

Decision No. 40686

BEFORE THE PUBLIC UTILITIES 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

Berol and Handler by Edward M. Berol and Russell  
Bevans for Draymen's Association of San Francisco.

M. M. Ballinger, Warren Ballinger, E. L. Carley, Jr.  
G. M. Carroll, B. B. Cassinerio, Clarence De Mattei,  
R. G. Dodds, William J. Evatt, Dan Gallagher,  
A. J. Gioardo, William Graham, A. J. Harris,  
George D. Hart, H. F. Hiller, E. J. Hooper,  
J. H. Kemp, Jr., M. W. Lamb, Ed. Lucett, James B.  
Mahoney, Mary De Matei, F. A. Mosebach, George  
Patton, H. W. Post, Frank Reed, Joseph Robertson,  
D. S. Smith, L. J. Steinhart, V. C. Thompson,  
C. L. Tilden, Jr., Ward G. Walkup, Samuel Wehrli  
and Edward D. White, for various respondent  
carriers.

Walter A. Rohde for San Francisco Chamber of Commerce,  
N. R. Moon for General Mills, Inc. and T. J. Label  
for Baker & Hamilton, interested parties.

SUPPLEMENTAL OPINION

Draymen's Association of San Francisco, by petitions  
filed on February 7, 1947 and June 27, 1947, seek various modifica-  
tions in the rates and charges applicable to drayage operations  
heretofore established in this proceeding. A public hearing was  
held before Examiner Bradshaw at San Francisco on August 15, 1947.

At the hearing petitioner urged that the provisions of  
City Carriers' Tariff No. 1, which contains the minimum rates and  
charges, including the rules and regulations, applicable to the  
traffic under consideration, be amended by (1) canceling certain ex-

ceptions to the classification ratings, (2) increasing class rates and various charges governed by general rules of the tariff by 15 per cent, (3) increasing hourly and monthly rates applicable to certain operations and (4) canceling a few rates in their entirety.

The president of the Association, the membership of which is said to comprise virtually all of the city's common carrier draymen, testified that its rate committee was directed by the Board of Directors during the early part of the present year to make a complete study of the cost of conducting drayage operations in San Francisco, to consider the feasibility of canceling commodity rates which were not serving any useful purpose, and to examine the financial condition of the carriers holding membership in the Association. He also referred to certain negotiations which were had with the union representing the carriers' drivers and helpers during a period of more than two months prior to the hearing. It was testified that as a result of these negotiations an increase of \$1.50 per day in drivers' and helpers' wages was granted effective June 28, 1947 and that a further demand for wage payments for six holidays a year will be submitted to arbitration. The witness explained that the Association's members did not readily assent to these demands but were compelled to do so to avoid a strike. In addition to this increase being retroactive from June 30, 1947, the testimony discloses that the granting of corresponding increases to office employees, dispatchers and other personnel will be necessary.<sup>1</sup>

According to the Association's secretary-manager, the wages of mechanics employed by its members were increased effective June 1, 1947 from \$13.00 to \$14.90 per day, with double time on Saturdays, Sundays and holidays.

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Another witness testified that the effect of increasing wages of office personnel would increase overhead expenses about 3 per cent.

Other testimony was to the effect that there has been a downward trend in the volume of traffic since last fall, that it is impossible to adjust overhead expenses as business decreases and that not having any cash reserves few of the carriers will be able to meet the wage demand they have been required to grant. Examples were given of increases in equipment costs during the last few years. It is also claimed that depreciation reserves are insufficient to meet replacements at present-day prices. The Association's president contended that an immediate 15 per cent increase in rates was necessary to enable the carriers to remain in business.

