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**ORIGINAL**

Decision No. \_\_\_\_\_

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. 44575

Marquam C. George, for applicant.R. A. Lubich and John F. Specht, for  
the Commission 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 to increase its rates and charges by ten percent above the levels in effect on June 21, 1962, the date on which the application herein was filed.

Public hearing of the application was held before Examiner Carter R. Bishop at San Francisco on July 17, 1962.

Minimum rates for the transportation of new, uncrated furniture between points in this State are provided in Minimum Rate Tariff No. 11-A. According to the record herein, applicant's rates, as of June 21, 1962, were on the same level as those set forth in said minimum rate tariff. By Decision No. 63753, dated May 28, 1962, in Petition for Modification No. 13 in Case No. 5603, the rates and charges named in Minimum Rate Tariff No. 11-A were in-  
 1/ creased by varying amounts. This adjustment became effective on

1/ By said decision, the minimum rates for transportation between points within a defined 12-county area centering on San Francisco Bay were increased by three percent. The minimum rates for all other movements were increased by amounts ranging from one to eight percent, depending upon the length of haul and the weight of the shipment.

July 14, 1962. However, as of the date of hearing in the instant matter applicant had not yet adjusted its rates to conform to the new minimum rate levels. The record indicates, however, that applicant was taking steps to bring about such conformity.

Applicant's president testified that approximately 80 percent of the carrier's traffic is between points located within the above-mentioned 12-county area centering on San Francisco Bay. He further stated that, based on his company's experience during the 12-month period ended June 30, 1961, the three percent rate increase in minimum rates sought for said area by Petition No. 13, and subsequently authorized, was insufficient to offset increased costs of operation. For this reason the application herein was filed.

Applicant's rates were last adjusted on October 17, 1960, when an increase of eight percent was effected pursuant to Decision No. 60767 in Application No. 42047. The record herein discloses that subsequently increases in labor and related costs have been experienced by the carrier. Effective July 1, 1961, a wage increase of seven cents per hour together with increases in certain fringe benefits was experienced. On February 1, 1961, there was a cost-of-living increase in wage rates of two cents per hour. Applicant's president estimated the over-all effect of these labor contract adjustments to amount to a five percent increase in labor expense. Additionally, there have been increases in payroll tax expense. Also, effective July 1, 1962, there was another increase, under the current wage agreement, of six cents per hour in wage rates.

The witness had made a study of the company's operating results for recent years. According to this study, the carrier's operations reflected net revenue (before income taxes) of \$4,922 in 1959, and losses of \$3,401 and \$8,750 in 1960 and 1961, respectively.

The corresponding operating ratios were 96, 103 and 108 percent, respectively. The foregoing results were for the fiscal 12-month period ended June 30 of each of the indicated years.

The witness testified also concerning estimates he had made of operating results under the proposed increased rates, at expense levels prevailing at the time of filing of the application herein. These results were developed by making adjustments in the recorded revenue and expense figures for the above-mentioned fiscal year 1961.<sup>2/</sup> The revenue figures were increased by ten percent and those portions of the expense figures relating to labor and related costs were revised to give full effect to the above-described changes except that no effect was given to the wage rate increase of six cents per hour which went into effect on July 1, 1962. Certain items of expense were revised to reflect actual expenditures for the test year, which expenditures had been completed by the time the study was made. Other items were revised to reflect an average of the three preceding fiscal years.

According to applicant's study, if the sought increase had been in effect during the fiscal year ended June 30, 1961, and during that same period expense levels as of June 21, 1962, had prevailed, the carrier's operations would still have resulted in a loss of \$5,686 and would have reflected an operating ratio of 104 percent.

The record discloses that the above estimates are subject to certain modifying factors. As a forecast of future operating results under the proposed rates the revenue estimate assumes the same volume of business as was handled in the fiscal year ended

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<sup>2/</sup> Applicant's books are closed on June 30 of each year. Its president's study was made prior to the close of the fiscal year ending June 30, 1962, and even as of the date of hearing in this matter the final book figures for that fiscal year were not available.

June 30, 1961. According to the witness, this is a reasonable assumption, although he is hopeful of a somewhat greater volume of business in the coming year. He estimated that the loss of revenue from diversion of traffic due to the increased rates would amount to no more than one percent. He did not take this factor into account in his revenue estimate. Also, he did not give effect, for a full 12-month period, to the rate increase of October 17, 1960. The book records reflect this increase for about two-thirds of a year.

With respect to the estimated expenses, as previously mentioned the witness did not include therein the effect of the most recent wage adjustment. To this extent the estimated expenses are understated. The record indicates that depreciation expense has been slightly overstated. Also, those estimates of running expenses which were predicated on a three-year average appear to be somewhat overstated for the following reason. In 1960 there was a substantial decline of business as compared with 1959, while 1961 revenues were approximately the same as those obtained in 1960. According to the witness, this decline was due to a falling off of furniture sales, not to a loss of customers. The effect, he admitted, was some reduction in truck mileage and consequently in running expenses. The inclusion of 1959 figures in calculation of the average, therefore, appears to result in overstatement, in some degree, of the anticipated running expenses.

The president testified that he had endeavored, to the extent possible, to reduce operating expenses. While his estimate indicates a loss even under the proposed rates, he felt that a rate increase of more than ten percent would cause an appreciable diversion of traffic. As hereinbefore indicated, the proposed

increase includes the recent increases authorized under the minimum rate order, and is not in addition thereto.

No one appeared in opposition to the granting of the sought rates adjustment. Members of the Commission's Transportation Division staff assisted in the development of the record.

Applicant's operations in 1960 and 1961 were conducted at a loss. The carrier's estimate of operating results under the proposed rates indicates a continuing deficit operation. The deficiencies previously noted herein in the development of the estimate involve both overstatement and understatement of revenues and expenses. It appears, however, that if appropriate effect had been given to these factors the revised estimate would not have been unduly favorable to applicant. Therefore, upon consideration, we find that the sought rate increase has been justified. The application will be granted.

In view of the urgent need for relief the order which follows will take effect ten days after the date hereof and applicant will be authorized to establish the increased rates on less than statutory notice.

#### ORDER

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

IT IS ORDERED that:

1. Safe Transportation Company is authorized to increase its rates to levels which shall be no more than ten percent higher than the rates of said company which were in effect on June 21, 1962. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the

effective date hereof and on not less than ten days' notice to the Commission and to the public.

2. In publishing the increased rates hereinabove authorized, the following rule for disposition of fractions shall be observed:

Fractions of less than one-half cent shall be dropped. Fractions of one-half cent or greater shall be increased to the next whole figure.

3. The authority herein granted is subject to the express condition that applicant will never urge before this Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as a consent to this condition.

4. 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 ten days after the date hereof.

Dated at San Francisco, California, this 28th day of AUGUST, 1962.

George G. Hoover  
President

[Signature]

Fredrick B. Holbrook

Commissioners