

Decision No. 38988

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment)
of rates, rules, classifications)
and regulations for the transporta-)
tion of property, exclusive of)
property transported in dump trucks,)
for compensation or hire, over the)
public highways of the City and)
County of San Francisco.)

Case No. 4084

ORIGINAL

Appearances

Russell Bevans and Edward M. Berol, for petitioner
Draymen's Association of San Francisco.

E. L. Carley, Jr., G. M. Carroll, J. A. Clark, Jr.,
Wilfred S. Dunn, John Fox, A. J. Gioardo, James
Graham, A. J. Harris, George D. Hart, E. J. Hooper,
Lee Hunt, E. A. Hutchinson, L. W. Johnstone, George
Linale, J. B. Mahoney, Mary S. Matei, E. A. Mosebach,
Frank Nolan, Fred Paganini, George T. Patton, L. D.
Raymond, Frank Reed, Joseph Robertson, W. J. Schroeder,
D. S. Smith, L. J. Steinhart, C. Thompson, J. H.
Vianetich, Frank Wehrli, E. O. Wern, Edward D. White,
L. Winkler, and C. A. Worth, for various respondent
carriers.

M. D. Alexander and C. O. Burgin, for Office of
Price Administration.

W. M. Casselman, J. B. Costello, J. J. Deuel, Henry
Hoffman, T. J. Label, N. R. Moon, J. E. Myers, Milton
O'Donnell, Walter A. Rohde, Donn W. Wilson, and E. G.
Williams, for interested shippers and shipper organiza-
tions.

SUPPLEMENTAL OPINION.

Draymen's Association of San Francisco seeks a general
increase of not less than 15 per cent in the minimum rates estab-
lished in this proceeding for for-hire drayage in San Francisco.

A public hearing was had at San Francisco on April 26,
1946, before Examiner Mulgrew.

The Association has 53 carrier members. It assertedly represents, with minor exceptions, all of the city's common carrier draymen. A study of the operating results of 40 of its members was submitted. Nine of the 13 carriers not included in the study are so-called "owner-operators" providing a limited service. Each of these operators has not more than 2 equipment units. They were excluded from the study because usable cost figures for their operations were not obtainable. The remaining 4 carriers were excluded because their drayage operations were relatively small, because their costs were not segregated between drayage and other operations, and because it was not feasible to make such segregations.

Some of the carriers are also engaged in warehouse operations. Under their accounting practices all warehouse revenues and expenses are separately stated. These figures are not included in the study. The carriers also handle traffic not subject to the minimum drayage rates. Revenues and expenses for such traffic were said to have been included because the carriers had not kept records from which a segregation of costs could have been made and because, even after detailed analysis, the costs could not have been allocated except on an arbitrary basis.

The study shows revenues, expenses, and operating ratios for each of the 40 draymen; contrasts their operating results for the first six months of 1945 with those for the last six months of that year; and discloses the operating results of the carriers by groups based on the percentages of revenue derived from traffic

subject to the minimum rates. A summary of this showing follows:

Group*		<u>Revenues</u>	<u>Expenses#</u>	<u>Net#</u>	<u>Operating Ratio #</u>
A	(1)	\$1,109,743.49	\$1,098,743.94	\$10,999.55	99.01
	(2)	1,114,679.69	1,136,811.42	(22,131.73)	101.99
B	(1)	961,346.41	926,166.54	35,179.87	96.34
	(2)	893,961.47	944,921.11	(50,959.64)	105.70
C	(1)	2,071,089.90	2,024,910.48	46,179.42	97.77
	(2)	2,008,641.16	2,081,732.53	(73,091.37)	103.64
D	(1)	1,958,424.19	1,852,833.03	105,591.16	94.61
	(2)	1,717,285.50	1,842,695.53	(125,410.03)	107.30
All Carriers	(1)	4,029,514.09	3,877,743.51	151,770.58	96.23
	(2)	3,725,926.66	3,924,428.06	(198,501.40)	105.33

* - Group A consists of the 26 carriers deriving 90% or more of their revenues from minimum rate traffic.

