

Decision No. 77226

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation )  
into the rates, rules and regula- )  
tions, charges, allowances and )  
practices of all common carriers )  
and highway 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 for Modification  
No. 578  
(Filed March 13, 1970)

Handler, Baker & Greene, by Daniel W. Baker,  
for Garment Carriers, Inc., petitioner.  
John W. Henderson, for the Commission staff.

O P I N I O N

Garment Carriers, Inc., is a highway common carrier engaged in the transportation of garments, clothing and wearing apparel, when transported on garment hangers; and matching accessories and other commodities incidental thereto. Garment Carriers' local rates applicable to the transportation of garments on hangers are contained in Garment Carriers, Inc., Local Freight Tariff No. 1. Cal.P.U.C. No. 2.<sup>1/</sup> Petitioner seeks authority to increase the rates on garments on hangers in Item 70 of its Local Freight Tariff No. 1, to the levels set forth in Exhibit 2, and to add the following note to the provisions of said Item 70:

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<sup>1/</sup> Garment Carriers, Inc., Local Tariff No. 1 provides rates for petitioner's services between Los Angeles Metropolitan Area and San Francisco Metropolitan Area; and between said metropolitan areas, on the one hand, and Oxnard, Ventura, Santa Barbara, Bakersfield and Fresno. Petitioner also maintains rates on packaged goods in Western Motor Tariff Bureau, Tariff No. 111, and joint rates with Standard Truck Lines between the Los Angeles and San Francisco metropolitan areas, on the one hand, and San Diego, on the other hand, in Garment Carriers, Inc. Joint Tariff No. 1.

"Each article of clothing, each garment or each article of wearing apparel transported under the provisions of this item shall be subject to a minimum weight of one (1) pound."

Public hearing was held and the matter submitted before Examiner Mallory at San Francisco on April 8, 1970. There were no protests. Evidence was presented on behalf of petitioner by its president and by its executive vice president. A representative of the Commission staff participated through cross-examination of petitioner's witnesses.

Said witnesses testified to the following effect. Garment Carriers, Inc. is a highway common carrier under common control and management with A & B Garment Delivery and A & B Garment Delivery of San Francisco. The two latter affiliated carriers perform local service and pickup and delivery service for petitioner within the Los Angeles and San Francisco metropolitan areas. Said affiliates engage in the transportation of the same commodities that petitioner is authorized to transport under its certificate. Garment Carriers' rates were last increased pursuant to Decision No. 75099, dated December 17, 1968, in Application No. 50601. Since that date Garment Carriers and its affiliates have experienced increases in operating costs, principally increases in wage costs.<sup>2/</sup>

The following table sets forth Garment Carriers' actual revenues for the year 1969, modified to give effect to the increases sought herein, and those resulting from upward revisions during 1969 in minimum rates set forth in Minimum Rate Tariff No. 2.

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<sup>2/</sup> The record indicates that applications seeking to increase local rates of A & B Garment Delivery and A & B Garment Delivery of San Francisco will be filed when local wage contracts, now in the process of negotiation, are finalized. Also Garment Carriers will seek increases in its joint rates with Standard Truck Lines in the near future.

TABLE 1

## GARMENT CARRIERS, INC.

SUMMARY OF INCREASE IN REVENUES GIVING EFFECT TO PROPOSED RATES

For Year 1969

	<u>Twelve Months Actual Revenue</u>	<u>Increase Received in 1969</u>	<u>Proposed Revenue Increases</u>	<u>Modified Revenue</u>	<u>Percent Increase</u>
WMBT No. 111 - MRT No. 2	\$ 250,130	\$8,417	\$ -	\$ 258,547	3.4
Sub-haul	1,351	-	-	1,351	-
G.C.'s local tariff No. 1	623,558	-	82,490 (1)	706,048	13.2
G.C.'s joint tariff No. 1	177,582	-	-	177,582	-
Total	<u>\$1,052,621</u>	<u>\$8,417</u>	<u>\$82,490</u>	<u>\$1,143,528</u>	<u>8.6</u>

(1) One pound minimum increase \$ 6,088.42  
Proposed rate increase 76,401.26  
Proposed revenue increases \$82,489.68

Petitioner estimates that the proposed rates and the one-pound minimum per garment will increase its revenues from garments on hangers by 13.2 percent and its overall revenues by 8.6 percent.

