

ORIGINAL

Decision No. 59741

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
EDWARD T. MOLITOR, dba STANDARD TRUCK
LINE, for authority to increase rates.

Application
No. 41553

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 No. 166

In the Matter of the Investigation into
the rates, rules, regulations, charges,
allowances and practices of all common
carriers, highway carriers and city car-
riers relating to the transportation
of property within San Diego County
(including transportation for which rates
are provided in Minimum Rate Tariff
No. 9-A).

Case No. 5439
Petition No. 7

Robert H. Molitor, for applicant in Application
No. 41553 and petitioner in Cases Nos. 5432
and 5439.

Roger Ramsey, for United Parcel Service,
interested party in Application No. 41553
and respondent in Cases Nos. 5432 and
5439.

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

R. A. Lubich and Ralph J. Staunton, for the
Commission's staff.

O P I N I O N

Edward T. Molitor, doing business as Standard Truck Line, is engaged in the business of transporting garments on hangers, and related articles, as a highway common carrier, between Los Angeles on the one hand and San Diego and various points in the vicinity thereof on the other hand. He also operates as a highway permit carrier and as an interstate carrier of freight between the Los Angeles and San Diego areas. By the above-numbered application and petitions, filed October 5, 1959, he seeks authority to revise his present scale of rates for the transportation of garments and related articles, said revisions to become effective on five days' notice to the Commission and to the public. Generally, he seeks to increase his rates by about 20 percent. However, for shipments of 15 pounds and less he¹ proposes rate reductions.

On December 3, 1959, subsequent to notice to persons and organizations believed to be interested, public hearing on the proposals was held before Examiner C. S. Abernathy at San Diego. Evidence was submitted by applicant. Representatives of the California Trucking Associations, Inc., and of United Parcel Service participated in the development of the record and submitted statements of position. Members of the Commission's staff also participated in the development of the record.

Applicant states that his present rates are at the same level as they were in 1953, when his highway common carrier services

¹ Applicant's present and proposed rates are set forth in Appendix "A" attached hereto.

were established. He alleges that since that time he has experienced substantial increases in virtually all of his principal operating costs. Wage costs for drivers, a main item of expense, have increased more than 60 percent. Other expense items also have increased materially.

According to revenue and expense statements which applicant submitted to show financial results of recent operations, his total carrier services for 1958 produced net earnings of \$3,707. His operating ratio for the period was 95 percent. Largely as a result of wage increases granted in 1958, applicant's earnings for the first 6 months of 1959 were only \$23. Applicant reported that since August 1, 1959, his earning position has been worsened by further wage increases which he had to grant as of that date and which have added about \$3,600 to his annual operating costs. With respect to the relative profitableness of his highway common carrier services as compared with his other carrier services, applicant submitted figures to show that were it not for his other services, his operations during the first six months of 1959 would have resulted in a loss of almost \$4,300.²

² In arriving at the foregoing profit and loss figures, applicant omitted from his calculations provision for compensation for services which he and his wife perform and which require the devotion of their full time to the business. Applicant follows the practice of applying such compensation as he and his wife receive as a deduction from profits. This practice, however, results in an understatement of expenses and an overstatement of profits or an understatement of losses, inasmuch as costs of supervision and other administrative services such as applicant and his wife provide are items which may be properly considered as operating expenses in the determination of the full costs of operations.

Applicant estimated that had the sought rates been in effect during the first 6 months of 1959 his gross revenues for the period would have been \$9,288 more than those actually received. This estimate was developed on the basis that the sought rate increases would produce about \$3,800 in additional revenues and that additional business generated by the sought rate reductions for shipments of 15 pounds and less would produce additional revenues of about \$5,500. Regarding the latter figure, applicant testified that he had conducted a survey of the shipping practices of his patrons in the San Diego area, and had found that many garment shipments of 15 pounds or less are moving by parcel post and by parcel carriers instead of by his line because of lower transportation costs available through the other means of carriage. He said as a result of this survey he had concluded that the establishment of reduced rates as proposed would result in the diversion of a number of said shipments to his operations, and that he could transport and deliver said shipments at virtually no increase in his present operating costs. Thus his earnings would be augmented by almost the full amount of the additional revenues which he would receive from the transportation of the additional shipments.³

The record shows that prior to the hearing in these matters, applicant submitted his rate proposals to his patrons and informed them of the reasons therefor. None of said patrons appeared at the hearing in opposition to establishment of the sought rate increases and other rate changes.

