

Decision No. 41234

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment of)
rates, rules, classifications and)
regulations for the transportation of)
property, exclusive of property trans-)
ported 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.
J. A. Clark, Jr., Joseph Robertson, James E. Mahoney,
C. L. Tilden, Jr., L. W. Johnston, A. G. Harris,
George T. Patton, A. W. Savage, Fred Reed,
F. A. Mosebach, J. A. Graham, L. B. Spence,
Edward D. White, E. J. Hubber, P. A. Bisagno and
A. J. Gioardo, for various respondent carriers.

William Larrimore for California State Brewers Insti-
tute and C. D. Grosjean Rice Mill Company;
Walter A. Rohde for San Francisco Chamber of
Commerce, J. E. Costello and E. R. Moon for
General Mills Inc.; C. J. Riedy for California
Packing Corporation; and L. E. Binsacca for
M. J. B. Coffee Company, interested parties.

SUPPLEMENTAL OPINION

Draymen's Association of San Francisco seeks an interim
increase of 3½ per cent in the minimum rates and charges heretofore
established for the transportation of property within San Francisco.
It also seeks specific increases in the minimum commodity rates
applicable to the transportation of green coffee and newsprint and
modification of the rule governing the application of charges for
accessorial service.¹

A public hearing was had at San Francisco on January 6,
1948, before Examiner Jacopi.

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The Association asks that the interim increase be established as
a percentage increase in the amount of the freight bill exclusive
of transportation tax, and that the increase be made to apply in
connection with all rates and charges, including those on which
specific adjustment is sought herein.

The minimum rates and charges in question were last adjusted on September 15, 1947, when they were increased by 10 per cent (Decision No. 40666 in this proceeding). Petitioner alleges that additional increases in operating costs have since been experienced, and represents that a further increase in rates is necessary if adequate service is to be maintained.

The secretary-manager of the Association testified that the principal factors in this upward trend have been wage increases granted to garage employees and clerical help, an arbitration award to drivers and helpers of four paid holidays per year, substantial advances in insurance rates, increased vehicle weight fees and licenses, and increased cost of fuel.²

A public accountant retained by petitioner to analyze the financial condition of its members testified that he had studied the operating results of ten carriers for the first half of 1947. He said that more carriers were not included in his study because complete records were not available at the time. The witness asserted, however, that the ten carriers represented a cross-section of those

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The basic hourly rate for garage tire men was increased effective January 1, 1948, from \$1.375 to \$1.54 per hour; that of all other garage employees including tire helpers was increased from \$1.25 to \$1.415 per hour. Increased vacation with pay was also provided for in the agreement. The increases in clerical wages varied with the class of work.

The four paid holidays involved in the arbitration award to drivers and helpers are Washington's Birthday, Thanksgiving, Christmas and New Year's Day.

The increases in insurance coverage were said to range from 25 per cent to 88 per cent.

By Assembly Bill No. 46, fuel tax was increased effective July 1, 1947, and motor vehicle license and weight fees were increased effective January 1, 1948. The fuel tax was increased from 3 to 4½ cents per gallon. Vehicle license fees were increased from \$3.00 to \$6.00 per year. Increases in the weight fees vary with the unladen weight of the vehicle. It was pointed out, for example, that the weight fee on a 3-axle 15,000 pound motor vehicle has been increased from \$70 to \$180 per year. The price of fuel has also increased.

In House Resolution No. 56, the State Assembly requested the Commission to grant rate increases sufficient to offset the additional tax burden on the carriers resulting from the said Assembly Bill.

engaged in San Francisco drayage operations. He submitted an exhibit showing that the carriers in question had earned 63.86 per cent of the total revenue earned by all carriers.

Another exhibit submitted by the accountant shows the estimated operating revenues and expenses of the ten carriers for the first half of 1947. After adjustment of the revenues and expenses to reflect the increases in rates authorized by Decision No. 40666, supra, and the increases in operating costs, the accountant developed an operating ratio of 96.0. The ratio was based on estimated revenues of \$2,724,255 and estimated expenses of \$2,615,284. The accountant calculated that operating expenses had increased about \$85,000 in the first six months of 1947. To offset the increase, he said, a 3½ per cent increase in the established minimum rates and charges would be required. The witness asserted that the proposed increase would do no more than to restore the operating ratio of 92.5 which resulted from the increased rates authorized by said Decision No. 40666.

We turn now to petitioner's specific proposals relative to certain commodity rates and accessorial charges.

For the transportation of green coffee, commodity rates are provided of 5½ cents per 100 pounds, minimum weight 1000 tons per calendar month, and 6 cents per 100 pounds, minimum weight 5000 tons per calendar year. It is proposed to increase these rates to 7 and 7-3/4 cents per 100 pounds, respectively, the latter rate to be subject to a minimum weight of 6,000 tons per calendar year in lieu of the 5000-ton minimum applicable to the current rate.

³ Petitioner also seeks application of the interim increase on the rates as so increased.

