

Decision No. 34327

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment of)
maximum or minimum, or maximum and)
minimum rates, rules and regulations)
of all common carriers as defined in)
the Public Utilities Act of the State)
of California, as amended, and all)
highway carriers as defined in Chapter)
223, Statutes of 1935, as amended, for)
the transportation for compensation or)
hire, of any and all commodities.)

Case No. 4246

In the Matter of the Establishment of)
maximum or minimum, or maximum and)
minimum rates, rules and regulations)
of all carriers as defined in the City)
Carriers' Act of the State of Cali-)
fornia (Statutes 1935, Chapter 312, as)
amended) for the transportation over)
the public highways within any city or)
city and county in the State of Cali-)
fornia, for compensation or hire, of)
any and all commodities.)

Case No. 4434

BY THE COMMISSION:

Additional Appearances

E. H. Hart, for Draymen's Association of Alameda County.
J. W. Barker, for San Francisco Movers, Inc.
H. J. Blaine, for United Van and Storage Association.

SUPPLEMENTAL OPINION

This opinion deals with rates for the transportation of
used household goods and related articles,¹ and with rates for ac-
cessorial services rendered in connection with that transportation.
Territorially, the scope of the opinion is limited to the City and
County of San Francisco, the counties of Alameda and San Mateo, and
the cities of Palo Alto and Richmond. Evidence concerning the rates

¹ These articles are: used household or personal effects such as clothing, furniture, furnishings, radios, musical instruments, stoves or refrigerators; and used office and store fixtures and equipment such as furniture, furnishings and other appurtenances.

in question was received at a public hearing had at San Francisco responsive to a petition filed by San Francisco Movers, Inc. and Draymen's Association of Alameda County seeking revision of the established minimum rates.

The established rates are set forth in City Carriers' Tariff No. 3-Highway Carriers' Tariff No. 4 (Appendix "A" to Decision No. 32629, of December 7, 1939, as amended, in these proceedings). For local moving the tariff provides hourly rates predicated upon the size of equipment used and the number of men employed. For equipment with a loading area of over 70 square feet, the rate is \$4 per hour when the services of two men are engaged; for smaller equipment the rate is \$3.50. When only one man is employed the rates are \$1 less; when additional helpers are employed the rates are \$1.25 per man higher. In addition to the hourly rates, the tariff provides that by agreement between shipper and carrier, entered into in advance of shipment, rates not less than 70, 74 and 77 cents per 100 pounds, depending upon the weight involved, may be used in lieu of hourly rates. Rates varying with the distance the property is transported are also provided in amounts per article, applicable to the transportation of not more than 5 articles per shipment (piece moving); in cents per container, for the transportation of baggage; and in cents per 100 pounds, for the transportation of crated property.

Petitioners contend that their members have experienced increased labor costs since these rates were established, that the revenues produced by the application of these rates are insufficient to return the expense of rendering the service, and that the force of competition precludes carriers from securing rates in excess of

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In determining charges under these rates the number of hours required to be used is the sum of loading time at point of origin, double the driving time from point of origin to point of destination, and unloading time at point of destination. Driving time is doubled to offset, at least to some extent, the time spent in driving to point of origin from point of destination.

those established as minima. They strongly urge that, under the circumstances, higher rates are necessary if the carriers are to continue to render satisfactory service to the public. In place of the minimum rates now in effect they recommend that "fixed rates" (maximum and minimum rates) be established.³ No recommendation is made as to the volume of the rates other than that they should reflect the cost of performing service. With respect to the rates stated on an hourly basis petitioners represent that it is essential that these rates be raised to a level commensurate with their costs per hour. Rates stated on other bases, they assert, are more difficult to relate to the expenses incident to the transportation involved because of variations in the time consumed and the distances traversed in performing service. It is requested, however, that "fixed rates" be established, if possible, for all operations regardless of the basis on which the rates are stated.

Two cost studies were submitted, one by a senior engineer from the Commission's Transportation Department, the other by the executive secretary of petitioner San Francisco Movers, Inc., but on behalf of both petitioners.⁴ The engineer developed two cost

³ They also urge that the tariff provision authorizing the rates for ground floor pickup and delivery rates at all floors of single dwellings be amended so that in instances where outside flights of stairs are involved the additional charges in effect for other than single dwellings would be applicable. Under this proposal, the existing ground floor rates would be retained for pickups and deliveries involving inside flights of stairs in rendering service to all floors of single dwellings. Services under hourly rates would not be affected by the proposal. It was not supported by any evidence of probative value and on this record has not been justified.

