

Decision No. 40815

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
C. A. Buck for an order authorizing ) Application No. 28678  
an increase in freight rates and )  
charges. )

Appearance

Frank Loughran, for applicant.

O P I N I O N

C. A. Buck, a highway common carrier of household goods and related articles, serves San Francisco, East Bay and San Mateo County points, as well as Santa Clara County points to and including Morgan Hill. He seeks authority to increase his local moving and accessorial service rates.

A public hearing was had at San Francisco on September 30, 1947, before Examiner Mulgrew.

For local moving of uncrated property in the territory Palo Alto and north, applicant's rates for equipment having a loading area of over 70 square feet are \$6.00 per hour when service is provided with a driver and a helper and \$4.00 per hour when a helper is not required. South of Palo Alto, the corresponding rates are \$5.50 and \$4.00. For smaller equipment, the northern rates are \$5.50 per hour for service with driver and helper and \$3.50 for service with driver only, and the southern rates are \$5.00 and \$3.50. When two or more helpers are required, the additional charges are \$2.00 and \$1.50 per man per hour, respectively, in the northern and southern territories. Minimum charges under the hourly rates are the charges for one hour. These rates and charges became effective August 13, 1945. They replaced lower rates and charges which had theretofore been in effect.

Applicant also maintains "piece moving" rates for shipments of uncrated property (rates in cents per article applicable only in connection with shipments of not more than five articles) which apply to local moving service when they produce a lower charge than the hourly rates. For local moving of crated property, rates in cents per article are provided for the transportation of baggage and rates in cents per 100 pounds are provided for the transportation of other goods. These rates have been in effect since February 19, 1940.

In the place of the above described local moving rates, applicant proposes a single scale of rates for application to all local moving service without regard to the size of the equipment furnished or the territory in which the transportation is provided. The proposed rates are \$7.60 per hour for equipment, driver and helper, \$4.60 for equipment and driver and \$3.00 per man for additional helpers. Under this plan, applicant's "piece moving" and crated property rates would be canceled, but the basis of minimum charges under hourly rates would be reduced from one hour to one-half hour.

An engineering and accounting consultant submitted a study purporting to show the costs incurred by applicant in providing service under current conditions, including increased wages effective July 1, 1947. Direct costs, according to this study, amount to \$5.73 per hour for operations involving equipment, driver and helper and to \$3.53 for operations without a helper. For additional helpers, the direct cost is shown as \$2.20 per man per hour. In these calculations the new basic wages of \$1.65 for drivers and \$1.56 $\frac{1}{2}$  for helpers have been increased by 32.8 per cent to make provision for vacations and nonproductive time and further increased by 5.8 per cent for workmen's compensation insurance and payroll taxes. Administrative and general expense,

the consultant said, amounted to 29 per cent of the direct costs. As so expanded, the equipment-driver-helper figure of \$5.73 per hour becomes \$7.39, the driver-only direct cost of \$3.53 is raised to \$4.55 and the additional helper estimate of \$2.20 is shown as \$2.83. These figures are before provision for income taxes or profit. Further expansion for an operating ratio of 93 before taxes results in final figures of \$7.94, \$4.90 and \$3.05, respectively.

Applicant pays his drivers 8-3/4 cents and his helpers 12½ cents more than the generally prevailing wage scale in San Francisco and San Mateo Counties. The consultant explained that the property handled in this operation is generally of greater-than-average value and that it has been applicant's long-standing practice to pay premium wages in order to attract and hold the skilled and reliable employees necessary to provide the type of service demanded by his patrons. The expansion of the basic wages by 29 per cent for nonproductive time and by 3.8 per cent for vacations reflects applicant's practice of dispatching employees from its San Mateo County headquarters for all of his work. In the face of the character of applicant's traffic, he has considered it inadvisable to handle the goods he ordinarily moves except with the experienced men this type of business assertedly requires.

A rate witness for applicant testified that the proposed uniform hourly local moving rates are based on the cost analysis which shows that expenses are the same throughout the area served under applicant's operating methods. In regard to the cancellation of the "pieco moving" and crated property rates, he said that the volume of this business is small, that applicant has little or no opportunity to consolidate such shipments and that these rates do not return the cost of providing the service.