According to the testimony of a public accountant retained by petitioner to make an analysis of the financial condition of its members, an effort was made to obtain detailed financial reports from each member of the Association. He stated that he was unable to do so from six members (most of which were so-called owner-operator carriers) and that five others were not included in his studies because they were engaged predominantly in other than drayage operations. Exhibits were therefore presented to show the results of operations of 38 carriers, which it is claimed represent from a revenue standpoint more than 90 per cent of the San Francisco drayage operations. Warehouse receipts and expenses were excluded. Certain overhead expenses were prorated on various bases as between different businesses in which some of the carriers are engaged. In some cases salaries were added where the carrier is an individual or partnership.

Of the 38 carriers, it was indicated that 12 during the last half of 1946 and 13 during the first quarter of 1947 operated at a loss. After analyzing the various accounts, the witness undertook to show what the operating results would have been in

the event recent increases in drivers', helpers', mechanics', and dispatchers' wages had been in effect during the same periods. According to his calculations, 22 carriers during the last half of 1946 and 24 carriers during the first quarter of 1947 would have suffered losses. The composite figures for the 38 carriers as computed by the witness are summarized in the following tabulation:

	<u>Last Six Months of 1946</u>	<u>First Quarter of 1947</u>
Revenues	\$4,088,549	\$1,972,901
Expenses	4,273,575	2,068,172
Net Income (Loss)		
Before Income Tax	(185,026)	(95,271)
After " "	(203,185)	(107,015)
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Operating Ratio		
Before Income Tax	104.53	104.83
After " "	104.98	105.42

The foregoing computations do not purport to include any sums to cover the retroactive feature of the recent wage increases,<sup>2</sup> increased wages for office personnel, or increased fuel taxes.

In view of the financial situation as thus depicted, petitioner proposes that the minimum class rates for drayage service be increased by 15 per cent. An increase in accessorial charges from \$1.93 to \$2.39 per-man-per-hour, said to represent the additional labor cost, is also sought. In addition, it is proposed that the rates and charges provided in the rules and

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The amount of retroactive wages to be paid by these carriers were stated by another witness to be about \$60,000.

items of City Carriers' Tariff No. 1 set forth in the footnote<sup>3</sup> be increased by 15 per cent. It is represented that, based upon operations during the last half of 1946 and the first quarter of 1947, if the proposed increased rates on certain commodities now subject to an 80 per cent of fourth class exception rating hereinafter discussed should be authorized and all other minimum rates and charges were increased by 15 per cent, the over-all result for the 38 carriers whose accounts and operations were studied would be as indicated in the following table:

	<u>Based on Last Six Months of 1946</u>	<u>Based on First Quarter of 1947</u>
Revenues	\$4,729,114	\$2,292,034
Expenses	4,273,575	2,068,172
Net Profit		
Before Income Tax	455,539	223,862
After " "	297,689	144,795
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Operating Ratio		
Before Income Tax	90.37	90.23
After " "	93.71	93.68

It was pointed out that in addition to the failure to reflect in the calculated expenses the full impact of the increased

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<sup>3</sup> Rules Nos. 25-B (Minimum Charge per Shipment), 30-I (Pool Shipments), 65-B (C.O.D. Shipments), 120-A (Export Freight Clearances), 150-C (Delays in Delivery), 160-B (Unusual Delays), and 190-D (Marking of Packages) Items Nos. 590-D (Office Furniture, New), 600-D (Paper, Newsprint, in Rolls), 620-C (Poultry, Live), 630-F (Refrigerators), 645-C (Steamship Transfer), and 655-A (Vehicles Towed by Carriers Equipment).

operating cost to which petitioner's members have been subjected, the estimated revenues set forth in the foregoing tabulation are overstated for the reason that certain of petitioner's proposals do not contemplate a full 15 per cent increase. According to another exhibit of record predicated upon the operations of 23 carriers, for which information was available at the time of the hearing, revenues during the second quarter of the present year were more than 10 per cent below those received during the first quarter of the year.