The accountant submitted an exhibit showing the estimated cost of transporting the green coffee. The costs he developed were based upon a study of the movement of 337 truckloads of green coffee weighing 6½ million pounds transported under the 6-cent rate, and 43 truckloads weighing 811,000 pounds transported under the 5½ cent rate. The direct equipment costs, and driver and helper costs used by the accountant were based upon average industry costs for the size of the equipment used in the coffee service. No provision was made for the increases in wages and other costs on which the proposed interim increase was based. The costs developed by the accountant and the present and proposed rates are as follows in cents per 100 pounds:

	<u>1000-Ton Quantities</u>	<u>5000-Ton Quantities</u>
Present rate	5.7	6.0
Cost including overhead	6.81	7.32
Cost expanded for operating ratio of 92.5 after taxes	7.74	8.32
Proposed rate	7.0	7.75

In justification of the proposed increase in minimum weight, petitioner's secretary-manager testified that the tonnage being transported for the shippers involved exceeds the proposed minimum. He claimed that no shipper would be injured by the proposed increase.

For the transportation of newsprint, commodity rates of 6½, 6 and 5½ cents per 100 pounds, subject to minimum weights of 100 tons per shipment, and 500 and 750 tons per calendar month, respectively, are provided. It is proposed to cancel the 6½-cent rate and to increase the 6-cent rate to 7½ cents per 100 pounds. No increase is proposed in the 5½ cent rate but the minimum weight would be increased from 750 to 1000 tons per calendar month.⁴

⁴ Petitioner also seeks application of the interim increase on the rates as so increased.

An exhibit was submitted by the accountant showing the estimated cost of transporting newsprint moving under the 6-cent rate. The cost was based upon study of the movement of 55 truck-loads of newsprint weighing 500,000 pounds. The accountant developed costs including overhead of 6.96 cents per 100 pounds and 7.91 cents per 100 pounds upon expansion for operating ratio of 92.5 after income taxes. No provision was made for the increased expenses on which the proposed interim increase was based.

In justification of the proposed cancellation of the 6½-cent rate, petitioner's secretary-manager testified that there had been no movement thereunder during the past four years. In regard to the proposed increase in minimum weight, he said that the shippers involved are moving a greater tonnage than the proposed minimum weight. He claimed that the shippers would have no difficulty meeting the increased minimum weight requirement.

A rule governing the application of the minimum rates provides additional charges for accessorial services not included in the transportation rate applicable to shipments weighing more than 100 pounds. A charge of \$2.39 per man per hour applies in connection with shipments of commodities other than fresh fruits and vegetables and related articles. On the latter shipments, the charge is based upon fifty per cent of the transportation charge. Petitioner proposes amendment of the rule so that (1) carriers will not be required to charge for fractions of an hour on the basis of a full hour when accessorial services are performed by the driver, and (2) the additional charges will also apply to shipments weighing less than 100 pounds. Petitioner also proposes application on all shipments in certain instances of a charge equal to fifty per cent of the transportation charge in lieu of the hourly charge otherwise applicable.

Petitioner's secretary-manager testified that the proposal respecting the charge for a fraction of an hour is more equitable than the existing basis and that constant shipper complaints relative to the reasonableness of the charge would be eliminated. In regard to shipments weighing less than 100 pounds, the witness testified that accessorial services on such shipments involved additional costs for which the carriers should be compensated.

A representative of California State Brewers Institute objected to the proposed rule on the ground that its provisions were ambiguous. He submitted a revised rule for consideration.

California State Brewers Institute and C. E. Grosjean Rice Milling Company objected to the application of the interim increase on malt and rice. A witness for the protestants testified that since July 1947, the San Francisco drayage rates have been increased to a greater extent than the intercity rates established by the Commission. He contended that in any event the drayage rates should not exceed the intercity rates in view of the fact that the Commission had established the latter rates as reasonable for longer hauls.

M. J. B. Coffee Company objected to the proposed increase on coffee. Its traffic manager testified that unloading facilities at his company's plant have heretofore been unusually poor. Unloading performance in the past, he said, has ranged from 900 to 2,000 bags per day with the latter amount being handled only under favorable conditions at the plant. The witness asserted that about January 15, 1948, his company would have an endless conveyor belt in operation for unloading. He estimated that by use of the conveyor unloading performance would increase to from 3,000 to 3,200 bags of coffee per day. The witness contended that neither his company nor other coffee houses should be subjected to rate increases on coffee which are

based on costs affected at least in part by inefficient unloading facilities which will not exist in the future.

The record shows that the carriers need additional revenue to offset increased costs recently experienced and that the proposed interim increase is justified. A finding that petitioner's proposal should be deviated from at this time to the extent sought by protestants is not justified. Petitioner proposes to spread the increase over all transportation of property subject to the minimum rates, rules and regulations established in this proceeding. Should protestants consider that the rates and charges applying on their traffic when increased as here proposed are improper, the matter may be brought to the Commission's attention by formal petition dealing specifically with such rates and charges.

