

ORIGINALDecision No. 60767

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SAFE TRANSPORTATION COMPANY, a) Application No. 42047
 California corporation, for authority)
 to increase rates and charges.)

George and Dillon, by Marquam C. George, for
 applicant.
R. J. Carberry and Thomas W. Morley, for the
 Commission's staff.

O P I N I O N

Safe Transportation Company, a corporation, operates as a highway common carrier of new, uncrated furniture in northern California. By this application it seeks authority to increase its rates and charges by eight per cent. Additionally, the carrier proposes to establish a minimum weight provision for sofas, couches, divans and davenports.

Public hearing was held before Examiner Carter R. Bishop at San Francisco on July 19, 1960.

Applicant's rates were last adjusted between January 7, 1959, and March 30, 1959, when increases of 15 per cent were made effective pursuant to Decision No. 57750, dated December 16, 1958, in Application No. 40374. The record herein shows that effective July 1, 1959, a new agreement was reached with applicant's operating employees as a result of which labor costs of the carrier were increased by 12½ per cent. Under provisions of the aforesaid agreement a further increase in wages and enlargement of fringe benefits of the operating employees became effective July 1, 1960, reflecting an additional increase in the carrier's labor costs of eight per cent. Applicant estimates that an increase of eight per cent in all its rates and charges is necessary

to provide the additional revenues required to meet the foregoing increases in operating costs.

The record shows that, in addition to the wage increases of July 1, 1959, and July 1, 1960, applicant has experienced a "cost of living" increase in labor costs, which became effective in February, 1960. This increase in wage rates amounted to two cents per hour. It was not taken into account in applicant's estimate of rate increases needed to offset the increases in labor costs which applicant has experienced since the effective dates of the adjustments under Decision No. 57750, supra.

Applicant's president, who is also its sole stockholder, testified concerning a study he had made of the company's operating results in recent years and those estimated for a projected 12-month period ending June 30, 1961. According to the study applicant's operations resulted in a loss of \$2,840 in 1958, a net profit (before income taxes) of \$4,922 in 1959 and a loss of \$3,401 in 1960.^{1/} The corresponding operating ratios were 102, 96 and 103 per cent respectively.

For the projected rate year ending June 30, 1961, the witness estimated that revenues under the sought rate increase would amount to \$119,509 and that operating expenses for the same period would total \$117,843. The estimated net operating revenue and operating rates reflected by these estimates, before income taxes, would be \$1,666 and 98.6 per cent respectively.

^{1/} The figures shown are for the 12-month periods ending on June 30 in each of the three years mentioned.

In developing his estimates for the rate year the witness assumed that there would be no loss of traffic by reason of the increased rates. His revenue estimate, therefore, was obtained by increasing actual revenues received during the 1960 fiscal year by eight per cent. Operating expenses were estimated at the actual 1960 levels in all categories except those relating to operating employee labor costs.^{2/} These accounts were adjusted to give full effect on an annual basis to the wage increases of July 1, 1959, and July 1, 1960.

The witness testified to increases in various categories of operating expense which will be experienced in the rate year but to which no effect was given in the development of expense estimates for that period. Additionally, there is at least one group of expenses which the witness anticipated would be less during the rate year than was the case in the 1960 fiscal year. It does not appear necessary to discuss individually the various expense items which should be adjusted upward or downward to arrive at an accurate estimate of operating results for the rate year. The record does not show what the dollar amounts of most of these adjustments would be. However, the evidence indicates that the preponderance of the expense adjustments would be upward, and that the net effect thereof would be to reflect estimated operating results for the rate year less favorable than those hereinabove summarized.

The witness included in his estimate of expenses the item of interest payments, amounting to \$139. He testified that interest

^{2/} Estimated rental expense was shown in the witness' study at a figure \$162.50 lower than the 1960 figure. This, the witness stated, was in error, as rental expense will remain at the 1960 level during the rate year.

payments in the rate year would actually be much greater than this amount because of the recent purchase of several new trucks. Interest payments are not properly considered as operating expenses; therefore, the above-mentioned amount should be deleted from the estimated expenses for the projected period.