City Carriers' Tariff No. 1 provides for a classification exception rating of 80 per cent of fourth class on a number of important commodities subject to a minimum weight of 6,000 pounds. This rating was originally prescribed as a proper classification for articles usually transported in truckload lots in lieu of a previously applicable fifth class rating.<sup>4</sup>

The public accountant retained by petitioner presented a series of exhibits designed to disclose the cost of transporting certain commodities subject to this exception rating after taking into consideration recent increased labor costs. The study embraced the operations of 14 carriers. Except for four others who engage in other enterprises and whose operating costs it was said could not readily be developed, the particular traffic involved is handled by the 14 carriers considered.

After analyzing the various items of operating expense and determining the average hourly driver and helper costs for different types of equipment according to prevailing wage brackets, the total hourly costs were computed. Indirect expenses were based on 31.315 per cent of the direct expenses. This relationship was said to

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See Decision No. 29902 of June 28, 1937, in this proceeding.

reflect the ascertained weighted average experience of the 14 carriers during the six months ended December 31, 1946. The total hourly costs thus arrived at were then expanded to include provisions for a return equivalent to an operating ratio of 92.5 after federal taxes.

A study was also conducted by the same witness during the month of June, 1947, to ascertain the time required in transporting commodities moving under the 80 per cent of fourth class rating. It is claimed that actual observations were made wherever possible and that in other instances data were obtained from billing records and employees' time cards. A total of 953 truckloads were included in the time study, ranging from three truckloads of plaster to 302 truckloads of green coffee. In the case of some commodities the operations of as many as 10 carriers, and in others those of a much smaller number, were observed. From the results of this investigation the cost per 100 pounds of transporting the various commodities plus a return to produce an operating ratio of 92.5 after federal income taxes was developed. Recent increases in drivers', helpers' and dispatchers' wages were included. No allowance was included for other wage increases or for whatever additional increases in operating expenses may have occurred during the present year.

Based upon the showing presented, petitioner proposes that the 80 per cent of fourth class basis be canceled on various commodities and that in lieu thereof rates be established which will reflect the cost-plus-return figures as disclosed by the accountant's study. In the following table the present and proposed rates, subject to a minimum weight of 10,000 pounds, for intra-zone transportation, and those which would be applicable under the classification in the absence of the exception rating, are contrasted with the computed costs per 100 pounds:

Commodity	Present Rate (Cents)	Proposed Rate (Cents)	Class Rate (Cents)	Computed Cost (Cents)	Computed Cost Plus Return (Cents)
Bags in compressed bales	6	8.5	7.5	7.02	7.97
Brick, loose	6	8.5	7.5	7.26	8.25
Burlap in bales	6	8.5	7.5	7.64	8.62
Coffee, green	6	8.5	7.5	7.50	8.53
Copra	6	17	7.5	14.21	16.15
Cotton in bales	6	11	9.5	10.25	11.65
Fertilizer	6	14	7.5	10.71	12.17
Grain, whole	6	8.5	7.5	8.10	9.21
Hides, green	6	14	7.5	11.77	13.38
Magazines and newspapers, old	6	11	9.5	9.83	11.17
Malt	6	11	7.5	8.85	10.06
Paper, newsprint in rolls	6	8.5	7.5	7.21	8.20
Plaster	6	8.5	7.5	7.63	8.62
Rags in compressed bales	6	8.5	7.5	6.39	7.27
Rice in sacks	6	8.5	7.5	7.15	8.13
Seed, NOS, in sacks	6	8.5	7.5	7.21	8.20
Sugar in sacks	6	8.5	7.5	6.71	7.62
Steel or Iron, angle bars, etc.	6	8.5	7.5	7.34	8.34

With respect to other commodities now subject to the 80 per cent of fourth class rating, it is proposed that the rating be canceled, leaving the classification basis to apply in the future. Except for one commodity rated second class and two rated third class, all of the commodities in question are subject to a classification rating of fourth class. As justification for cancellation of the exception rating it is alleged that there is no movement of traffic thereunder. Petitioner's secretary-manager testified that for the last one and one-half years he has been in contact with draymen who at one time transported the commodities under consideration, that shippers have also been consulted and that his investigation indicates that no further use will be made of the exception rating as applied to such commodities.

