

ORIGINAL

Decision No. 53726

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
A & B GARMENT DELIVERY, a corporation,
for authority to increase rates.

Application No. 39726

Theodore W. Russell and J. L. Beeler, for A & B
Garment Delivery, applicant.

Arlo D. Poe, J. C. Kaspar, and James Quintrall,
for California Trucking Associations, Inc.,
interested parties.

Louis A. Meadows, for California Sportswear Dress
and Accessory Association, interested party.

R. A. Lubich and Ralph J. Staunton, for the staff
of the Public Utilities Commission of the
State of California.

O P I N I O N

A & B Garment Delivery is engaged in the transportation of wearing apparel and related articles as a highway common carrier between points in Los Angeles, Orange, Riverside and San Bernardino Counties. It also provides like transportation within the City of Los Angeles as a city carrier. By this application it seeks authority to increase its highway common carrier rates and charges and to make certain other revisions in its tariffs.

Public hearings on the application were held before Examiner C. S. Abernathy at Los Angeles on March 17, 18 and 19, 1958. Evidence was submitted by applicant through its president, its tariff agent, and a consultant. A representative of an association of apparel manufacturers and members of the Commission staff also participated in the proceeding. The matter was taken under submission with the filing of certain data and statements on April 4, 1958.

Applicant's services are a specialized type of transportation designed to meet particular requirements of the wearing apparel industry. The principal movements involved are from manufacturers and wholesalers in the central portion of the City of Los Angeles to retail stores located throughout applicant's service area. Garments on hangers encased in protective bags supplied by applicant are transported in van-type vehicles fitted with hanger racks. Each bag encloses a number of garments, generally not more than 25. This method of transportation permits savings in the expense of wrapping and packing garments for shipment. Moreover, it permits the delivery of garments in an unwrinkled condition, thereby avoiding the expense of subsequent pressing which follows when ordinary packing and transportation methods are employed.

Applicant's rates for its highway common carrier service are set forth in two tariffs: Local Freight Tariff No. 1, Cal. P.U.C. No. 1 (Frank J. Brown & Mascotte Ralston d.b.a. A & B Garment Delivery, series) and Local Freight Tariff No. 2 (Series of Frank J. Brown d.b.a. A & B Garment Delivery). These two tariffs differ as to territorial application and they otherwise differ somewhat in applicable provisions. Both tariffs, however, specify the same basic charges for transporting garments in bags:

"24 cents per bag plus 1.3 cents per pound, but not less than 3 cents per garment for all garments except women's blouses or shirts which shall be 1.2 cents each."

These rates are subject to a minimum charge per pickup except in instances where a weekly minimum charge is guaranteed by the shipper.

Applicant's proposals herein involve three main aspects:

(a) An increase in the basic charge to the following amounts:

Per bag - 25¢

Per garment except women's blouses or shirts - 4¢

Women's blouses or shirts per garment - 1½¢

(b) Classification of present services according to whether ordinary pickup service or special pickup service is provided in conjunction with the transportation performed. These two classes would be further divided according to whether the service is provided under a weekly service contract or on an occasional basis.

(c) Establishment of charges consistent with each class of service performed.

Under applicant's proposals the basic charges would apply to shipments which are delivered by the shippers to applicant's depots and to shipments which applicant picks up in ordinary pickup service under a guaranteed weekly service charge of \$2.00. Otherwise, the charges for ordinary pickup service would be 25 cents per bag more and would be subject also to a minimum charge of \$1.00 per pickup. Where special pickup services are provided, additional charges ranging from \$1.00 to \$5.00 per pickup would apply depending upon the time of day that the shipments are made available for pickup.

Applicant also proposes to combine its two tariffs into one tariff. With establishment of the increased rates and charges

¹ The specific proposals are set forth in full in Exhibit "A" attached to the application in this matter. They are also set forth in Exhibit No. 1 of record in this proceeding.

as sought, the two tariffs would be virtually identical. Their² combination is proposed as a measure of tariff simplification.