We turn now to applicant's proposals respecting accessorial service. For packing, unpacking, crating or uncrating, the present rates are \$2.00 per man per hour Palo Alto and north and \$1.50 south of Palo Alto. These rates, like the local moving rates, became effective on August 13, 1945, at which time they replaced lower rates formerly maintained. A uniform rate of \$3.00 per man per hour is now sought. It is also proposed that the time for computing the charges for these accessorial services be changed from the actual time involved in the operation to the "time men leave carrier's place of business until their return." In addition to these increases, applicant desires authority to establish, in connection with other than local moving service, an accessorial charge for loading or unloading operations where the truck equipment cannot reach within 50 feet of the entrance of the building. The proposed charge is 5½ cents per 100 pounds, the additional charge now applicable for each flight of steps involved in loading and unloading operations at other than single dwellings.

The wage rate for the packers, the designation for the men performing the packing and crating services, is the same as that paid the drivers. The total labor cost, including the expansion of the basic wage by 32.8 per cent for nonproductive and vacation time, by 5.07 per cent for compensation insurance and payroll taxes and by 29 per cent for "overhead" costs, is shown by the consultant as \$2.97 per hour. Expanded to produce an operating ratio of 93, before provision for income taxes, his final figure is \$3.19. The packers, like the drivers and helpers, are dispatched from the San Mateo County headquarters of applicant for the same reasons as those hereinbefore outlined in discussing the local moving costs and rates. Similarly, applicant claims that, inasmuch as his costs are the same regardless of where the service is performed, the rates should be uniform. As the men are paid from the time they leave the carrier's headquarters until they

return, applicant urges that charges be based on the elapsed time. The rate witness conceded that some provision should be made in those instances where the packers are assigned to another job before returning to headquarters.

In regard to the additional charge for loading and unloading involving carrying the goods more than fifty feet between the carrier's equipment and the entrance to the building, the rate witness testified that this was the charge customarily made by radial highway carriers. He said that applicant's operations are characterized by a high percentage of operations involving these so-called "long carries" and that the additional revenue was needed to meet the extra expense of providing such service.

The consultant also submitted a statement showing that applicant's operations for the six months ended June 30, 1947, resulted in an operating loss of \$3,102. He estimated that for the ensuing year applicant's operating loss would be \$8,733 under the current rates and his profit \$612 if the proposed increased rates are established. The estimated operating ratio, before income taxes, under the proposed increased rates is shown as 98.6 and the rate of return under these rates is calculated as  $2\frac{1}{2}$  per cent on depreciated rate base of \$24,600.

The proposed increases were not opposed.

It appears that in the face of increased wages and other higher operating expenses applicant's rates are no longer compensatory. The rates proposed, although substantially higher than the existing rates, apparently will do little more than return operating expenses and a relatively small profit. Applicant has not established that accessorial charges for packing and related services should be based on time computed from the dispatching of the men until their return to headquarters. A substantial

allowance for nonproductive time, 29 per cent, has been made in calculating wage expenses for packers. Similarly, the sought "long carry" additional charge has not been established as a reasonable charge for the extra service involved. The withholding of approval of these increases will reduce applicant's anticipated profit and estimated rate of return by amounts which cannot be determined on the record.

In the circumstances, we are of the opinion and find that applicant has justified the proposed increased hourly local moving and accessorial service rates and the proposed cancellation of the alternative per-article and weight rates for "piece moving" and crated property transportation with the concurrent reduction in his basis of minimum charges under hourly rates to one-half hour. To this extent the application will be granted. In other respects it will be denied.

The conclusions here reached are, of course, without prejudice to our determinations in the general household goods rate questions involved in Cases Nos. 4246, 4434 and 4730 on which hearings have recently been had or to our determinations in any further proceeding involving applicant's rates which may arise.

#### 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 C. A. Buck be and he is hereby authorized, within sixty (60) days from the effective date of this order and on not less than five (5) days' notice to the Commission and to the public, to increase the hourly local moving rates published in Item No. 300-C of his Local Freight Tariff No. 1-D, C.R.C. No. 5 to not to exceed \$4.60 per hour for equipment and

driver, \$7.60 per hour for equipment, driver and helper and \$3.00 per man per hour for additional helpers, to increase the accessor-  
ial service rates published in Item No. 360-A of the tariff to not  
to exceed \$3.00 per man per hour, and to cancel the rates published  
in Items Nos. 310, 320, 330 and 340 of the tariff, provided that  
the minimum charge for local moving published in Item 130-A of  
the tariff is concurrently reduced from one to one-half hour.

In all other respects the above entitled application be  
and it is hereby denied.

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

Dated at San Francisco, California, this 10<sup>th</sup> day of  
October, 1947.

Harold P. Kula

Justus F. Craven

John H. Russell

C. J. D. D. D. D.

Commissioners