Modification No. 72 in Case No. 5432, as amended, it seeks
 authority to publish in its common carrier tariff, and in tariffs
 issued for its account, a vehicle unit rate of \$5.60 per hour for
 the transportation of garments and related articles¹ between points
 within the so-called "San Francisco-East Bay Cartage Zone",² also
 between San Francisco, San Jose and points located intermediate

¹ The complete list of commodities embraced by the proposal is set forth in Exhibit "A" of the petition.

² The San Francisco-East Bay Cartage Zone is defined in Decision No. 50872, dated December 14, 1954, in Case No. 5535 (53 Cal. P.U.C. 696).

thereto on U. S. Highways Nos. 101 and 101 By-Pass. The sought rate would constitute a deviation from outstanding minimum rate orders.

By Application No. 37510, as originally filed, A & B Garment Delivery of San Francisco sought authority to apply, as a highway permit carrier, the above-mentioned rate of \$5.60 per hour for the transportation of garments and related articles between San Mateo, San Jose and points intermediate thereto. Such authority was sought for a limited period, ending with January 8, 1956, after which date applicant expects to commence operating between the points in question as a highway common carrier, pursuant to authority granted it by Decision No. 52067, dated October 11, 1955, in Application No. 36312. At the conclusion of the hearing of the matters involved herein, counsel for applicant amended Application No. 37510 by withdrawing the request for rate relief as a highway permit carrier. That action is equivalent to a request for dismissal of the application, and will be so considered herein.

Public hearing of these matters was held at San Francisco on December 7, 1955, before Examiner Carter R. Bishop.

The record shows that A & B Garment Delivery has, continuously since 1947, operated as a specialized carrier of garments and related articles between points in the San Francisco Bay Region.³ Most of the garments transported are moved on hangers. The remainder of the shipments are in cartons or crates. Service is generally rendered between manufacturers, wholesalers and retail stores. The record shows also that petitioner's present rates for the transportation here in issue are assessed on the basis of weight and that in

³ Originally the business was conducted as a partnership, in 1951 it became a proprietorship, and in 1955 the present corporation was formed.

addition thereto, on shipments of hanging garments, a charge of 25 cents per bag is made. Under the sought hourly vehicle unit rate, the transportation would be limited to movements between retail stores, and between retail stores, on the one hand, and warehouses thereof, on the other. The rate would also be limited to shipments weighing not more than 4,500 pounds. Bridge tolls and payments of overtime wages would be in addition to charges based on the sought rate.⁴

Petitioner's vice-president and general manager testified regarding the genesis of the request herein. He stated that one of petitioner's customers is Roos Brothers, a retail clothing chain; that petitioner has regularly, since 1947, transported clothing, on hangers and in packages, for that concern, between its retail stores located in the San Francisco Bay area; and that the revenues derived from the Roos Brothers traffic now constitute approximately 20 per cent of petitioner's gross revenues. The witness further stated that Roos Brothers has been approached by a competing carrier, United Parcel Service, which has offered to handle the above-described traffic on the basis of an hourly vehicle unit rate of \$5.60, with a consequent reduction in Roos Brothers' transportation costs. The vice-president pointed out, in this connection, that United Parcel Service is specifically exempted from observing the Commission's minimum rate orders relating to the transportation in question.⁵ Roos Brothers, he stated, has informed petitioner that, unless a rate of the same volume and kind can be established and

⁴ According to the application, time would be computed from the time the vehicle leaves the carrier's place of business until it returns to said place of business. Petitioner would, at all times, retain full control of its drivers and vehicles utilized in the transportation in question.

⁵ This exemption is contained in Finding 14 of Decision No. 31606, dated December 27, 1938, in Case No. 4246, as amended by Decision No. 52199, dated November 7, 1955, in Case No. 5432.

made effective at an early date, Roos Brothers will accept the offer of United Parcel Service and transfer to that carrier the traffic now enjoyed by petitioner.

According to this witness, the loss of the Roos Brothers traffic would have serious consequences for petitioner. The accompanying reduction in petitioner's revenues he said, would mean a curtailment of operations, in which it would be forced to move to smaller terminals, reduce personnel and perhaps sell some of its trucks at a loss. He asserted that, while the revenue from the traffic here in issue would be less under the sought rate than currently received under present rates, the overall net operating revenues of the carrier are expected to be greater for the year 1955 than for 1954.

The testimony of the traffic manager of Roos Brothers corroborated that of petitioner's vice-president relative to the aforementioned offer of United Parcel Service. He stated that his company had found petitioner's service to be entirely satisfactory, but that Roos Brothers would be compelled to transfer its business to United if the rate of \$5.60 sought herein were not established by petitioner.⁶

A certified public accountant employed by petitioner introduced exhibits and testified regarding a cost study he had made of the transportation services involved herein. According to the study, the full cost of performing these services between San Francisco and East Bay points is \$4.4935 per hour, and between San Francisco, San Jose and intermediate points is \$5.5732 per hour.⁷ These figures, related to the proposed hourly rate of \$5.60 reflect

⁶ This witness indicated that Roos Brothers would be willing to wait a "reasonable" time for petitioner to make effective a rate of \$5.60 before acting on United's offer.