According to applicant's president, the transportation that would be subject to the proposed category of ordinary pickup service under a weekly service charge constitutes about 95 to 98 percent of applicant's total services and is the transportation for which applicant's operations are specifically geared. The remaining services entail deviations from the basic operational pattern and involve additional costs as a consequence. Applicant's president stated that the proposed rates have been designed on the basis of, and to give effect to, the cost differentials applicable to the several types of service performed.

² It appears that in effect the resultant tariff would set forth the rates, rules and regulations which applicant would apply to all of its services. Applicant's city carrier services within Los Angeles would not be directly subject to the tariff. Applicant states, however, that the rates and charges for such services are generally maintained, and would continue to be maintained at the same level as the rates and charges for the highway common carrier operations. From an operational standpoint the city carrier services appear to be closely allied to the highway common carrier services and are conducted under much the same circumstances.

Applicant's present rates and charges were established in 1951. The evidence shows increases in wage costs since then as follows: drivers, 45.1 percent; drivers' helpers, 59.6 percent; employees in other classifications, 55 to 112 percent. In addition, there have been substantial increases in so-called fringe benefits or allowances to employees. Also fuel, tire and other operating costs have increased substantially.

Applicant attributes the fact that it has heretofore been able to maintain its operations under present rates, notwithstanding the higher costs, to its participation in certain interstate transportation which it was able to perform with but little additional expense in conjunction with the services involved herein. It states that since October, 1956, this interstate transportation has not been available to it, and that subsequent experience has demonstrated that present rates do not return sufficient revenues to meet operating costs. Financial operating results for the year 1957 were reported as follows: revenues, \$531,635; expenses, \$588,112; operating loss, \$56,453; operating ratio, 110.5 percent.

Figures which were presented by the consultant witness for applicant show that establishment of the sought rates and charges would result in an increase in revenue of about 24 percent. To show operating results that would be achieved under the sought rates, the witness submitted figures which he had developed on the basis of applicant's operating results for the nine months through September, 1957, assuming that the sought rates and the present expense levels

were in effect throughout the period. These figures are set forth in the table below:

Table No. 1

Financial Results of Operations
Under Proposed Rates and Present Operating Costs
(Based on Nine Months' Operations
January through September, 1957)

Operating Revenues	\$ 492,174
Operating Expenses*	<u>456,148</u>
Net Operating Revenues	\$ 36,026
Provision for Income Taxes	<u>13,925</u>
Net Income	\$ 22,101
Operating Ratio	95.5%

* Adjusted to include employee pension costs effective May 1, 1958.

The consultant said that these data had been developed on costs to which applicant is definitely committed. No provision was included for probable cost increases even though it appears reasonably certain that such increases will become actualities which will have to be met. Neither was any allowance made for any loss in traffic that applicant may experience as a consequence of establishing the higher rates. Thus the consultant asserted, in effect, that although the figures shown in Table 1 may be indicative of the operating results under the sought rates, the probable earnings will be somewhat less than those shown.

³ As an example of probable cost increases for which no provision was included in the figures in Table No. 1, the consultant stated that applicant is confronted with a virtually certain increase of about \$9.00 a month in pensions for each of its drivers. In addition, it was pointed out by applicant's counsel that the present cost-of-living index shows a continuing upward trend in the costs of materials and other properties used in applicant's operations.

Granting of the application was opposed by the California Sportswear, Dress and Accessories Associations and California Fashion Creators on behalf of approximately 425 garment firms operating in the Los Angeles area. The rate increases were opposed on the grounds that they are of such magnitude that they would constitute an unwarranted burden upon the garment industry and upon the consumers of its products.⁴

Discussion

In view of applicant's showing of losses for 1957, applicant's allegations that its rates do not produce sufficient revenues to sustain its operations appear well supported. Clearly, if the services are to be maintained, applicant must be permitted to earn revenues which will return the costs incurred plus some allowance for profit.