³ Applicant's conclusions in this respect are based on the belief that most of the additional shipments would be destined to consignees that he is regularly serving, and that but few additional stops of his vehicles would be required in the deliveries.

A representative of the California Trucking Associations, Inc., however, opposed applicant's proposals to the extent that they would result in the establishment of charges below those which apply as minimum for the transportation involved.⁴ The Association's representative said that as a matter of policy the California Trucking Associations, Inc., opposes the establishment of rates and charges which are less than the rates and charges which the Commission has prescribed as minima unless a clear showing is made that the lesser rates are reasonable and compensatory. He questioned whether such a showing had been made in this instance.

A representative of United Parcel Service also opposed authorization of the reduced charges which applicant proposes. His opposition was on the grounds that establishment of the reductions would not result in the increase in business that applicant expects; that should applicant realize additional business as a result of the reduced rates, his costs of operations will be also increased; and that in these circumstances the reductions in rates are not warranted.

Applicant's showing of the costs of his services and of his revenues clearly demonstrates that he is in urgent need for additional revenues to sustain his operations. Even without allowance for any compensation for him and his wife for the services

⁴ Applicant's present rates and charges, it appears, are, or are not less than, the rates and charges which apply as minimum under the Commission's minimum rate orders for the transportation involved. In seeking the establishment of reduced charges for shipments of 15 pounds or less, applicant is, in effect, seeking the establishment of charges which are less than present minimums.

which they perform, applicant is confronted with an operating loss of about \$3,500 during the coming year, an amount that is a substantial proportion of his net worth.

It is evident that the increase in revenues which applicant anticipates from establishment of the sought rate increases would do hardly more than offset the aforesaid loss. As to applicant's remaining revenue needs -- for compensation for him and his wife and for profit -- applicant is relying on the additional business which he expects to gain as a result of the rate reductions to produce sufficient earnings to satisfy such needs. In view of the conflicting views on this latter point, it is concluded that whether he will realize the additional business that he expects appears somewhat uncertain.

Assuming that applicant's expectations are realized in full, we conclude that the earnings which he would attain would not be excessive. A more probable result, we believe, is that the earnings will be something less than expected. We believe, furthermore, that except as otherwise provided below the reductions in rates which applicant seeks should be authorized, notwithstanding the opposition thereto of the California Trucking Associations, Inc., and of United Parcel Service. We are persuaded that establishment of the reduced charges is a reasonable step for applicant to take to adjust his operations to a basis which is more competitive with other means of transportation available to his patrons. We are persuaded, furthermore, that applicant's expectations of a gain in profitable business under the reductions are sufficiently well founded that he should be permitted to put the charges into effect.

The alternative, it may be pointed out, would be further increases⁵ in applicant's other rates and charges.

In view of the special nature of applicant's services, it does not appear that the reductions would tend to break down the structure of minimum rates which the Commission has prescribed for the transportation of general commodities. Nor does it appear that applicant is proposing charges which would, in fact, bring the cost of shipping via his line below the charges of United Parcel Service.

For the foregoing reasons, we find and conclude that the increases in rates which applicant seeks have been shown to be justified. Also, we find and conclude that except for the reduced charge of 40 cents per shipment which is proposed for shipments of 3 pounds or less, transportation conditions justify the establishment of the sought lower charges. To this extent the various changes which applicant proposes to make in his rate structure will be authorized. A lesser charge than 50 cents per shipment will not be authorized, however, inasmuch as the evidence indicates that applicant's out-of-pocket costs per stop approximate that amount. Establishment of the revised rates and charges on 5 days' notice to the Commission and to the public likewise appears justified and will be authorized.

⁵ These conclusions concerning the propriety of the sought reductions necessarily are largely based upon applicant's evaluation of the survey which he made of his customers' shipping practices. Since he is seeking to attract business which he is not now enjoying, it follows that his estimates may not be tested by his actual experience. However, should applicant undertake to seek further increases in his rates and charges at a later date, he should be prepared to show the extent that his services under the reduced charges contribute to the profits or losses of his total operations.