Exhibit 15 contains a detailed audited income statement of Garment Carriers for the year ended December 31, 1969. Said exhibit shows that petitioner had a net operating loss for that period of \$26,900. Exhibit 17 contains a summary of increased costs and projected revenues, developed by modifying actual results of operations for the year 1969 to give effect to added revenues from the rate increases proposed herein and to added expenses resulting from increased wage costs effective during 1969 and increased expenses based on revenues (operating taxes and insurance). Said projections are set forth in the following table.

TABLE 2

## GARMENT CARRIERS, INC.

SUMMARY OF INCREASED COSTS AND PROJECTED REVENUES

Twelve Months Ended December 31, 1969

(In thousands of dollars)

Actual operating revenue	\$1,052.6
Actual operating expenses	<u>1,083.7</u>
Operating (loss) income	<u>\$ (31.1)</u>
Operating ratio	<u>103.0%</u>
Modifications:	
Increase revenues:	
Received in 1969	\$ 8.4
Proposed	<u>82.5</u>
Total	<u>\$ 90.9</u>
Increased expenses:	
Labor and relative costs - 1969	\$ .6
Taxes and insurance on increased revenue (4.81%)	<u>4.4</u>
Total	<u>\$ 5.0</u>
Modified revenues and expenses:	
Modified operating revenue	\$1,143.5
Modified operating expenses	<u>1,088.7</u>
Operating income	54.8
Operating ratio (before taxes)	95.27
Provision for state and federal taxes	<u>23.6</u>
Operating income (after taxes)	<u>\$ 31.2</u>
Operating ratio (after taxes)	<u>97.3%</u>

The increased labor expense set forth in the foregoing table does not reflect wage increases which may result from the negotiations on a national level between truck employers and teamster unions which were concluded shortly before the date of the hearing herein. The foregoing table assumes that Garment Carriers will not change the rate or level of compensation to its affiliates for the pickup and delivery and loading services performed by said affiliates for petitioner.

Exhibit 24 contains operating statements of Garment Carriers, Inc., A & B Garment Delivery and A & B Garment Delivery of San Francisco for the years 1964 through 1969. Said carriers' respective operating ratios for the year 1969 were 100.25, 91.1 and 98.2 percent, and for the year 1968 were 97.9, 95.1 and 100.7 percent. This information was presented to show that the operations of Garment Carriers have not been burdened by operations of its affiliates, and vice versa.

Exhibit 25 contains a consolidated income statement for the year 1969 for the three carrier affiliates, which shows that consolidated net operating income for this period was \$160,353. Adjustments were made to these data to give effect to a reduction in revenue resulting from the loss of an account in the San Francisco area, leasing in lieu of ownership of trucking equipment and increased labor expenses for a full year. Said adjustments total \$248,975, resulting in an adjusted consolidated net operating loss for the year 1969 of \$88,622.

The record contains detailed information showing the methods used to compute the estimates of increased revenues and increased operating expenses. Concerning the proposed one-pound minimum per garment, the evidence shows that men's shirts and women's blouses would be the only garments affected; during the past year manufacturers have

ceased using thin metal hangers for said garments and have substituted the use of lighter, but bulkier, plastic hangers for display purposes; said plastic hangers require more room in petitioner's vehicles than metal hangers, but said plastic hangers weigh considerably less; and that a full load of garments on plastic hangers would not produce sufficient revenues to cover transportation costs.

The Commission finds:

1. Garment Carriers, Inc. operations for the year 1969 resulted in a loss.

2. Said operations for the current year also will result in a loss unless revenues are increased.

3. Table 2 reasonably sets forth the estimated future operating results for petitioner, reflecting known increased expenses and proposed rates. Said table indicates that petitioner's operations would result in an operating ratio of 95.2 percent (before taxes). Said operating ratio is reasonable.

4. The proposed increases in rates are justified.

We conclude that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Garment Carriers, Inc., is authorized to establish the increased rates proposed in Petition No. 578, in Case No. 5432. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five 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. Garment Carriers, Inc., in establishing and maintaining the rates authorized hereinabove, is hereby authorized to depart from the provisions of Section 460 of the Public Utilities Code so as to adjust long- and short-haul departures which are necessary under the authority granted herein; and schedules containing the rates published under this authority shall make reference to this order.

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

Dated at San Francisco, California, this 19th  
day of MAY 1, 1970.

William J. Sproule Jr.  
President  
August  
William J. Sproule Jr.  
William J. Sproule Jr.  
Vernon L. Stinger  
Commissioners