

Decision No. 62492**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 A & B GARMENT DELIVERY, a California)
 corporation, for authority to) Application No. 43333
 increase rates pursuant to Section)
 454 of the Public Utilities Code.)

Russell & Schureman, by Theodore W. Russell,
 for applicant.
A. E. Norrbom, for California Fashion Creators;
Eugene B. Shapiro and Louis A. Meadows, for
 California Sportswear and Dress Association,
 Inc.; V. A. Bordelon, for Los Angeles Chamber
 of Commerce; James Quintrall, Arlo D. Poe
 and J. C. Kaspar, for California Trucking
 Associations, Inc., interested parties.
L. Diamond and R. A. Lubich, for the Commission
 staff.

O P I N I O N

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

Public hearing of the application was held before Examiner Carter R. Bishop in Los Angeles on May 25 and 26, 1961. With the filing of certain data on June 6, 1961, the matter was taken under submission.

Evidence on behalf of applicant was adduced through its president, a transportation consultant and two shipper witnesses. Representatives of two associations of apparel manufacturers and members of the Commission staff assisted in the development of the record through examination of applicant's witnesses.

As has been pointed out in prior decisions relating to applicant herein, the services of the carrier in question constitute 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 the carrier'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. Additionally, 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 its Local Freight Tariff No. 2 (Series of Frank J. Brown, doing business as A & B Garment Delivery). The basic charges specified therein for transporting garments in bags are as follows:

"25 cents per bag plus 2.5 cents per pound, but not less than 25 cents per bag plus 4 cents per garment, for all garments except women's blouses or shirts which shall be 1.5 cents each."

Except in instances where a weekly minimum charge of \$2 is guaranteed by the shipper, the aforesaid rates are further subject to charges, for ordinary pickup service, as follows: An additional charge of 25 cents per bag per pickup, the minimum charge per pickup being \$1.

Applicant proposes herein increases in the basic charges to the following levels:

Per bag	28 cents
Per pound	3.5 cents
Per garment except women's blouses or shirts	5 cents
Women's blouses or shirts per garment ...	2 cents

The additional charge of 25 cents per bag, hereinbefore mentioned, applicable when the weekly minimum is not guaranteed, would also be increased to 28 cents.

Applicant's tariff contains charges for various miscellaneous services other than those hereinbefore mentioned. However, applicant does not propose any common carrier rate increases other than those above set forth.¹ Applicant's city carrier services within Los Angeles would not be subject to the common carrier tariff. The record shows, however, that the rates and charges for such services are, with one exception, generally maintained, and would continue to be maintained at the same level as the rates and charges for the highway common carrier operations.² 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 July 1958. The evidence shows increases in wage costs since then ranging from 12 to 15 per cent. In addition, there have been

¹ Most of the charges for which increases are not sought herein are only occasionally used. Assertedly, the weekly minimum service charge of \$2 is held down for competitive reasons.

² The exception refers to traffic which applicant transports from shippers in Los Angeles to its docks for delivery to other carriers. Charges applied to this traffic are the same as those which were in effect in the carrier's tariff prior to the effective date of the currently published rates. Applicant proposes no increases in the charges for this service, which is much less complete than its other services and therefore less costly to perform.

increases in so-called fringe benefits to employees. The record indicates also increases in operating costs other than those for labor. The foregoing increased costs have resulted in unfavorable operating experience for the year 1960, as reflected by the following figures: revenues, \$699,547; expenses, \$720,086; operating loss, \$20,539; operating ratio, 102.9 per cent.

Estimated operating results under the proposed rates were developed by the consultant witness by adjusting the 1960 revenue figures to give effect to the sought rate increases and by adjusting the corresponding expense figures to give appropriate effect to labor expense increases which were incurred during the year in question and to a cost-of-living wage increase which became effective February 1, 1961. The 1960 expense figures were not adjusted to include any cost increases other than labor. The adjustments, moreover, do not include increases granted early in 1961 to nonunion employees. According to the record, applicant anticipates further wage increases in 1961, since the current wage agreement with union employees was scheduled to expire June 30, 1961.