⁴ Cost estimates were also submitted by representatives of individual carriers, members of the petitioning associations. According to the four such estimates received, costs per hour for equipment with a loading area of over 70 square feet and for the services of driver and helper were \$4.73, \$4.79, \$5.15 and \$5.74, respectively. These figures, however, were not supported by the detail necessary to test their accuracy.

scales, one for carriers which he designated as "owner-driver" operators, the other for carriers which he designated as "fleet" operators.⁵ No segregation of carriers was made in the petitioners' study. The total cost per hour for equipment containing more than 70 square feet of loading space, as shown by the studies, is reproduced in the following tabulation:

	Petitioners' Costs	Engineer's Costs	
		Fleet	Owner-Driver
Equipment, Driver and Helper	\$5.5436	\$5.1821	\$4.0342
Equipment and Driver	4.4237	4.0279	2.9293

Both studies were said to reflect average costs experienced by the carriers, drawn from their records to the extent information was available from that source.⁶ Moreover, the studies follow the

⁵ The "owner-driver" operator is described as "one who operates from one to four motor vehicles, either as an individual owner or as a partnership, working part time as a driver-helper on the van, part time as a solicitor or estimator, and part time in the office." The "fleet" operator is described as an "individual or corporation who employs regular drivers and helpers *** and is required to pay a driver taking out a motor vehicle any part of a day, a full day's pay." The witness estimated that in San Francisco 99 out of a total of 115 household goods carriers were "owner-driver" operators and that these carriers used 137 equipment units. The 16 "fleet" operators, according to his figures, employed 67 equipment units. A revenue study indicates that the average revenue per unit of equipment for the year 1940 was \$2,782 in "owner-driver" operations and \$5,694 in "fleet" operations. The revenue study also indicates that in 1940 the gross revenue of the 99 "owner-driver" carriers was \$381,140, and that of the 16 "fleet" carriers \$381,531.

⁶ It was claimed that many of the carriers maintained inadequate records and that the witnesses had found it necessary to make allocations based upon their experience and judgment to determine certain cost factors. Petitioners recommended that the Commission require that records showing the revenue hours and the mileages operated be kept by the carriers so that in the future carrier expenses would be more completely and accurately disclosed by their records. Revenue hours were said to be particularly important for the reason that wage agreements between the carriers and their employees provide that drivers be paid for a full day when they are employed any part of a day, and that helpers be paid on a higher wage scale when employed on a broken-time basis. Under outstanding orders in these proceedings, respondents are required to issue shipping documents showing the basis of their charges. For shipments transported under hourly rates the time involved is required to be shown and, accordingly, no further order appears necessary with respect to a record of revenue hours. In regard to the proposed recording of mileages, it has not been made to appear that the imposition of this requirement is justified.

same plan of cost allocation, expenses being assigned to mileage costs (fuel, lubricants, tires, maintenance and repairs), annual fixed costs (depreciation, interest on investment, taxes and licenses, rent and insurance), labor costs and general overhead and administrative costs. Although these studies have similar sources and despite their similarity as to form the results are, nevertheless, strikingly different. The differences between the petitioners' costs and the engineer's "fleet" costs, however, are substantial only in annual fixed cost and running expense factors. In annual fixed costs the chief difference is attributable to the higher use factor disclosed by the engineer's study.⁷ In running expense a direct comparison cannot be made for the reason that petitioners' study shows expense for 7,500 miles per year operated in both local and long distance moving, the latter service not involved in this opinion; while the engineer's study developed miles operated per revenue-hour in local moving service only.⁸ The engineer's "owner-driver" costs are lower than his "fleet" costs because, according to his study, the "owner-driver" operator runs his equipment a lesser distance (3.5 against 5.5 miles per revenue-hour) and experiences less general overhead and labor expense.⁹

In regard to increased labor expenses, it was shown that during 1940 the wages of drivers and helpers had each been raised

⁷ Petitioners' study employs a use factor of 1,000 hours; the engineer's 1,225 hours. Petitioners' estimate is predicated upon a study of 18 carriers said to represent all types of household goods operators; the engineer's upon a study of 5 "fleet" operators. The engineer also studied 9 "owner-driver" operators whose use factor averaged 925 hours. For all 14 carriers, the engineer's average is 1,031 hours an estimate not materially different from that of the petitioners.

⁸ On these bases the petitioners' running costs per hour are \$0.5055 and the engineer's \$0.3603.

⁹ The petitioners' labor costs for driver and helper are \$2.6265 per hour; the engineer's \$2.5435 and \$2.294 per hour for "fleet" and "owner-driver" operations, respectively. General overhead expenses were estimated by petitioners as \$1.5336 per hour and by the engineer as \$1.693 for "fleet" carriers and \$1.0404 for "owner-driver" carriers.