Group B consists of the 6 carriers deriving 75% to but not including 90% of their revenues from minimum rate traffic.

Group C consists of the 32 carriers making up Groups A and B.

Group D consists of the 8 carriers deriving less than 75% of their revenues from minimum rate traffic.

- Before provision for federal income taxes.

(1) - First 6 months of 1945. (2) - Last 6 months of 1945.

() - indicates loss.

It will be observed that in each group of carriers revenues were sufficient to meet expenses in the first six months and failed to do so in the last six months. In the earlier period 14 of the 40 carriers sustained operating losses; in the later 29 were in that position. Of the 26 Group A carriers, 11 operated at a loss in the first six months and 18 in the last six months. The record shows that this group includes 4 carriers which handled traffic under unusually favorable conditions. Three of them were said to have operated under rates higher than the minimum rates and the other assertedly enjoyed an abnormally heavy volume of government business. The record also shows that the group includes a carrier which did not list all expenses in its books and for which there was no basis of

arriving at a fair allocation of costs. The study discloses substantial net earnings for each of these 5 carriers. Eliminating them from the group, only 3 of the 21 remaining carriers earned their operating expenses during the last six months of 1945. For this period the operating ratio indicated by the study for these 21 carriers is 104.26. The corresponding ratio for all 40 carriers, as has been shown in the foregoing tabulation, is 105.33.

Changed conditions experienced since the first of the present year, including those attributable to Decision No. 38651 of January 29, 1946, which made various adjustments in the minimum rate structure, remain to be evaluated. The rate changes became effective on February 8. Commodity rates were not disturbed. Both increases and reductions were made in other rates. The over-all effect, however, was to establish higher rates. The Commission stated that \$1 per day wage increase for drivers and helpers which had then been agreed upon but was awaiting ratification would evidently raise costs in an amount almost three times as great as the amount of the estimated additional revenues from the increased rates, and that the rate increases would apparently do no more than afford a limited measure of temporary relief. The wage agreement just referred to has been ratified. The higher wage scale was made retroactive to August 18, 1945.

Operating results for February 1946 for 17 of the 40 carriers and reflecting revenues from the increased rates which became effective early in that month were submitted. These figures were represented as being the latest which could be prepared in time for the hearing. Thirteen of these 17 carriers sustained operating losses in the last half of 1945. Seven of them still operated at a loss in

February 1946, notwithstanding the higher rates established on February 8. A comparison of operating results for the last 6 months of 1945 and February 1946 follows:

<u>Group *</u>		<u>Revenues</u>	<u>Expenses#</u>	<u>Net#</u>	<u>Operating Ratio #</u>
A	(1)	\$312,730.18	\$321,045.04	(\$8,314.86)	102.66
	(2)	48,538.07	49,597.59	(1,059.52)	102.18
B	(1)	829,620.35	882,695.09	(53,074.74)	106.40
	(2)	123,413.78	133,862.48	(10,448.70)	108.47
C	(1)	1,142,350.53	1,203,740.13	(61,389.60)	105.37
	(2)	171,951.85	183,460.07	(11,508.22)	106.69
D	(1)	822,849.35	911,492.33	(88,642.98)	110.77
	(2)	157,806.39	155,351.70	2,454.69	98.44
All carriers	(1)	1,965,199.88	2,115,232.46	(150,032.58)	107.63
	(2)	329,758.24	338,811.77	(9,053.53)	102.75

- * - Group A consists of 6 carriers deriving 90% or more of their revenues from minimum rate traffic.
 Group B consists of 5 carriers deriving 75% to but not including 90% of their revenues from minimum rate traffic.
 Group C consists of the 11 carriers making up Groups A and B.
 Group D consists of the 6 carriers deriving less than 75% of their revenues from minimum rate traffic.