The estimated operating results under the proposed rates as developed by the consultant are summarized in the table below.

Financial Results of Operations
Under Proposed Rates and Present
Operating Costs
(Based on Operations for 12-month
Period Ended December 31, 1960.)

Operating Revenues	\$795,821
Operating Expenses	734,227
Net Operating Revenues	<u>61,594</u>
Provision for Income Taxes	26,529
Net after Income Taxes	<u>35,065</u>
Operating Ratio (after income taxes)	95.6%

No one opposed the granting of the application. Two shipper witnesses testified in support of the proposal.

Conclusions

As hereinbefore pointed out, applicant's operations in 1960

reflected substantial losses. The evidence of record discloses also that the carrier's operations during the first quarter of 1961 were conducted at a loss. If the integrity of applicant's services is to be preserved, it must be enabled to increase its operating revenues.

The figures introduced by the consultant witness appear, with one exception, to fairly reflect the operating results which may be expected if the sought rates and charges are established. The exception relates to the amount of equipment depreciation expense chargeable to operations during the test year. As pointed out in Decision No. 56709,³ dealing with applicant's 1958 rate increase, applicant had, up to that time, followed the practice of computing depreciation charges on the basis of shorter service periods for its vehicles than the periods the vehicles were actually used in its operations.⁴ The depreciation expense allowance which the Commission found proper in the above-cited decision was that which was calculated on a remaining-life basis, predicated on an average service life of 7-3/4 years determined from the carrier's experience.

The record in the instant proceeding shows that since 1958 applicant has continued to record in its books equipment depreciation expense by assigning service lives which varied generally with the ages of the vehicles when purchased,⁵ but which were shorter than the periods the vehicles were or are reasonably expected to be used. If the basis adopted in Decision No. 56709 is substituted for that utilized by the carrier, for the period following that considered in said decision and carried through to the end of 1960, the

³ Dated May 20, 1958, in Application No. 39726.

⁴ The record shows that the straight-line method was, and is, used in calculating depreciation expense of all applicant's utility assets, for income tax purposes as well as for other purposes.

⁵ Applicant has approximately 45 units of equipment in service, all but 15 of which were fully depreciated by January 1, 1960. Because of operating condition applicant finds it wise to obtain second-hand vehicles, some of which are quite old when purchased.

resulting equipment depreciation expense figure for the year 1960 is \$815 less than the annual amount upon which the consultant's figures were developed. Corresponding adjustments in the summary figures in the table above result in estimated net revenue after taxes of \$35,456 and an operating ratio of 95.5 per cent after taxes. These results are only slightly more favorable than those reflected by the consultant's estimate. They will be adopted for the purposes of this proceeding.

It appears that the establishment of the sought rates would do no more than provide applicant with a reasonable margin of revenues over expenses. Because the estimated operating results under said rates do not give effect to certain items of increased expenses, incurred or expected to materialize, nor to any diminution in traffic which may follow the increases in rates, it is likely that said estimated results are somewhat more favorable than actual experience will demonstrate.

After consideration, we find that the sought rates and charges have been justified. The application will be granted. Because of the urgent need for increased revenues, the order which follows will authorize publication of the proposed rates on less than statutory notice.

O R D E R

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

IT IS ORDERED that:

1. A & B Garment Delivery is hereby authorized to amend its Local Freight Tariff No. 2, Cal. PUC No. 1 (Series of Frank J. Brown, doing business as A & B Garment Delivery) in accordance with the proposals set forth in Paragraph V of the application filed in

this proceeding. The tariff publications authorized to be made as a result of this order may be filed not earlier than the effective date hereof, and may be made effective on not less than five days' notice to the Commission and to the public.

2. The authority herein granted shall expire unless exercised within one hundred twenty days of the effective date hereof.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 29th day of August, 1961

Walter R. Page
 President

John J. Mitchell

George L. Fox

George A. Brewer

Fredrick B. Holcomb
 Commissioners