Certain hourly rates are published in City Carriers' Tariff No. 1. They vary according to the capacity of the equipment employed. It is proposed that these rates be increased to reflect the amount



which petitioner's accountant computes as the hourly cost of operation for different classes of equipment under the recently increased wage scale expanded to produce an operating ratio of 92.5 after federal income taxes. The amount of the suggested increase in these rates ranges from 2 to 48 cents per hour.

Two classes of monthly rates are now in effect, one applying when equipment is not in service on Saturdays, Sundays and holidays and the other when equipment is in use during the week as well as on Saturdays, Sundays and holidays. It is proposed to increase these scales of rates by \$35.00 and \$42.00, respectively, per month. As justification therefor, the accountant calculated the monthly increase in drivers' wages, workmen's compensation insurance and payroll taxes assignable to operations under the two scales of rates as amounting to \$34.89 and \$42.03 respectively. Additional amounts per mile are now provided for when equipment is operated in excess of a specified number of miles per month. No change in the latter charges is proposed.

Petitioner also requests that certain commodity rates be canceled.<sup>5</sup> The lack of any present or prospective use for these rates by shippers was urged as justifying such action.

No protests against the approval of the proposed increases and other modifications in the minimum rates and charges have been presented.

An examination of the record reveals the necessity of according the respondent carriers some measure of relief in the

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These rates apply on bakery goods in lift vans, minimum 24,000 pounds (Item 510-B); cereal products "inhaul only", minimum 750 tons per calendar month (Item 520-E); commodities (exclusive of furniture) transported for chain and retail department stores, minimum 600 tons per calendar year (Item 530-C); and milk, cream, cottage cheese and other liquid dairy products (Item 550-C).

form of increased rates and charges. There remains for consideration, however, the problem of deciding whether the sought increases and modifications should be granted in their entirety. Petitioner's evidence shows that there would be a considerable variation in the effect upon individual carriers irrespective of the increase which might be authorized. Such results are inevitable in view of the differences in the nature and volume of traffic transported by respondents, the relative efficiency of their operations and their financial structures.

The record does not permit of an analysis of the effect of an increase of any stated percentage upon the financial condition of each of the 38 carriers upon which petitioner's showing was predicated. However, the exhibits of record indicate that with respect to 24 of the carriers an increase of 15 per cent in minimum rates based upon operations during the first quarter of 1947, would result in operating ratios after federal income taxes ranging from 77.95 to 129.27, and averaging 91.80. Although, according to the presentation, a few carriers would continue to operate at a loss, 10 of the 24 carriers would realize operating ratios after federal income taxes of less than 90 and the revenues of such carriers amount to about 50 per cent of the total revenues for the group. Under the circumstances, it would not be appropriate to predicate the extent of relief solely upon the composite results reflected in petitioner's studies. Moreover, data necessary for the computation of a return on investment are not of record. From the information before us it appears that an increase of more than 10 per cent in the minimum class rates and in the other rates and charges on which a 15 per cent increase is sought has not been justified.

The showing with respect to the cost of transporting certain commodities now subject to the exception rating of 80 per

cent of fourth class justifies the view that the present rates are not compensatory under prevailing costs of operation. However, in some cases the rates proposed on this traffic would exceed the class rates even though an increase of 15 per cent in class rates were permitted. No showing has been made that from a classification standpoint the present classification ratings are improper or that any changes therein should be undertaken at this time. The establishment of higher minimum rates than the classification basis on commodities now taking the 80 per cent of fourth class exception rating is therefore not warranted.

The requested cancellation of the exception rating on other commodities, as well as the cancellation of certain commodity rates, as to which it is claimed there is no movement of traffic, should be approved. In view of increased labor costs the suggested increases in hourly and monthly rates appear to be justified under existing conditions.