One of the above-numbered petitions in these matters, Petition No. 7 in Case No. 5439, only involves applicant's local operations in and about the San Diego area. However, his proposals do not affect said operations. This petition will be dismissed.

O R D E R

Based on the evidence and on the conclusions and findings contained in the preceding opinion,

IT IS HEREBY ORDERED that, except as otherwise provided herein, Edward T. Molitor, doing business as Standard Truck Line, be, and he hereby is, authorized to amend his Local Freight Tariff No. 1, Cal. P.U.C. No. 1, to establish, on not less than five days' notice to the Commission and to the public, the rates and charges which are shown as proposed rates and charges in Appendix "A" which is attached hereto and which is made a part hereof by this reference.

IT IS HEREBY FURTHER ORDERED that the authority herein granted may not be exercised to establish a lesser charge than 50 cents for the transportation of a shipment, and that to the extent that applicant seeks authority to establish a lesser charge than 50 cents a shipment said authority be, and it hereby is, denied.

IT IS HEREBY FURTHER ORDERED that Petition No. 7 in Case No. 5439 be, and it hereby is, dismissed.

IT IS HEREBY FURTHER ORDERED that the authority herein granted 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
29th day of February, 1960.

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

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

APPENDIX "A" to DECISION NO. 59741

Present and Proposed Rates and Charges

For the transportation of garments, clothing and wearing apparel on garment hangers, and merchandise incidental thereto in packages not to exceed eight pounds.

A. From carrier's depot in Los Angeles to manufacturers, wholesalers and retailers in San Diego, La Mesa, El Cajon, Lemon Grove, National City, Chula Vista, Palm City and Coronado, or from carrier's depot in San Diego to manufacturers, wholesalers and retailers in Los Angeles.

Shipments of more than 100 pounds:

<u>Present rate in cents</u> <u>per 100 pounds</u>	<u>Proposed rate in cents</u> <u>per 100 pounds</u>
280	335

Shipments of 100 pounds or less:

- (1) = Weight of shipment in pounds
 (2) = Present rate in cents per shipment
 (3) = Proposed rate in cents per shipment

<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
1	82	40	36	129	155	71	211	253
2	82	40	37	132	158	72	213	255
3	82	40	38	135	160	73	215	258
4	82	50	39	137	163	74	218	261
5	82	50	40	139	166	75	220	264
6	82	50	41	141	169	76	222	266
7	82	60	42	143	171	77	225	269
8	82	60	43	145	174	78	227	271
9	82	60	44	147	176	79	229	274
10	82	70	45	149	179	80	231	277
11	82	70	46	151	182	81	234	280
12	82	70	47	153	184	82	236	283
13	82	80	48	155	187	83	238	286
14	82	80	49	157	189	84	240	289
15	82	80	50	160	192	85	243	292
16	82	85	51	162	195	86	245	295
17	82	90	52	164	198	87	248	298
18	85	95	53	167	201	88	251	301
19	87	100	54	170	204	89	253	304
20	89	104	55	172	206	90	256	307
21	92	108	56	175	209	91	258	310
22	95	111	57	177	212	92	261	312
23	97	115	58	180	215	93	263	315
24	99	118	59	182	218	94	266	318
25	102	122	60	185	221	95	268	321
26	105	125	61	188	224	96	271	324
27	107	129	62	190	227	97	273	327
28	109	132	63	193	230	98	276	330
29	112	136	64	195	233	99	278	333
30	115	139	65	198	236	100	280	335
31	117	142	66	200	239			
32	119	144	67	202	242			
33	122	147	68	205	245			
34	125	149	69	207	248			
35	127	152	70	209	250			

A. 41553, C. 5432, Pet. 166 & C. 5439, Pet. 7 - MP

B. From manufacturers, wholesalers and retailers in San Diego to manufacturers, wholesalers and retailers in Los Angeles.

Shipments of 300 pounds or less,

Add to the rates and charges in Paragraph "A", a rate arbitrary of

(Present)

24 cents per bag of garments plus 1.8 cents per pound of weight.

(Proposed)

25 cents per bag of garments plus 2.5 cents per pound of weight.