\$.50 per day, that optional starting time provision had been canceled that overtime wages had been increased, and that regular drivers and helpers had been given an annual vacation of one week with full pay. All of these changes were said to have increased the labor expense accruing per revenue hour, but no estimate of the hourly increase was submitted.

Several carrier witnesses testified that revenues derived from local moving operations during the year 1940 had been insufficient to return costs and to enable provision to be made for equipment replacements. The amounts of the losses assertedly sustained were not disclosed.

Carrier witnesses testifying in support of the "fixed rate" plan said that for short periods they had charged rates higher than the minimum rates, but had found it impossible to continue to do so because shippers had been able to secure service at the minimum rates. They said that their attempts to maintain higher rates had created the impression that they were endeavoring to overcharge. However, some of them stated that in computing time for assessing charges they added an arbitrary time factor of 15 minutes, with the intention of the charge for that additional time compensating them to some extent, at least, for the nonrevenue time driving from their place of business to point of origin and returning from point of destination. An additional charge of \$2.50 was also said to be made when shipments contained a piano. This charge was represented as being justified due to the hazard of handling these instruments.

No one opposed the granting of the petition.

The force of the competition among the carriers as disclosed by this record indicates that they may well be maintaining, in the aggregate, facilities in excess of those necessary to meet the public demand for service. It also tends to show that the carriers cannot achieve, either individually or collectively, the operating

efficiency which could be attained under a closer relationship of the facilities maintained to the demands for service. In addition this competition is apparently so vigorous that it forecloses the carriers from securing revenues in keeping with the value of their services in instances where abnormal conditions surround the movement of the property. In the light of the competitive influences disclosed by the record, a proper appraisal of the value of the evidence relating to costs must take into account and give adequate recognition to the fact that the cost data was chiefly obtained from the records of the carriers. The petitioners did not supplement this cost data by evidence establishing (1) the extent to which the facilities of the carriers studied and the aggregate facilities of the carriers engaged in the transportation involved may exceed those necessary to meet reasonable public demand, (2) the efficiency of the carriers studied, and (3) whether the operations embraced by the cost estimates covered only the normal traffic of household goods carriers or included other household goods transportation of an unusually expensive type.

Had the petitioners submitted competent evidence relating to these questions the cost estimates would have greater value for rate-making

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In establishing the minimum rates now applicable to the traffic in issue it was held that minimum rates "should not be designed to protect the revenues of all carriers who choose to engage in given transportation, without regard to the facilities reasonably necessary to serve the public adequately and well, or to the efficiency of the operations of existing carriers. Nor should minimum rates be designed to cover expedited or unusual services to the prejudice of persons not requiring such service. On the other hand, theoretical cost estimates should not be accepted in preference to costs drawn from carriers' records, where it is shown that the carrier operates in a reasonably efficient manner and performs only the usual or ordinary type of service." (Decision No. 32325, 42 C.R.C. 119.)

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purposes.

Nevertheless the record shows that, in the aggregate the established minimum hourly rates now fail to return adequate earnings. It also shows that labor expenses have increased materially since September, 1939, when the existing minimum rates were prescribed; and that these increases have contributed to and in a large measure have accounted for the failure of the prescribed hourly rates to return sufficient revenue. The deficiency in revenue, according to the estimates of the Commission's engineer, is not substantial for so-called "owner-driver" operations. Substantial deficiencies are portrayed, however, by his study of "fleet" operations and by petitioners' study of costs for all carriers in the field.

One of the expense factors which the engineer estimated as being considerably lower in the case of "owner-driver" operations is labor cost. His estimate of this cost is predicated upon the allocations made by proprietors for their services as drivers and helpers and is materially less than the expense of hiring outside help for those services. No difference in the worth of these services has been made to appear. If the lower labor costs based on the proprietors' allocations were accepted as the proper measure of driver and helper expense and reflected in the rate structure it is evident that carriers operating exclusively with hired labor would be unable to compete effectively with "owner-driver" carriers.

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For more than two years prior to January 1, 1940, when the existing minimum rates became effective, the prescribed rate level was generally higher than that now prevailing. At the public hearings preceding the issuance of Decision No. 32325, supra, which prescribed lower rates for household goods transportation, the petitioners here before the Commission claimed that the then existing rate level was too low and that substantial increases were necessary. Then, as now, the petitioners relied largely upon a showing of costs experienced by the carriers in the field supplemented by little evidence of probative value with respect to the relation of the facilities maintained to reasonable public demand, the efficiency of the carriers, the various types of transportation involved and other rate-making elements.