Upon consideration of all the facts of record, the Commission is of the opinion and finds that the increased rates and charges and the cancellation of rates and ratings provided for in Appendix "A" hereto have been justified, that to this extent the proposed increases in and modifications of existing minimum rates and charges should be adopted, and that in all other respects the proposed adjustment of rates and charges have not been justified and should, therefore, be denied.

O R D E R

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, except to the extent provided for in the preceding ordering paragraph, the petitions of Draymen's Association of San Francisco, filed February 7, 1947, and June 27, 1947, be and they are hereby denied.

IT IS HEREBY FURTHER ORDERED that in all other respects Decision No. 28632, as amended, shall remain in full force and effect.

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

Dated at San Francisco, California, this 26<sup>th</sup> day of August, 1947.

Harold K. Kuli  
Justice J. Quinn  
Irving F. Powell  
A. J. ...  
Commissioners

APPENDIX "A" TO DECISION NO. 40666 OF  
AUGUST 26 1947, IN CASE NO. 4084

1. Class rates set forth in Exhibit "A" of Decision No. 28632 of March 16, 1936, Appendix "A" of Decision No. 29928 of July 7, 1937, Appendix "A" of Decision No. 36838 of January 25, 1944, and Appendix "A" of Decision No. 38988 of May 21, 1946, and as amended, shall be increased ten (10) per cent, subject to paragraphs 9 and 10 hereof.

2. All rates and charges set forth in Exhibit "A" of Decision No. 28632 of March 16, 1936, as amended, governing minimum charges per shipment and the following services shall be increased ten (10) per cent, subject to paragraphs 9 and 10 hereof:

Pool Shipments  
 C.O.D. Shipments  
 Export Freight Clearances  
 Delay in Delivery  
 Unusual Delays  
 Marking of Packages  
 Steamship Transfer

3. The charge at rate of \$1.93 per man per hour set forth in Exhibit "A" of Decision No. 28632 of March 16, 1936, as amended, for accessorial charges shall be increased to \$2.39 per man per hour or fraction thereof.

4. Commodity rates and charges on the following articles shall be increased ten (10) per cent, subject to paragraphs 9 and 10 hereof:

Office Furniture, New  
 Paper, Newsprint, in rolls  
 Poultry, Live  
 Refrigerators  
 Vehicles Towed by Carrier's  
 Equipment.

5. All exceptions to classification ratings set forth in Exhibit "A" of Decision No. 28632 of March 16, 1936, as amended, providing a rating of eighty (80) per cent of fourth (4th) class, except on commodities transported for dairy and dairy products companies, minimum 400 tons per calendar month, shall be cancelled.

6. Commodity rates set forth in Exhibit "A" of Decision No. 28632 of March 16, 1936, as amended, covering the following commodities shall be cancelled:

Bakery Goods in Lift Vans, minimum 24,000 pounds.

Cereal Products "inhaul only," minimum 750 tons per calendar month.

Commodities (exclusive of furniture) transported for chain and retail department stores, minimum 600 tons per calendar year.

Dairy Products, viz.: milk, cream, cottage cheese and other liquid dairy products ordinarily shipped in milk shipping cans.

7. Hourly vehicle unit rates named in Item 130(c) of Exhibit "A" of Decision No. 28632, as amended, shall be increased to the following amounts:

Minimum Charge One Hour

<u>Capacity of Carrier's Equipment in Pounds</u>	<u>Rate in Cents Per Hour</u>
2,500 or less	290
Over 2,500 but not over 4,500	310
Over 4,500 but not over 6,500	340
Over 6,500 but not over 15,500	365
Over 15,500 but not over 20,500	415
Over 20,500	490

8. All monthly vehicle unit rates and charges named in Item No. 130(f) of Exhibit "A" of Decision No. 28632, as amended, shall be increased in the following amounts:

Column 1 Rates.....\$35.00 per month

Column 2 Rates..... 42.00 per month

9. 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.

10. (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