

ORIGINALDecision No. 57750

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SAFE TRANSPORTATION COMPANY, a)
 California corporation, to increase)
 rates and charges.)

Application No. 40374

Marquam C. George, for applicant
Grant L. Malquist, for the Commission staff.

O P I N I O N

Safe Transportation Company is a California corporation engaged in transporting new uncrated furniture as a highway common carrier in northern California. By this application filed August 22, 1958, as amended September 11, 1958 and September 12, 1958, it seeks authority to increase its rates and charges by 15 percent.

Public hearing was held at San Francisco before Examiner J. E. Thompson on October 21, 1958. The matter was taken under submission on November 6, 1958, on the filing of Exhibit No. 1.

While applicant is not the only carrier of uncrated new furniture in northern California, from the testimony it appears that it serves or has performed service for almost all of the firms manufacturing or distributing new furniture in northern California. Its principal competition is not from other for-hire carriers but from proprietary operations conducted by the shippers. Most of the shippers have trucks which are used to transport their goods in the general area about their places of business. These trucks are also used by the shippers to deliver goods to the applicant's terminal for shipment.

In September, applicant negotiated a new labor agreement with its operating employees. As a result of said agreement, applicant has been required to pay higher wages to said employees retroactively to June 10, 1958. Additional fringe benefits including increased vacation allowance, sick leave and authorized coffee breaks are provided for in the agreement.

Exhibit No. 1 sets forth the estimated revenues and expenses for a rate year under the proposed rates. In general, applicant has estimated expenses to be the same as the 1958 recorded expense. In the case of repairs, tires and tubes and other transportation expense, applicant has estimated amounts somewhat higher than the 1958 recorded expense on the grounds that repairs, tires and pads (blankets) expenses had been deferred in 1958. The recorded expenses for 1956 and 1957 are higher than those in 1958 and the estimates appear to be reasonable. In estimating depreciation expense on operating equipment, applicant used service lives of six years for tractors and eight years for trucks and semi-trailers. Salvage value was estimated at 10 percent for trucks and 12 percent for tractors and semi-trailers. Applicant estimated that bridge tolls would be increased by \$936 because of tolls on the new Carquinez Bridge.

While the wages provided in the labor agreement with employees have been considered in estimates of operating wages, terminal expense and other items, no provision is made in the estimates for increases in expense resulting from increased vacation and six days sick leave which are set forth in the terms of the agreement. Applicant estimates that the additional expense from increased vacation and sick leave will be \$1,248. This amount is based upon the full allowance of six days sick leave per year being taken by all of the regular employees. Sick leave is a new provision

of the agreement and the applicant has no experience with respect to it. Under the circumstances an estimate based upon the full amount authorized is not warranted. An allowance of expense to cover three days sick leave per man appears reasonable. The amount of adjustment for vacation and sick leave should be \$750.

Applicant estimated revenue by applying 115 percent to the recorded revenues for the 1958 fiscal year and deducting 5 percent of the resulting figure. It was assumed that shippers would extend the limits of the area in which they operate their own trucks and that the traffic available to applicant would decrease by that amount. The evidence in this proceeding indicates that some traffic will be lost to applicant if rates are increased, but not to the extent estimated by applicant. After consideration we are of the opinion that a reasonable estimate of gross operating revenue under the proposed rates is \$133,500. This represents an estimated increase in gross revenue of 14½ percent.

The following is a summary of the revenues and expenses estimated by applicant under the increased rates and the results adjusted as indicated above:

	<u>Applicant's Estimate</u>	<u>Adjusted Results</u>
Revenue	\$127,664	\$133,500
Expenses		
Repairs & Maintenance	5,280	5,280
Tires	2,300	2,300
Drivers' & Helpers' Wages	42,452	43,139
Fuel and Oil	6,755	6,755
Other Transportation Expense	3,727	3,727
Terminal Wages	11,867	11,930
Other Terminal Expense	770	770
Traffic	650	650
Insurance and Safety	7,894	7,894
Administrative - Salaries	22,575	22,575
Administrative - General	6,010	6,010
Uncollectible Revenue	100	--
Depreciation	5,068	5,068
Operating Taxes & Licenses	8,960	8,960
Operating Rents	3,900	3,900
Total Expense	<u>\$128,848</u>	<u>\$129,498</u>
Net Operating Revenue (Loss)	(\$1,184)	\$4,002
Operating Ratio before Income Taxes	100.9%	97.0%

No one appeared in opposition to the granting of the authority sought. Applicant's president testified that he had notified the principal shippers using applicant's services. Notices of the hearing were mailed to 33 manufacturers of furniture and to several retailers and retailer associations.

The foregoing "adjusted results" are reasonable for prescribing rates for this carrier. We find that the proposed rates will produce an operating ratio of 97.0 percent before income taxes; said operating ratio is hereby found to be reasonable.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that the 15 percent increase in rates sought in this proceeding is justified.

Applicant seeks authority to establish the increased rates on five days' notice to the Commission and the public. In view of the increased expenses being incurred daily by applicant, said authority will be granted.

O R D E R

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

IT IS ORDERED:

1. That Safe Transportation Company is authorized to establish on or after the effective date hereof, on not less than five days' notice to the Commission and to the public, the increased rates and charges proposed in the application filed in this proceeding.

2. That the authority granted herein shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 16th day of December, 1958.

[Signature]
 President

[Signature]

[Signature]

[Signature]
 Commissioners

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