

ORIGINAL

Decision No. 58729

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation into the rates, rules and regulations, charges, allowances and practices of all common carriers, highway carriers and city carriers relating to the transportation of any and all commodities between and within all points and places in the State of California, (including, but not limited to, transportation for which rates are provided in Minimum Rate Tariff No. 2).

Case No. 5432
Petition for Modification
No. 147

In the Matter of the Application of A & B GARMENT DELIVERY OF SAN FRANCISCO, a corporation, for suspension of a portion of its highway common carrier authority.

Application No. 40960

Daniel W. Baker and T. O. Maxwell, for A & B Garment Delivery of San Francisco, petitioner and applicant.
A. R. Day and John F. Specht, for the Commission's staff.

O P I N I O N

A & B Garment Delivery of San Francisco operates as a highway common carrier in the transportation of garments, clothing, wearing apparel and merchandise incidental thereto, between points generally within the area bounded by Ignacio, Napa and Sacramento on the north, Stockton on the east, and Modesto, Salinas and Carmel on the south.¹ By Petition for Modification No. 147 in Case No. 5432 the carrier seeks authority to increase certain of its rates and charges and by Application No. 40960, as amended, it requests the temporary suspension of a portion of its operative rights.

Public hearing of the two matters on a common record was held before Examiner Carter R. Bishop at San Francisco on May 22, 1959.

¹ It also holds highway contract carrier, radial highway common carrier and city carrier permits.

Evidence in support of petitioner² was adduced through its vice president-general manager, its accountant, and the president of Garment Carriers, Inc., an affiliated company. Members of the Commission's Transportation Division staff assisted in the development of the record.

Petitioner operates a specialized service involving the transportation of garments on hangers generally between manufacturers or wholesalers and retail stores.³ The garments on hangers are transported in bags, the latter being supplied to the carrier's customers in advance. Petitioner's terminal in San Francisco is equipped with facilities which are designed for the special type of transportation which petitioner performs.

Pursuant to Decision No. 56997, dated July 15, 1958, in Application No. 40031, petitioner extended its service as a common carrier beyond the San Francisco Bay-Sacramento-Stockton-San Jose area to include the additional areas generally bounded by Sonoma and Napa on the north, Modesto on the east and Salinas, Monterey and Carmel on the south. It is the service from, to and within these extended areas, except Modesto, which petitioner now seeks, by Application No. 40960, to suspend. The reasons therefor will be hereinafter stated.

For all movements except those involving the area south of San Jose (which is a part of the operations proposed to be suspended), petitioner's basis of rates is as follows:

25 cents per bag plus 2 cents per pound, but not less than 25 cents per bag plus 3 cents per garment, for all garments except women's blouses, which are charged for at the rate of 2 cents each. Minimum charge per shipment is 50 cents.

² A & B Garment Delivery of San Francisco will be hereinafter referred to as petitioner.

³ Some shipments are also transported in cartons.

In lieu of these rates petitioner proposes to set up three zones with increases in the above charges as follows:

Zone 1. Between points within San Francisco Territory⁴. The per pound, per garment and women's blouse charges would be increased from 2 cents, 3 cents and 2 cents to 3 cents, 4 cents and 2½ cents, respectively.

Zone 2. Between points in Contra Costa County (except Richmond and El Cerrito) and Marin Counties and the City of Vallejo. The per pound, per garment and women's blouse charges would be increased to 3½ cents, 4½ cents and 3 cents, respectively.

Zone 3. Between points not embraced by Zones 1 and 2. The per pound, per garment and women's blouse charges would be increased to 4 cents, 5 cents and 3 cents, respectively.

For movements between points in two different zones the highest of the proposed rates for the zones involved would be applicable.

Under the proposed rate structure no change would be made in the basic charge of 25 cents per bag. Certain other provisions, however, involving minimum charges and weekly service charges are sought to be changed, which it does not appear necessary to set forth specifically herein.

According to the record, the rates here in issue were last adjusted in 1953. Assertedly, petitioner had sought no adjustments in rates since that time (prior to the present filing) since increased operative costs were generally offset by the increased revenues resulting from the growth of the company's operations. According to the record, the point was reached in 1957 and 1958 when additional revenues were insufficient to offset the increased costs which had been experienced.

In an exhibit introduced by the vice-president, various items of operating expense for the years 1954 and 1959 were compared.

⁴ San Francisco Territory includes certain areas on both sides of San Francisco Bay from Richmond and San Francisco south to and including Campbell and San Jose.

Thus, the basic wage rate for employees working under the teamsters' agreement was shown to be 18 per cent higher in 1959 than in 1954. Comparable increases were shown in other elements of operating expense, including increased "fringe" benefits for employees.