Unless subnormal rates are clearly shown to be justified no group of carriers should, generally speaking, be permitted to observe rates that will not return the cost of performing the service under normal conditions. Here, "owner-driver" carriers did not contend that depressed rates were necessary or that their labor expenses properly should be less than those of other carriers. On the contrary, in common with the "fleet" carriers they urged that a substantial increase in rates was necessary to reflect higher operating expenses and to permit them to continue to render satisfactory service. It appears that, as urged by petitioners, labor expenses are approximately the same for both types of carriers when their operations are conducted with reasonable efficiency.

Another expense factor which, according to the engineer's estimates, is appreciably less for "owner-driver" operations is overhead expense. As in the case of labor costs his estimate of overhead expenses for that type of operation is based upon the carriers' allocations. This estimate appears to be somewhat lower than the amount which would reasonably reflect full reasonable costs. For example, management, solicitation and clerical expenses are shown as 14.19 per cent of total operating costs for "owner-driver" carriers and 20.96 per cent for "fleet" carriers. Although it is not so clearly established as in the case of the differences in labor expenses it is reasonably clear that the services of the proprietor or members of his family functioning in management, solicitation or clerical capacities have not been allowed compensation equivalent to that prevailing for like services when rendered by other employees. As in the case of labor expenses and for similar reasons, it appears that overhead costs of the two classes of carriers are not substantially different for reasonably efficient operators.

In fixed expenses the difference between the two types of operations is shown to be relatively unimportant, amounting to less than 5 cents per revenue hour. In running expenses the difference of some 20 cents per hour is accounted for by the lesser distance the "owner-driver" carriers are shown to operate their equipment. According to the engineer's figures the equipment of these carriers is run an average of 3.5 miles per revenue-hour, whereas the equipment of "fleet" carriers is run 5.5 miles. Evidently "owner-driver" operations are generally confined to the vicinity of their headquarters and because of this circumstance they do not experience as great an amount of nonproductive driving time as the fleet carriers.

From the foregoing it appears that after due allowance has been made for the full labor and overhead expenses of "owner-driver" carriers the cost of these carriers are still materially lower than those of the carriers which operate on a wider scale. Nothing in this record suggests that there is any material difference in the services generally rendered by the carriers because of the different operating methods they employ. Evidently, then, "fleet" carriers are disadvantaged when they compete with "owner-driver" carriers for shipments involving transportation between points situated in the vicinity of the latter's places of business. In determining the reasonable costs of the carriers, consideration should be given to the location of their places of business with respect to the localities in which their businesses are centered. No zoning arrangements were proposed, nor does it appear that the adoption of zoned rates is necessary or advisable. The carriers should be permitted to compete freely for the available traffic but in so doing the carriers experiencing higher costs in any district must expect to operate in that district at somewhat depressed rates if they are actively to

engage in handling competitive traffic.

If different types of service are being rendered by the two classes of carriers they should have brought this circumstance to the Commission's attention by the presentation of appropriate evidence. In any event, the experience of a group of carriers whose operations resulted in materially higher costs should not control determination of rates for other carriers. On the other hand, carriers operating in a reasonably efficient manner but experiencing higher costs because they perform a different type of service should not be foreclosed from securing rates commensurate with their operating expenses. The establishment of a single scale of maximum and minimum rates, as urged by petitioners is, therefore, not justified in this record. No one has contended, nor has it been shown that the establishment of more than one rate scale is necessary or desirable. On the contrary all of the evidence tends to show that such rate adjustments as are necessary should be made in the existing minimum rate structure.

As previously stated, it has been made evident that the present scale of hourly rates in the territory in issue has become unduly low, principally because of the increased labor costs which have been experienced by the carriers, and that the rate scale must be increased accordingly. Little or no evidence was introduced with respect to operations conducted under rates on other than an hourly basis or with respect to the extent to which those rates may be affected by increased labor costs or other increased expenses. While it may well be that increases in these rates can be justified upon a more comprehensive record the nature and extent of any modification of these rates necessary because of changed conditions is not determinable on this record.

Upon consideration of all the facts of record, we are of the opinion and find that increases of 40 cents per hour for equipment having a loading area of over 70 square feet, driver and helper, 25 cents per hour for equipment of that size and driver, 35 cents per hour for smaller equipment, driver and helper, 20 cents per hour for the smaller equipment and driver, and 15 cents per man per hour for additional helpers are as great as are justified on this record; that the hourly rates for local moving service set forth in Item 200 of City Carriers' Tariff No. 3-Highway Carriers' Tariff No. 4 as so increased are, and for the future will be, the just, reasonable and nondiscriminatory minimum rates for the transportation and accessory services rendered under hourly rates by city and highway carriers; and that as so increased these rates are, and for the future will be, reasonable and sufficient for the highway common carriers now required to maintain rates no lower than those provided in said Item 200. Such highway common carriers will be required to increase their tariff rates to the level found reasonable and sufficient herein. In all other respects petitioners' requests are not justified by the evidence of record and will be denied.