⁷ According to the record the principal movements of clothing for account of Roos Brothers are (1) from its store in San Francisco to its stores in Berkeley and Oakland, and (2) from the San Francisco store to its stores in San Mateo, Palo Alto and San Jose, with some return movement to San Francisco from the out-of-town stores.

operating ratios, before provision for income taxes, of 80.24 per cent and 99.52 per cent, respectively. The simple arithmetical average of the cost figures was determined by the accountant to be \$5.0334 per hour, from which he calculated an average operating ratio per hour of 89.88 per cent before taxes.

In developing unit costs the accountant, in most instances, utilized the carrier's actual book records. In others, where he considered it more appropriate to do so, he employed factors which were developed in a recent Commission staff cost study of record in Case No. 5441.⁸ Unit costs predicated upon distance were related to the actual routes of movement utilized by petitioner in handling the Roos Brothers traffic. Costs based upon time factors were related to the average round trip times for those movements. In the opinion of the accountant, the estimated cost figures which he had developed were, if anything, overstated.

No one opposed the granting of the petition.

Conclusions

It is clear from the record that unless the hourly rate of \$5.60 sought herein is established petitioner will lose a substantial portion of the traffic which it now enjoys: namely, that of Roos Brothers. The loss of this traffic will, in turn, necessitate some retrenchment by petitioner, which may render its services less attractive to its remaining customers, with the strong possibility of a further loss of traffic. The record further shows that petitioner has in recent years gradually improved its financial position,⁹ and that its operations have attained a degree of stability which would be seriously disturbed by the loss of the Roos Brothers traffic.

⁸ Case No. 5441 is the Commission's investigation into rates, rules and regulations for the transportation of property by for-hire carriers between points within a 12-county area centering on San Francisco Bay.

⁹ Petitioner's over-all net revenue, before income taxes, amounted to \$2,615 in 1954. It is anticipated that the corresponding figure for 1955 will approximate \$6,000.

While the calculated cost of performing the San Francisco-San Jose service involved herein is only slightly less than the proposed rate, the corresponding cost for the San Francisco-East Bay operation is substantially below that rate. In view of the present daily service to both areas petitioner would, on the basis of the sought rate, receive revenues from the combined East Bay and San Jose operations which would be compensatory,¹⁰ and which would contribute to the success of petitioner's total transportation services.

Upon careful consideration of all the facts and circumstances of record, the Commission is of the opinion and finds that the rate sought in Petition for Modification No. 72 in Case No. 5432 is justified by transportation conditions. The petition will be granted. Because the conditions under which service is performed may change at any time the authority will be made to expire at the end of one year, unless sooner canceled, changed or extended by order of the Commission. Application No. 37510 will be dismissed.

Because of the urgency of the matter petitioner requests that the publication of the sought rate be authorized on five days' notice to the Commission and to the public, and that the Commission's order be made effective five days from the date of its issuance. The request will be granted.

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 A & B Garment Delivery of San Francisco, a corporation, be and it is hereby authorized to

¹⁰ The operating ratio for 11 hours of daily service (comprised of one six-hour round trip from San Francisco to San Jose, and one five-hour round trip to the East Bay) the accountant had calculated to be 90.76 per cent before taxes.

establish and publish in its tariffs and in tariffs issued on its behalf, on not less than five days' notice to the Commission and to the public, a vehicle unit rate of \$5.60 per hour, said rate to apply for the transportation of garments and other articles specified in Exhibit "A" of Petition for Modification No. 72 in Case No. 5432, between points in the San Francisco-East Bay Cartage Zone as defined in Decision No. 50872 in Case No. 5535 (53 C. P.U.C. 696), also between San Francisco, San Jose and points located intermediate thereto on U. S. Highways Nos. 101 and 101 By-Pass.

IT IS HEREBY FURTHER ORDERED that rates established and published pursuant to the authority granted herein between San Mateo, San Jose and points intermediate thereto, shall not be made effective prior to January 9, 1956.

IT IS HEREBY FURTHER ORDERED that said rate of \$5.60 per hour shall be subject to the regulations set forth in Appendix "A" hereto and by this reference made a part hereof.

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

IT IS HEREBY FURTHER ORDERED that Application No. 37510 be and it is hereby dismissed.

The effective date of this order shall be five days after the date hereof.

Dated at San Francisco, California, this 20th day of December, 1955.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX "A"

Regulations to Govern Rate of \$5.60 per Hour

- (1) Shipments shall not exceed 4,500 pounds.
- (2) Minimum charge - one hour.
- (3) Transportation shall be restricted to movements of garments, clothing, wearing apparel, and merchandise incidental thereto, between retail stores and warehouses thereof.
- (4) No shipments of property shall be transported from retail stores or retail sales warehouses where the property has been sold at retail by a retail merchant.
- (5) Time shall be computed from the time the vehicle leaves carrier's place of business until it arrives back at said place of business.
- (6) Rate named in this item applies for service performed during regular working hours of 8:00 a.m. through 5:00 p.m., except Saturdays, Sundays, and the following holidays: New Year's Day, Washington's Birthday, Decoration (Memorial) Day, Fourth of July, Labor Day, Admission Day, Thanksgiving Day, and Christmas Day. When such holidays fall on Sunday, the following Monday shall be considered a holiday. For services performed at the request of the shipper or consignee at other than said regular working hours and on Saturdays, Sundays, and holidays shown, an additional charge equal to the actual additional overtime cost will be made.
- (7) Actual bridge tolls shall be added to the above rate when such facilities are used.
- (8) Rate in this item applies for the exclusive use of the equipment furnished.
- (9) The above rate shall be applied only when, prior to the transportation, the shipper requests service under this item.