According to other exhibits of record petitioner's gross revenues, gross expenses and operating deficits for the calendar years 1957 and 1958 were as summarized in Table I below.

TABLE I

Operating Results for Calendar Years 1957 and 1958

	<u>1958</u>	<u>1957</u>
Operating Revenues	\$218,212	\$187,613
Operating Expenses	<u>231,392</u>	<u>189,080</u>
Net Operating Revenue	\$(13,180)	\$ (1,467)
Operating Ratio-Before Taxes	106.0%	100.8%

() - Indicates loss.

Studies of estimated operating results under the proposed increased rates, and predicated upon suspension of operating rights as proposed in Application No. 40960, had been made by the witnesses. The results of these studies are set forth in exhibits of record. The estimates were made by adjusting separately the actual operating results for the calendar year 1958 and for the first three months of 1959 to give effect, for the full periods, to the augmentation of revenue expected by reason of the increased rates and to the increases in operating expenses, to the extent that such have occurred since the beginnings of the periods in question. Further adjustments were made to eliminate revenues received and expenses incurred in connection with operations to, from and between points affected by the proposed suspension of operative rights. Also, appropriate effect was given in the expenses to certain operating practices and arrangements which have been put into effect during the periods studied.

The operating results, as estimated by petitioner's witnesses in connection with the sought rate and certificate relief, are summarized in Table II below.

TABLE II

Estimated Operating Results Under Proposed Rates
and Proposed Certificate Suspension

	<u>1959</u> <u>(1st Three Months)</u>	<u>1958</u> <u>(Year)</u>
Operating Revenues	\$64,999	\$242,581
Operating Expenses	<u>62,718</u>	<u>237,583</u>
Net Operating Revenue	\$ 2,281	\$ 4,998
Operating Ratio-Before Taxes	96.5%	97.9%
Income Taxes	\$ 818	\$ 1,609
Net Income	\$ 1,463	\$ 3,389
Operating Ratio-After Taxes	97.7%	98.6%

No estimates were presented of operating results to be experienced based upon a granting of the petition for rate increases coupled with a denial of the sought certificate suspension.

Relative to the proposed suspension of a portion of petitioner's certificated rights, the record indicates that A & B began its specialized operation in the San Francisco area in 1947 and that subsequently, pursuant to the demands of the customers, the carrier's operative territory has gradually expanded to its present limits. The 1958 expansion to include the points, among others, for which certificate suspension is now sought, the vice-president testified, was predicated upon extensive surveys of the territories involved and the financial and operative feasibility of such service. The investigation indicated that a substantial volume of shipments of garments, wearing apparel and related commodities would be made available and that the areas in question had experienced large increases in population.

Since inauguration of the extended service, which has been on a daily basis with certain exceptions, the volume of shipments to certain of the areas, the vice-president testified, has been on a parity with, or in excess of that which was anticipated as a result of the investigation. However, in the Sonoma-Napa area and in the territory south and west of San Jose the volume has fallen far short of that which was expected.

According to the record, it has been possible in the past for petitioner to offset losses incurred in establishing new services with profits derived from other operations. The present financial condition of petitioner temporarily prevents it from continuing this policy and has prompted the filing of Application No. 40960. Petitioner is of the opinion that within two years it will be financially able to resume the suspended service and that such resumption will be operatively practical.

No one opposed the granting of the petition or of the application.

Conclusions

The rates here in issue constitute, under appropriate authority, deviations from the Commission's outstanding minimum rate orders. Petition for Modification No. 147 is a request to continue such deviation, but at higher rates than those now applicable. The showing made by petitioner, as summarized in Tables I and II, discloses that operations in 1957 and 1958 resulted in deficits, and that even under the proposed rates and modified service the estimated operating ratio for the projected rate year, would, after income taxes, be approximately 98 per cent.

While it appears that there may be some infirmities in petitioner's showing, the record is persuasive that petitioner is urgently in need of increased revenue, that the results of operation anticipated under the proposed increased rates would not be

unreasonable, and that the requested temporary suspension of a portion of petitioner's operative rights is necessary for the continued maintenance of adequate over-all service. After careful consideration the Commission is of the opinion and hereby finds that the sought rate and certificate relief have been justified. The petition and application will be granted.

It appears that the proposed system of geographical rate zones may, in some instances, result in rates which are higher for shorter distances than for longer distances over the same route. In connection with situations of this kind petitioner seeks authority to depart from the long-and-short haul provisions of Article XII, Section 21, of the Constitution of the State of California, and of Section 460 of the Public Utilities Code, to the extent necessary to effect the proposed rate increases. The request appears reasonable; it will be granted.

In view of the urgent need for financial relief, petitioner also requests that the sought rate increase and certificate suspension be made effective on not less than five days' notice to the Commission and to the public, and that the order granting the sought relief be made effective five days from its issuance. The request for publication and suspension on less than statutory notice appears reasonable. The requested interval for the effective date of the order appears to be unduly short. The order which follows will be made effective ten days after the date hereof.