The data which were presented by the consultant witness appear, with one exception, to provide a reasonable basis for gauging the propriety of the financial results which would be attained if the sought rates and charges are established. The exception deals with the amount of depreciation expense chargeable to the operations during the coming year. Applicant has heretofore followed the practice of computing depreciation charges on the basis of shorter service periods for its vehicles than the periods that the vehicles are actually used in its operations. On the basis of the actual lives of the vehicles in applicant's service and the charges to depreciation expense which have been made heretofore, it appears that depreciation expense which is chargeable to the operations during the

⁴ The opposition of the Associations was confined to a statement of position. The Associations did not submit nor did they seek opportunity to present evidence in support of their position.

coming year would be approximately \$7500 less than the annual amount upon which the consultant's figures were developed.⁵ Proportionate adjustment of the consultant's figures in this respect would result in the data shown in Table 2 below:

Table No. 2

Adjusted Financial Results of Operations
Under Proposed Rates and Present Operating Costs
(Based on Nine Months' Operations
January through September, 1957)

Operating Revenues	\$ 492,174
Operating Expenses	<u>450,184</u>
Net Operating Revenues	\$ 41,990
Provision for Income Taxes	<u>17,140</u>
Net Income	\$ 24,850
Operating Ratio	94.95%

In the circumstances here presented, it appears that establishment of the sought rates would do no more than provide

⁵ Counsel for applicant contended that if the charges to depreciation expense are to be based on the actual service lives of the vehicles the total charges to depreciation for the remaining periods that the vehicles will be in service should be in the same proportion to the total cost of the vehicles that the remaining periods bear to the total service lives. This contention is not acceptable in this instance. Where depreciation expense has been computed at an accelerated rate, the method urged by applicant for computing the depreciation applicable to the remaining service lives of the vehicles would result in greater charges to depreciation expense in total than the properties cost. On various occasions the Commission has stated that where the depreciable costs of the properties have been fully charged off to depreciation expense, no further charge to operating expense for depreciation on the properties will be allowed, Mare Island Ferry, 44 C.R.C. 802, 807; Southern California Freight Lines, 45 C.R.C. 233, 239; Vallejo Electric Light and Power Company, 45 C.R.C. 254; California Street Cable Railway Company, 45 C.R.C. 384, 391; San Diego Electric Railway Company, 47 Cal. P.U.C. 721, 724; and Robert Landier, doing business as San Pedro Transit Co., and Highland Transit, Inc., Decision No. 47298, dated June 17, 1952 (unreported).

applicant with a reasonable margin of revenues over expenses. On the one hand the level of earnings which is reflected in Table No. 2 appears to be the maximum probable level which will be attained under the sought rates. On the other hand it appears reasonably probable that applicant will experience a diminution in traffic following establishment of the increased rates and that as a consequence the earnings that will be achieved in fact will be less than those indicated in Table No. 2. That the diminution may be appreciable seems particularly likely in view of the amounts of the increases that would be effected and in view of the opposition thereto expressed on behalf of various of applicant's patrons. Notwithstanding the opposition, there appears no appropriate alternative to authorization of the increases.

All facts and circumstances being considered, it is concluded, and the Commission hereby finds, that the sought rates and charges and the other proposed changes in applicant's tariffs have been shown to be justified. Establishment of the increases and other tariff changes on less than statutory notice also appears justified. The application will be granted.

O R D E R

Based upon the evidence of record and upon the conclusions and findings contained in the preceding opinion,

IT IS HEREBY ORDERED that:

1. A & B Garment Delivery be and it hereby is authorized
 - a. To cancel its Local Freight Tariff No. 1, Cal. P.U.C. No. 1 (Frank J. Brown & Mascotte Ralston, d.b.a., A. & B. Garment Delivery, series), and

- b. To amend its Local Freight Tariff No. 2, Cal. P.U.C. No. 1 (Series of Frank J. Brown, d.b.a., A. & B. Garment Delivery) in accordance with the proposals set forth in Exhibit No. 1 of record in this numbered proceeding, which exhibit, by this reference, is made a part hereof.
- 2. The cancellation of Local Freight Tariff No. 1 and the amendment of Local Freight Tariff No. 2 in accordance with the provisions of paragraph 1 above shall be made concurrently and may be made effective on not less than five days' notice to the Commission and the public.
- 3. 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 Los Angeles, California,
this 30th day of May, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner C. Lyn Fox, being necessarily absent, did not participate in the disposition of this proceeding.