- # - Before provision for federal income taxes..
 (1) - Last 6 months of 1945.
 (2) - February 1946..
 () - Indicates loss..

Applied to the February 1946 revenues of the 17 carriers, increases of 15, 12½ and 10 per cent in the prevailing rates would produce the following operating ratios.

<u>15 Per Cent Increase</u>		<u>12½ Per Cent Increase</u>		<u>10 Per Cent Increase</u>	
(1)	(2)	(1)	(2)	(1)	(2)
89.34	92.94	91.33	94.35	93.41	95.96

- (1) - Before provision for federal income taxes..
 (2) - After provision for federal income taxes..

As stated at the outset of this opinion, the carriers propose a general increase of not less than 15 per cent in the present rates. The single exception to this increase is the monthly rates which were raised substantially in the February 1946 rate adjustment. It is requested that these rates be not further increased because of the force of competition in this class of service with truck rental concerns and with proprietary operations. The carriers also propose to establish increases corresponding to such increases as may be authorized in the minimum rates for traffic not subject to those rates.

Prior to the February 1946 rate adjustment, the general minimum rate level had remained unchanged since July 1937. In 1937 wages of drivers and helpers were raised \$1 per man per day. At that time it was urged that this and other higher cost factors required that the carriers' rates be increased. After public hearing and based on the record then made, the minimum rates theretofore in effect were increased 10 per cent. Subsequent wage adjustments have made further increases of \$2 per day for drivers and \$2.50 for helpers. The drivers' scale, based on the size of the equipment operated, ranged from \$6.50 to \$9 per day after the 1937 wage increase and thus now ranges from \$8.50 to \$11. Helpers' wages have increased from \$6.50 to \$9. On a percentage basis, these increases range from 22 to 38 per cent. The wages of these employees alone now account for approximately 58 per cent of total operating costs exclusive of federal income taxes.

Witnesses for the Association testified that the wages and salaries of other employees had also been increased, that the carriers had experienced higher costs for equipment and supplies, and that they were faced with increased costs for replacements for

worn-out vehicles. They also testified that they foresaw no prospect of traffic volume being restored to the wartime level prevailing in the first half of 1945; that the trend towards higher costs had not yet been arrested; and that the February 1946 increase, while helpful, was by no means an adequate remedy for their financial predicament.

The Office of Price Administration and various interested shippers represented at the hearing neither supported nor opposed approval of the proposed increase. They limited their participation in the proceeding to examination of the Association's witnesses.

It is apparent that on an over-all basis the existing rates are too low to meet the costs now incurred in providing service. It is reasonably clear, moreover, that the revenue deficiencies of the carriers engaged chiefly in handling traffic subject to the minimum rates are approximately the same as the deficiencies of those carriers which handle lesser proportions of that traffic. Under the conditions disclosed by the record, it is evident that higher rates are necessary to offset increased expenses experienced since the rate level was adjusted in 1937. The sought increase of 15 per cent or more in the existing rates, except the monthly rates, has not, however, been fully justified.

Commodity rates are still on the 1937 level. They were not included in the February 1946 rate adjustment because the Association had not completed its study of the traffic handled thereunder and because it urged that action be withheld pending completion of the study. It now urges that, although the study is still not finished, increases in commodity rates, as well as in other rates, are necessary to meet the higher costs of providing service. Rates

other than commodity rates were covered by recent studies and were adjusted, generally to higher levels, in February of this year. These rates will, therefore, not now be increased to the same extent as the commodity rates.

Under all of the conditions disclosed by the record, it appears that a sufficient operating margin would be provided for, and rate relationships of long standing substantially reinstated, by raising commodity rates 15 per cent and by restricting the other rates to 10 per cent increases. These adjustments will be prescribed.

