

Decision No. 40667

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment)
of rates, rules and regulations for)
the transportation of property by)
common carriers as defined in the)
Public Utilities Act and highway)
carriers as defined in the Highway)
Carriers' Act.)

Case No. 4246

ORIGINAL

In the Matter of the Establishment)
of rates, rules and regulations for)
the transportation of property by)
carriers as defined in the City)
Carriers' Act.)

Case No. 4434

Appearances

Marquam C. George, for Dump Truck Operators Association
of Northern California, petitioners.

Eugene R. Booker for Rock, Sand and Gravel Producers
Association of California; Tom C. Stanton, Jr., and
W. H. Arata, for Associated General Contractors of
America, Inc., Northern California Chapter; and
Weldon Smith for Baker and Graves, interested parties.

SUPPLEMENTAL OPINION

City Carriers' Tariff No. 6 - Highway Carriers' Tariff No. 7
(Appendix "A" of Decision No. 32566, as amended, in these proceedings)
names minimum rates, rules and regulations for the transportation of
specified materials in dump trucks by radial highway common, highway
contract and city carriers. By petition, the Dump Truck Operators
Association of Northern California seeks increases in the minimum
hourly rates applicable to shipments originating in the "Northern
Territory" of the state.

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The "Northern Territory" includes all California counties except
Santa Barbara, Ventura, Los Angeles, Orange, San Diego, Imperial,
Riverside, San Bernardino, Inyo and Mono, which comprise the
so-called "Southern Territory."

Public hearings were had before Examiner Mulgrew at San Francisco on June 2 and 25, 1947.

The minimum hourly rates provided in the aforementioned tariff for transportation within the "Northern Territory" became effective January 3, 1940. They were subsequently increased by six per cent on April 24, 1942, in so far as highway carrier operations were concerned. No corresponding adjustment in the city carrier rates has been made. Petitioner alleged that an immediate increase in the amount of 20 per cent on an interim basis and a final increase totaling 30 per cent are necessary.

In support of petitioner's allegation, a transportation consultant presented in evidence an operating statement for the year 1946. This statement is predicated on the operating results of 16 fleet and 22 individual operators doing business in the "Northern Territory." It shows that an operating loss of approximately 11 and 19 cents per revenue truck hour was experienced by the fleet and single truck carriers, respectively. The consultant testified that an analysis of the operations of the single truck carriers studied revealed that 12 carriers operating 5 cubic yard equipment would have required an increase of approximately 22 per cent in their revenue to have produced the sought 20 per cent return on their investment. Six carriers operating 7 and 8 cubic yard equipment, he said, would have required a 36 per cent increase in revenue to have produced the same result.

According to this witness, the increases sought are necessary to offset higher costs of equipment, insurance, gasoline, tires, labor and other items of expense. He pointed out that while

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The following approximate percentages were said to be typical of the increases experienced since 1940: equipment 39 per cent; insurance rates 28 to 34 per cent; gasoline 21 to 23 per cent; tires 16 to 17 per cent; drivers' wages 28 per cent; mechanics' wages 80 per cent.

ordinarily the cost of drivers is borne by the shipper such expense is paid by carriers when shifting equipment from job to job.

A representative of the Commission's Engineering Division introduced a cost study predicated upon information obtained from approximately 60 "Northern Territory" operators. According to this study the following increases in hourly rates are necessary to place the minimum rates on a compensatory basis and to provide an operating ratio of 93 before provisions for gross revenue and income taxes:

<u>Size of Equipment</u>	<u>Percentage of Increase Required for Average Operation (Power Loading).³</u>				<u>Percentage of Increase for Hauling of Processed Materials - (Other than Power Loading).⁴</u>			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
3.5 to 4.5 cu. yd.	20.5	30.5	13.7	23.1	28.2	35.3	21.1	27.8
4.5 to 5.5 cu. yd.	27.8	40.3	20.5	32.4	26.0	38.5	18.9	30.7
8 cu. yd.	33.5	45.6	26.0	37.5	--	--	--	--
10 cu. yd.	22.9	37.6	16.1	30.0	--	--	--	--

- (1) Increase required in city carrier rates when using existing equipment.
- (2) Increase required in city carrier rates when using new 1947 equipment.
- (3) Increase required in highway carrier rates when using existing equipment.
- (4) Increase required in highway carrier rates when using new 1947 equipment..

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An average operation was said to be made up of power loaded hauls consisting of approximately 65 per cent sand, gravel and asphalt and 35 per cent of excavated materials.

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Processed material hauls were said to consist of approximately 90 per cent sand, gravel and asphalt and 10 per cent excavated materials and be loaded by other than power loading devices.

Carrier witnesses represented that a considerable portion of the available traffic was being handled by inexperienced operators transporting at the established minimum rates. Experienced operators are said to have found these rates non-compensatory. Nevertheless, unless they observe them they lose much of the traffic.

The manager for Associated General Contractors of America, Inc., Northern California Chapter, testified that on the basis of the cost experiences of members of his organization, including his own, it was his opinion that minimum rate increases of 10 per cent in the city carriers' rates and 15 per cent in the highway carriers' rates in the "Northern Territory" were sufficient to compensate for higher costs of operations. In arriving at his conclusion the witness used the basic cost formula employed by the Commission's witness. Some of the cost figures used were predicated upon estimates and others upon actual experiences of proprietary carriers engaged in large fleet operations.