The conditions surrounding the transportation of green coffee have changed materially since the cost studies were made. The record affords no basis for adjusting the costs to reflect the benefits said to result therefrom. Moreover, direct equipment, driver, and helper expense was based upon average industry costs. Since the coffee rates in question apply only for transportation by one carrier for one shipper or consignee, it appears more appropriate to base the cost of performing the service upon the actual expenses of the three carriers who are engaged in transporting coffee for the three local coffee concerns involved. For these reasons, the proposed increases will be denied without prejudice to the conclusion the Commission may reach upon a more comprehensive record.

The record shows that the proposed increase in the 500-ton rate on newsprint is justified. In regard to the sought increase in minimum weight, except for the mere assertion that the current volume of traffic exceeds the proposed minimum, the record contains

no showing tending to establish the reasonableness of the proposed minimum and the unreasonableness of the existing minimum. The proposal in question has not been justified. The record shows that the increased expenses on which the interim increase is predicated were not given effect in the costs submitted in support of the proposed specific increase in the newsprint rate. In view of this and of the fact that the specific increase sought and authorized is based on less than the full costs, petitioner's proposal for application of the interim increase to the adjusted rate is justified. The record also shows that there has been no movement under the 100-ton rate for a number of years. The rate will be cancelled.

Modification of the accessorial service rule in so far as petitioner's proposal relates to services of the driver and to shipments weighing less than 100 pounds appears reasonable and is justified. However, both of the proposed rules of record, while achieving the same result, are ambiguous and conflicting in certain respects. A clarified rule will be prescribed. The proposal to charge for the driver's time in certain instances on the basis of 50 per cent of the transportation charge has not been justified. No study was made to show the relationship of the proposed charges to the cost of performing the service. Moreover, it appears that maintenance of two bases of charges for like service performed by the driver would result in confusion and controversy.

Upon consideration of all the facts of record, we are of the opinion and find that the modifications of existing rates, rules and regulations to the extent shown in Appendix "A" hereto have been justified and should be adopted, and that in all other respects petitioner's proposals have not been justified on this record.

O R D E R

Based upon 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, and that in all other respects said Decision No. 28632 shall remain in full force and effect.

IT IS HEREBY FURTHER ORDERED that, except to the extent provided for in the preceding ordering paragraph, the petitions filed by Draymen's Association of San Francisco on October 24, 1947, and December 17, 1947, be and they are hereby denied.

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

Dated at Los Angeles, California, this 17th day of February, 1948.

A. L. [Signature]
[Signature]
[Signature]
[Signature]
 Commissioners

APPENDIX "A"

Exhibit "A" of Decision No. 28632 of March 16, 1936, and as amended, in this proceeding, is further amended as follows:

1. Pending the further order of the Commission, the minimum rates and charges as described in paragraph 2, shall be increased on an interim basis by $3\frac{1}{2}$ per cent, such increase to be applied as a percentage increase in the total amount of the charges as shown by the freight bill exclusive of the transportation tax, subject to paragraph 3.

2. The interim increase provided in paragraph 1 shall be applicable in connection with class rates, commodity rates including minimum charges applicable thereto, hourly and monthly vehicle unit rates including the additional mileage charges, and rates and charges contained in governing rules and regulations, as set forth in Exhibit "A" of said Decision No. 28632, and as amended; and commodity rates including minimum charges applicable thereto, and rates and charges contained in governing rules and regulations, as set forth in Appendix "A" of Decision No. 29928 of July 7, 1937, and Appendix "A" of Decision No. 36838 of January 25, 1944, and as amended, in this proceeding.

3. In computing the interim increase herein provided, fractions of less than one-half cent shall be dropped, and fractions of one-half cent or greater shall be increased to the next whole cent.

Rule 5 - Application of Rates

Substitute the following rule for paragraph (d):

For other than tailgate loading or tailgate unloading, help in addition to the driver for loading or unloading furnished by the carrier at request of consignor or consignee, distribution, segregation, tagging, reconditioning, stacking, sorting, or any other accessorial or incidental service which is not authorized to be performed under the rates named in this tariff and for which a charge is not otherwise provided, an additional charge shall be made as follows:

(a) The time consumed by the driver in performing such services shall be charged for at the rate of \$2.39 per hour, minimum charge one-half hour.

(b) The time consumed by the helper or helpers in performing such services shall be charged for at the rate of \$2.39 per helper per hour. In computing the time consumed by each helper used in performing the service, fractions of an hour shall be increased to a full hour.

Item 90 - Newsprint Rates

Substitute the following:

Paper, viz: Newsprint, in rolls, inhaul:

	Rates in cents per <u>100 pounds</u> Rate
Minimum weight 100 tons - - - - -	Cancelled
Minimum weight 500 tons per calendar month (1) - -	7 $\frac{1}{2}$
Minimum weight 750 tons per calendar month (1) - -	5 $\frac{1}{2}$

(1) Monthly tonnage is to be averaged over twelve (12) calendar months commencing with the month in which property is first transported.

End of Appendix