There is no indication on the record that contract carrier drayage operations are being conducted in San Francisco. However, to avoid the possibility of establishing contract carrier rates which would conflict with federal statutory requirements and regulations of the Office of Price Administration promulgated thereunder, the order herein will provide that the rates established for such carriers shall not exceed the maximum rates they are permitted to observe under federal price control regulations.

Upon consideration of all the facts of record, we are of the opinion and find that the increased rates and charges provided for in Appendix "A" hereto have been justified, that to this extent the proposed increases should be adopted, and that in all other respects the proposed adjustments in rates and charges have not been justified and should, therefore, be denied.

ORDER

Based on the evidence of record and on the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Exhibit "A" of Decision No. 28632 of March 16, 1936, as amended, in this proceeding, be and it is hereby further amended to the extent shown in Appendix "A" attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that contract carriers required by federal statutes and duly established regulations issued thereunder to observe maximum rates lower than those established as minima in this proceeding may deviate from the minimum rates prescribed herein to the extent necessary for compliance with such maximum rate requirements.

IT IS HEREBY FURTHER ORDERED that, except to the extent provided for in the preceding ordering paragraphs, the petition of Draymen's Association of San Francisco, filed April 13, 1946, be and it is hereby denied.

In all other respects Decision No. 28632, as amended, shall remain in full force and effect.

This order shall become effective ten (10) days from the date hereof.

Dated at San Francisco, California, this 21st day of May, 1946.

Edward C. Quinn
James F. Calmes
Francis J. [unclear]
James F. [unclear]
Harold P. Hule
 Commissioners

APPENDIX "A" TO DECISION NO. 38988
 OF MAY 21, 1946, IN CASE NO. 4084

1. Commodity rates, including minimum charges applicable thereto, set forth in Exhibit "A" of Decision No. 28632 of March 16, 1936, Appendix "A" of Decision No. 29928 of July 7, 1937, and Appendix "A" of Decision No. 36838 of January 25, 1944, and as amended, shall be increased fifteen (15) per cent, subject to paragraphs 3 and 4 hereof. (For the purpose of applying the provisions of this Appendix, hourly and monthly rates shall not be considered as being commodity rates.)

2. All rates and charges not covered by paragraph 1 hereof, except monthly rates and charges named in Item No. 130(f) of Exhibit "A" of Decision No. 28632, as amended, shall be increased ten (10) per cent, subject to paragraphs 3 and 4 hereof.

3. Rates specifically set forth in Exhibit "A" of Decision No. 28632, as amended, shall be increased under the provisions of this Appendix before computing rates which are based on multiples or percentages of rates or ratings.

4. (a) When the rates or charges before applying the increase are 5 cents or less:

- Fractions of less than $1/8$ or .125 of a cent shall be omitted;
- Fractions of $1/8$ or .125 of a cent or greater but less than $3/8$ or .375 of a cent shall be stated as $1/4$ or .25 of a cent;
- Fractions of $3/8$ or .375 of a cent or greater but less than $5/8$ or .625 of a cent shall be stated as $1/2$ or .50 of a cent;
- Fractions of $5/8$ or .625 of a cent or greater but less than $7/8$ or .875 of a cent shall be stated as $3/4$ or .75 of a cent;
- Fractions of $7/8$ or .875 of a cent or greater shall be increased to the next whole cent.

(b) When the rates or charges before applying the increase are 10 cents or less but greater than 5 cents:

Fractions of less than $1/4$ or .25 of a cent shall be omitted;
Fractions of $1/4$ or .25 of a cent or greater but less than $3/4$ or .75 of a cent, shall be stated as $1/2$ or .50 of a cent;
Fractions of $3/4$ or .75 of a cent or greater, shall be increased to the next whole cent.

(c) When the rates or charges before applying the increase are greater than 10 cents:

Fractions of less than $1/2$ or .50 of a cent shall be omitted;
Fractions of $1/2$ or .50 of a cent or greater shall be increased to the next whole cent.

End of Appendix