O R D E R

Public hearing having been held in the above entitled proceedings and based upon the evidence received at the hearing and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that City Carriers' Tariff No. 3-Highway Carriers' Tariff No. 4 (Appendix "A" to Decision No. 32629 of December 7, 1939, as amended, in the above entitled proceedings) be and it is hereby amended by substituting therein, to become effective August 1, 1941, First Revised Page 18 (Cancels Original Page 18) attached hereto and by this reference made a part hereof.

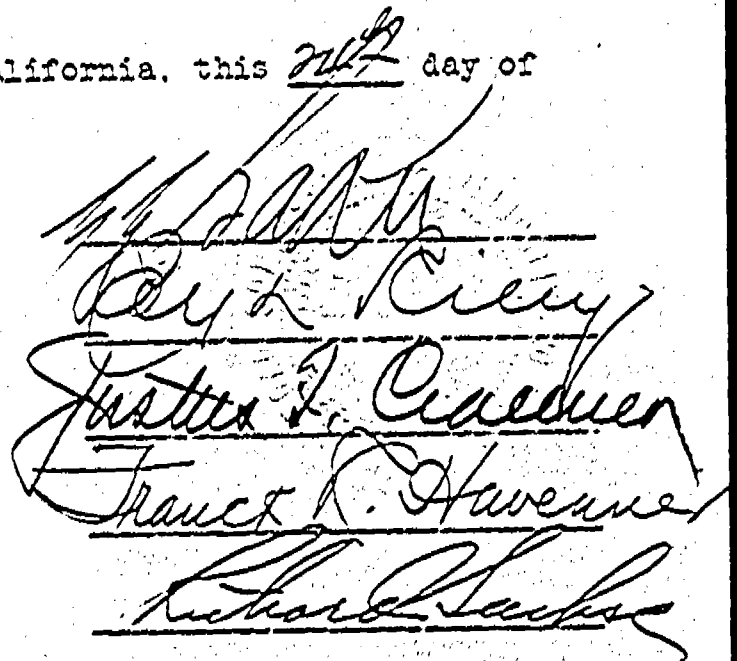
IT IS HEREBY FURTHER ORDERED that the tariff publications required to be made by highway common carriers as a result of the amendment herein of the aforesaid tariff shall be made effective on August 1, 1941, on not less than three (3) days' notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that in all other respects the petition of San Francisco Movers Inc. and Draymen's Association of Alameda County, referred to in the preceding opinion, be and it is hereby denied.

In all other respects said Decision No. 32629, as amended, shall remain in full force and effect.

This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 27th day of June, 1941.



Commissioners

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CITY CARRIERS' TARIFF NO. 3
 HIGHWAY CARRIERS' TARIFF NO. 4

Item No.	SECTION NO. 2 - LOCAL MOVING RATES			
200-A Cancels 200	UNCRATED PROPERTY (1) Rates in Cents per Hour			
		*Column 1	Column 2	Column 3
	Carrier's Equipment, having a loading area of 70 square feet or less (2):			
	Carrier's Equipment and driver	270	220	200
	Carrier's Equipment, driver and helper..	385	300	265
	Additional helpers, per man	140	100	75
	Carrier's Equipment, having a loading area of over 70 square feet (2):			
	Carrier's Equipment and driver	325	270	250
	Carrier's Equipment, driver and helper..	440	350	315
	Additional helpers, per man	140	100	75
	<p>COLUMN 1 rates apply between points in Territory "A" on the one hand and points in Territories "A", "B" or "C" on the other. (3)</p> <p>COLUMN 2 rates apply between points in Territory "B" on the one hand and points in Territories "B" or "C" on the other. (3)</p> <p>COLUMN 3 rates apply between points in Territory "C". (3)</p> <p>(1) When in advance of shipment the shipper elects, in the manner provided in Item No. 102(j) series, to have a shipment transported under the rates provided in Item No. 210 series, the rates named in this item will not apply.</p> <p>(2) Loading area means the total area of floor space of carrier's equipment available for loading, including tailgate and overhead (loading space above driver's compartment).</p> <p>(3) See Item No. 180 series for territorial descriptions.</p>			
	*Increase Decision No.			
	EFFECTIVE August 1, 1941			
Correction No. 4	Issued by The Railroad Commission of the State of California, San Francisco, California.			