O R D E R

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

IT IS ORDERED that:

1. A & B Garment Delivery of San Francisco be and it is hereby authorized to establish, on not less than five days' notice to the

Commission and to the public, the increased and modified rates, rules, and charges as proposed in Petition for Modification No. 147, as amended, and as clarified by Exhibit No. 147-12, in Case No. 5432.

2. A & B Garment Delivery of San Francisco be and it is authorized to depart from the 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 necessary in establishing the above-authorized rates and charges.

3. The certificate of public convenience and necessity granted to A & B Garment Delivery of San Francisco by Decision No. 56997, dated July 15, 1958, in Application No. 40031, be and it is hereby amended by amending Original Pages 2 and 3 of Appendix "A" thereto as set forth in First Revised Pages 2 and 3 of said Appendix "A", attached hereto and made a part hereof. A & B Garment Delivery of San Francisco shall amend its tariffs accordingly on not less than five days' notice to the Commission and to the public.

4. The authority granted herein shall expire unless exercised within ninety days after the effective date hereof.

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

Dated at San Francisco, California, this 7th
day of July, 1959.

Ernest A. Page
President
W. L. [unclear]
W. L. [unclear]
E. L. [unclear]
Theodore [unclear]
Commissioners

SERVICE AREA

(A) All points within the San Francisco Territory as described in item 270-3A of Minimum Rate Tariff No. 2, and within five miles of the boundary thereof, via all highways, roads, streets and bridges therein.

(B) All points on U. S. Highway 101 between San Francisco and junction with State Highway 37, one mile north of Ignacio, inclusive, including all off-route points within three miles of said route, and the off-route points of Belvedere, Tiburon, Mill Valley, San Anselmo, Fairfax and Novato.

(C-1) All points on State Highway 37 between Ignacio Junction and Sears Point, inclusive.

*(C-2) All points on State Highways 12 and 37 between Sears Point and Napa, inclusive, including the off-route point of Sonoma.

(D) All points on U. S. Highway 40 between San Francisco and North Sacramento, inclusive, including the off-route point of Dixon.

*(E) All points on State Highway 29 between U. S. Highway 40 and Napa, inclusive.

(F) All points on U. S. Highway 50 between San Francisco and Sacramento, inclusive, including the off-route point of Plessanton.

(G) All points on State Highway 4 between U. S. Highway 40 and Stockton, inclusive, including the off-route points of Port Chicago and Byron.

(H) All points on State Highway 24 between Oakland and Pittsburg, inclusive, including the off-route point of Moraga.

(I) All points on State Highway 21 between Warm Springs and Martinez, inclusive.

*(J) All points on State Highway 9 between Sunnyvale and Los Gatos, inclusive, including all off-route points within three miles of said route.

*(K) All points on State Highway 17 between San Jose and Santa Cruz, inclusive, including all off-route points within three miles of said route.

*(L) All points between San Jose and Salinas, inclusive, on U. S. Highway 101.

*(M) All points on State Highway 1 between Santa Cruz and Carmel, inclusive, including the off-route points of Pacific Grove, Pebble Beach, and Asilomar.

* The operating right in this service area is suspended by the decision below until July 31, 1961.

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*(N) All points on unnumbered highway between Salinas and Monterey, inclusive.

(O) All points on U. S. Highway 99 between Stockton and Modesto, inclusive.

(P) All points on State Highways 33 and 132 between Tracy and Modesto, inclusive.

(Q) Between any and all points on and off the routes and within the territory described in paragraphs (A) through (P).

Applicant may use the following alternate routes for operating convenience only:

(1) Unnumbered highway and the San Rafael-Richmond Bridge between San Rafael and Richmond.

(2) State Highway 48 between Sears Point and U. S. Highway 40.

#(3) State Highway 12 between Napa and U. S. Highway 40.

#(4) State Highway 152 between Gilroy and Watsonville.

#(5) State Highway 156 between Prunedale and Castroville.

#(6) Unnumbered highway between Castroville and Salinas.

(7) State Highway 120 between U. S. Highways 50 and 99.

(8) Unnumbered highway between State Highway 4 and U. S. Highway 50 via Byron.

CONDITIONS

(1) Applicant shall not transport property sold by a retail merchant from said retail merchant's store or warehouse to the purchaser thereof.

(2) Rates maintained on merchandise in cartons exceeding 8 pounds in weight shall be assessed on a "per shipment" basis and not on a "per package" basis, except on movements between retail stores and branches or warehouses thereof.

* The operating right in this service area is suspended by the decision below until July 31, 1961.

Operation over this route is suspended by the decision below until July 31, 1961.

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