

Decision No. 67561

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of: )  
GARMENT CARRIERS, INC., a California )  
corporation, for authority to increase )  
rates, pursuant to Sections 454 and 491 )  
of the California Public Utilities Code. )

Application No. 46264  
(Filed March 5, 1964)

Theodore W. Russell, for applicant.  
Ralph J. Staunton and C. R. L'Ecluse,  
for the Commission staff.

O P I N I O N

This application was heard and submitted May 6, 1964 before Examiner Thompson at Los Angeles. Copies of the application and the notice of hearing were served in accordance with the Commission's procedural rules. There were no protests.

Applicant is a highway common carrier engaged in the transportation, among other things, of garments on hangers. It proposes to modify its rate structure for such transportation. Many of the changes would result in increases for which applicant here seeks authority pursuant to the provisions of Section 454 of the Public Utilities Code.

Applicant's present rate structure and its proposed rate structure for transportation of garments on hangers are unusual. A brief recital of the manner in which applicant conducts operations will assist in an understanding of the changes in rates proposed herein.

Garment Carriers, Inc. conducts what might be called long-line operations, principally between Los Angeles and San Francisco. An affiliate, A & B Garment Delivery performs transportation of garments on hangers within the Los Angeles area. Another affiliate,

A & B Garment Delivery of San Francisco performs similar service in northern California in the San Francisco Bay area. In 1947 the president of applicant was requested by a group of garment manufacturers to provide a transportation service of garments on hangers from Los Angeles to San Francisco. He made an analysis of the cost of providing store-door service and indicated to the shippers the rates it would have to assess in order to recover the costs. Those rates were not satisfactory to the shippers. Following negotiations, the president and persons representing the garment industry agreed to certain rates for which the carrier would provide only the line-haul service from Los Angeles to San Francisco. The consignors would be required to tender shipments at the carrier's depot at Los Angeles or if pickup service was required to pay A & B Garment Delivery its local rate for transportation from the shipper's place of business to the depot. The carrier would make its delivery only to its depot at San Francisco and it would be the responsibility of the consignee to pick up the shipment or to pay A & B Garment Delivery of San Francisco its local rate for delivery from the depot to the point of destination. The service was instituted by applicant and the rates were established for depot to depot service only. Over the years applicant has extended its service to points other than San Francisco and Los Angeles and has modified its rates so that they include the service of store-door delivery although they still do not include store-door pickup except at Bakersfield, Fresno, Oxnard, Ventura and Santa Barbara. Applicant engages its affiliates to perform the store-door deliveries except at the points specified above where store-door pickups are made. In the cases of Oxnard, Ventura and Santa Barbara, applicant conducts "peddle-trip" operations with its own vehicles out of Los Angeles. In the cases of Fresno and

Bakersfield, applicant has a pickup truck in that area that operates from a terminal facility where the line-haul vehicles, enroute to or from Los Angeles, discharge garments.

The service outlined above is suited to the requirements of the garment industry. Most of the manufacturing of garments is done in the Los Angeles area so that applicant's traffic in garments on hangers originates at its Los Angeles depot. Shipments of garments on hangers originating at other points consist mainly of garments being returned to the manufacturers or jobbers. For that reason the equipment operated by applicant consists of dromedary type tractors and semitrailers. The dromedaries are equipped with racks for holding garments on hangers. The semitrailers are equipped with collapsible racks so that garments on hangers can be transported northbound and general freight can be handled southbound. Most of applicant's southbound transportation consists of subhauling general freight for other carriers.

Over the years as applicant expanded and extended its services the rates for such services were placed piecemeal into its tariff. Those rates, including the Los Angeles to San Francisco rates, have never been adjusted upwards since they were promulgated. As a result the present rate structure is somewhat complex and provides rates which were based upon operating cost levels in 1947, 1953 and 1962. Applicant proposes to consolidate many of the present rate scales and to increase the rates in such a manner that the rates will reflect the costs of providing the various services. The proposal results in larger increases in the rates that have not been adjusted since 1947, somewhat lesser increases in the rates that were promulgated later and no increases in rates that were established in 1962 and thereafter. The proposed increases in the rates between Los Angeles and San Francisco amount to about 20 percent.

Applicant presented financial statements and estimates of the effect of the proposed increases. For the 12 months ended June 30, 1963 applicant operated at a loss of \$30,676. During the period July 1, 1963 through March 31, 1964 applicant incurred an operating loss of \$11,086.

The period for the 12 months ended June 30, 1963 was used as a base year in forecasting the operating results under the proposed rates. Revenues were modified to show the additional revenues that would be derived from the proposed increased rates and additional revenues that might be expected from subhaul operations and other operations because of increases in the rates for the transportation of general freight. The expenses were adjusted to reflect increased labor expenses and taxes. The forecast is summarized in Table I.

TABLE I

Forecast of Operating Results of Garment Carriers, Inc.  
For a Rate Year under Proposed Rates  
(Base Year: 12 months ended June 30, 1963)

	<u>Base Year</u>	<u>Adjustment</u>	<u>Forecast</u>
<u>Revenues</u>			
Garment Transportation	\$220,964	\$36,425	
Other	94,336	27,522	
Total Revenues	315,300	63,947	\$379,247
<u>Expenses</u>	345,976		
Payroll		5,048	
Weight Fees		468	
Taxes and Insurance <sup>1/</sup>		3,249	
Total Expenses	345,976	8,765	354,741
Operating Income	(30,676)	55,182	24,506
Provision for Income Taxes	-		6,443
Net Income	(30,676)		18,063
Operating Ratio Before Taxes	109.7%		93.5%
Operating Ratio After Taxes	109.7%		95.2%

<sup>1/</sup> Taxes and Insurance on Additional Revenue  
(Red figure)

The estimates of operating revenues, expenses, including taxes and depreciation submitted by applicant, and summarized in Table I, reasonably represent the results of applicant's operations for the purposes of this proceeding.

In addition to the local rates involved in this proceeding, applicant maintains joint rates for transportation between some of the points for which it proposes to increase its local rates. The president stated that he intends to cancel applicant's participation in the joint rates.

We find that:

1. The estimates of operating revenues, expenses, including taxes and depreciation, and the operating ratios herein approved are reasonable and represent the results of applicant's operations for the purpose of this proceeding.
2. The proposed increases in rates are justified.

We conclude that applicant should be authorized to establish the proposed increases in rates on not less than ten days' notice to the Commission and to the public subject to the condition that it will never urge before this Commission in any proceeding brought 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.

O R D E R

IT IS ORDERED that:

1. Garment Carriers, Inc. is authorized to establish the increased rates proposed in Application No. 46264. 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 on not less than ten days' notice to the Commission and to the public.

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

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 consent to this condition.

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

Dated at San Francisco, California, this 21<sup>st</sup> day of July, 1964.

Frederick B. Haddock  
President  
George H. Brown  
William A. Keogh  
George H. Brown  
William A. Keogh  
Commissioners