The executive secretary of the Rock, Sand and Gravel Producers' Association of Northern California first requested that the petition be denied in its entirety for the reason that the rates involved are only minimum in application and that carriers are free to demand higher rates to the extent a free economy permits. Specifically, he stated, that the Association is opposed to any rate increase which would tend to increase the price of rock, sand and gravel to ultimate consumers. He later modified his protest to run only against increases in the rock, sand and gravel rates.

In support of petitioner's contention that dump truck carriers are entitled to a 20 per cent rate of return, it was alleged that such carriers encounter extraordinary physical hazards resulting in a short life expectancy of equipment; that low use factors ranging from 7 to 10 months per year, depending upon local weather

conditions, are experienced; and that in many instances carriers have not included in their accounts many important items of expense.

In the fixing of minimum rates on this record, the life expectancy of equipment is a factor affecting depreciation annuity and reserve but is not a factor influencing the determination of the level of a proper rate of return on the invested capital. Nor can the Commission be expected to approve a high minimum rate level merely because certain expenses, the amount or existence of which is highly speculative, are said to have been omitted.

Petitioner's calculations do not take into consideration the actual value of the equipment used; rather they compute investment and depreciation at 1947 new prices. The Commission's engineer uses both methods. Clearly, investment figures in excess of those represented by the property involved lead to inflated results.

Nevertheless, the record is clear that increases in the minimum hourly rates within the "Northern Territory" are necessary to place them on a fully compensatory basis. It appears also that the previously existing parity between city and highway carrier rates should be restored. Upon consideration of all the facts of record we conclude that an increase of 20 per cent in the minimum hourly rates of highway carriers and approximately 27 per cent in those of city carriers is justified. Increases in these amounts will be authorized. Inasmuch as this finding is based upon a

consideration of the entire record, petitioner's request for an interim order will be denied.

O R D E R

This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that Decision No. 32566, as amended, in Cases Nos. 4246 and 4434, be and it is hereby further amended by substituting in City Carriers' Tariff No. 6 - Highway Carriers' Tariff No. 7 (Appendix "A" to said Decision No. 32566, as amended), First Revised Page No. 42, to become effective September 20, 1947, which by this reference is made a part hereof.

IT IS HEREBY FURTHER ORDERED that, except to the extent provided for in the preceding ordering paragraphs, the petition of the Dump Truck Operators Association of Northern California filed April 11, 1947, be and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that in all other respects Decision No. 32566, 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 26th day of August, 1947.

Harold A. Hule
Justus F. Cassen
Walter J. Russo
A. J. [unclear]
[unclear]
Commissioners

Item No.	SECTION NO. 4	HOURLY RATES (Concluded)					
	<p>MATERIAL, as described in Item No. 320 series.</p> <p>COLUMN "A" rates apply where the loading is performed by power loading device, excepting processed sand, gravel or crushed stone in stock piles at a commercial producing plant, at point of consumption or at intermediate point of transfer. A hopper chute or bunker shall not be deemed to be a power loading device.</p> <p>COLUMN "B" rates apply where the loading is performed by hand and where the average mileage of the vehicle does not exceed eight (8) miles per hour for the period of time the vehicle is in use each day.</p> <p>COLUMN "C" rates apply where transportation or loading is under conditions other than described under application of Column "A" or Column "B" rates.</p>						
*360-A Cancels 360	Level Capacity of Dump Truck Body in Cubic Yards (See Note 1)	(1) Rates in Cents Per Hour (See Item No. 320 series)					
		NORTHERN TERRITORY (See Item No. 110 series)			SOUTHERN TERRITORY (See Item No. 100 series)		
		Column (2)A	Column (2)B	Column (2)C	Column A	Column B	Column C
	Over 0 But not over 2	127	96	114	90	65	80
	2 But not less than 2½	152	108	133	110	75	95
	2½ But not less than 3½	210	127	178	140	90	115
	(3) 3½ But not less than 4½	254	152	216	170	105	140
	(3) 4½ But not less than 5½	293	185	254	195	120	165
	(3) 5½ But not over 7	343	235	305	225	160	195
	7 Add to rate for 7 cubic yards capacity for each cubic yard or fraction thereof..	44	32	38	30	20	25
<p>(1) Minimum charge shall be the rate for one hour.</p> <p>(2) NOT SUBJECT to increases provided in Supplement No. 5.</p> <p>(3) Includes the capacity shown.</p> <p>NOTE 1.-Level capacity of Dump Truck body means the cubical content of the body in cubic yards calculated by multiplying the inside length by the average inside width and the average inside height of the sides of the body, including temporary side boards, if such boards are used, with no allowance for the crown of the load or for low head board or low tail gate.</p> <p>In the case of a Dump Truck body not constructed for use of a tail gate (such as the so-called "rock body"), the inside length shall be deemed to mean the average of the measurement along the top of the sides from the inside of the head board to the point of the angle where the sides are diverted downward to meet the floor, and the measurement along the floor from the inside of the head board to the end of the body.</p>							
* Change		} Decision No. 40667					
◇ Increase							
EFFECTIVE SEPTEMBER 20, 1947							
Issued by the Public Utilities Commission of the State of California, Correction No. 51 San Francisco, California.							