The minimum weight rule which applicant proposes to establish reads as follows:

"Sofas, couches, divans and davenports shall be transported at a minimum weight of not less than 120 pounds each."

In support of this proposal applicant's president testified that for many years the average weight of these articles of furniture ranged from 150 to 200 pounds each, but that recently manufacturers have developed a new, lightweight sofa and are also making lightweight couches, divans and davenports. Assertedly, the lightweight articles range from 62 to 100 pounds each. While the new articles are much lighter than the conventional type, the witness stated, they take up just as much space as the latter. The revenues accruing from the lightweight articles on an actual weight basis, he said, are insufficient to cover the cost of performing the transportation service.^{3/}

The proposed minimum weight of 120 pounds is a judgment figure. In the opinion of the witness, it would be fair to all manufacturers. According to the record, 40 per cent of applicant's traffic is of articles specified in the proposed rule, and about 50 per cent of this segment would be subject to said rule. In his estimate of revenues under the relief sought in the application herein, the witness did not give effect to the expected revenue

^{3/} The witness further testified that no practicable method of ascertaining the actual costs of transporting a single sofa or other article in question had been found.

increases resulting from the establishment of the rule in question.

Applicant serves or has performed service for almost all of the firms manufacturing or distributing furniture in northern California. Its principal competition, the record shows, is not from other for-hire carriers, but from proprietary operations conducted by the shippers.

Representatives of the Commission's transportation engineers and of its Rate Branch assisted in the development of the record. No one opposed the granting of the application.^{4/}

The estimated operating results for the rate year, predicated upon applicant's study, and after deleting therefrom the element of interest expense, may be summarized as follows: Under a continuation of present rates, a net operating loss of \$7,047, reflecting an operating ratio of 106.4 per cent; under the proposed rates, net revenue of \$1,805, and an operating ratio of 98.5 per cent, both before income taxes. The record is persuasive that adjustment of the foregoing figures to give appropriate effect to those estimated increases in operating expenses, as well as reductions, which were not taken into account in the president's study, on the one hand, and to the additional revenues which would be generated by adoption of the proposed minimum weight rule, on the other hand, would not reflect estimated operating results more favorable than said figures indicate.

^{4/} Notices of the hearing were mailed to 32 manufacturers and distributors of furniture and to several retailers and retailer associations.

Upon careful consideration of all the facts and circumstances of record, we are of the opinion and hereby find that the operating results under the proposed increased rates and the proposed minimum weight rule are reasonable and that said increases and proposed rule have been justified. The application will be granted.

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 and rule changes proposed in the application filed in this proceeding.

2. That in publishing the increased rates hereinabove authorized the following rule for disposition of fractions should be used:

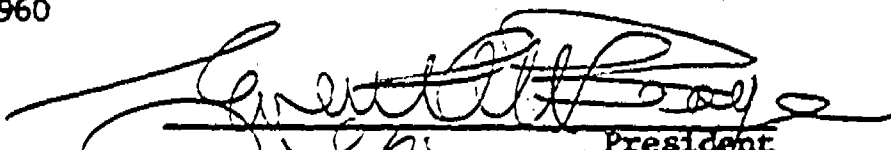
Fractions of less than one-half cent,
omit.


Fractions of one-half cent or greater,
increase to next whole figure.


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

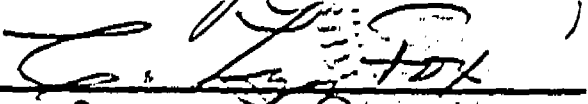
The effective date of this order shall be twenty days after the date hereof.

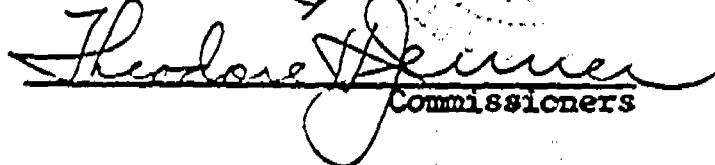
Dated at San Francisco, California, this 20th day of September, 1960



President








Commissioners