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C.4808

ORIGINAL

Decision No. 45160

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation into the rates, rules, classifications, and regulations for the transportation of property for compensation for-hire over the public highways of the City of Los Angeles.	Case No. 4121
In the Matter of the Investigation into the rates, rules, regulations, charges, allowances, and practices of all common carriers, highway carriers, and city carriers relating to the transportation of property.	Case No. 4808

Appearances

Arlo D. Poe, for Motor Truck Association of Southern California, petitioner.
Laird M. Hail, for Southern California Freight Lines and Southern California Freight Forwarders.
James F. Bartholomew, for Signal Trucking Service.
W. G. O'Barr, for Los Angeles Chamber of Commerce.
B. F. Bolling, A. L. Russell, A. E. Norrbom, D. R. Crawford, T. W. Brandes, W. N. Pedder, and P. J. Arturo, for various shippers.

(Appearances shown above are those entered in the instant phase of this proceeding. For earlier appearances, see previous decisions in these cases.)

O P I N I O N

By prior orders in these proceedings the Commission established minimum rates, rules, and regulations governing the transportation of general commodities by for-hire carriers within a portion of Los Angeles County hereinafter referred to as the "drayage area"; and, under specified conditions, within Los Angeles and Orange Counties. The rates in question are set forth in City Carriers' Tariff No. 4, Highway Carriers' Tariff No. 5, which, for convenience, will be referred to as the "drayage tariff."[1]

The Motor Truck Association of Southern California, hereinafter called "the Association," now asks by petition that the rates in the drayage tariff be raised to reflect certain increases in operating costs since the rates were last adjusted in August, 1948. Evidence relating to the proposed modifications was received at a public hearing held before Examiner Bryant in Los Angeles on October 3, 1950. The matter is ready for decision.

A consulting transportation engineer employed by the Association testified that he had investigated income statements of a number of carriers performing transportation in the drayage area. He said that an analysis of revenues is sometimes a useful expedient to determine readily the amount of financial relief needed by a given carrier group. However, in this case, he explained, such method was believed to be impractical for the reason that none of the carriers conduct what could be termed an "exclusive" drayage operation. All of the operators assertedly derive a substantial part of their income from such varied sources as public warehousing, transportation in interstate commerce, and transportation from and to points outside the drayage area.

The engineering witness testified that he had found it possible, however, to measure accurately the effects of certain increased cost factors that have occurred subsequent to the last adjustment in the rates. To show these, he introduced an exhibit consisting

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[1] This tariff is Appendix "A" of Decision No. 32504 of October 24, 1939, (42 CRC 239), as amended. It provides class rates of general application; commodity rates for specified articles; and monthly, weekly, and hourly vehicle unit rates; the vehicle unit rates applying within the drayage area were extended in application throughout Los Angeles and Orange Counties by Decision No. 44095 of April 25, 1950 (49 Cal.P.U.C.600).

principally of revisions to a detailed cost study which he had introduced in an earlier phase of this proceeding and upon which, assertedly, the 1942 level of drayage rates was largely based.[2] The witness testified that the cost of equipment has about doubled in value since he made his original study in this proceeding and that this factor, until now, had not been reflected in the cost and rate analyses which followed from time to time. He said that the capacities and types of equipment used in his study were selected with particular attention to their suitability for short-haul, local drayage work. Important revisions were also made in the study to reflect certain other cost elements which have advanced since the last rate adjustment. These were an increase of 5 percent in wages and contributions to employees' welfare fund, an advance from 7 cents in the costs of billing and collecting charges on each shipment to the current figure of 15 cents, and increased expenses for tires and tire maintenance. The witness said that other operating expenses had likewise increased to some extent, but he had omitted making further compensating adjustments because the fluctuations were not susceptible of exact measurement. To arrive at final cost data which could be related directly to rate levels, the engineer expanded his estimates of direct and indirect costs to allow for a 93 percent relationship of total expenses to gross revenues, thus leaving a margin of 7 percent of the gross revenues for income taxes and profit.

Specific suggested increases in the minimum rates were introduced in exhibit form by a member of the Association's rate committee. The proposed rates, according to the witness, are intended to coincide as nearly as possible with the expanded cost

[2] The original study, numbered 123 in this proceeding, is discussed at considerable length in Decision No. 35418 (44 CRC 216).

figures submitted by the Association engineer. Under the exhibit, commodity rates would be increased by 10 percent; class rates would be increased by amounts varying from 10 percent to 20 percent; and vehicle unit rates would be adjusted upwards from 9 percent on an hourly basis to an average of about 28 percent for the weekly and monthly rental charges. Other changes sought include a 5 percent increase in the hourly rate for accessorial services, subject to a minimum charge for one hour, and the establishment in the drayage tariff of the same schedule of minimum charges per shipment as are set forth in Highway Carriers' Tariff No. 2.[3]

A transportation engineer of the Commission's staff introduced an exhibit showing financial data for fourteen selected carriers. According to this exhibit, the carriers as a group earned a net profit reflected by an operating ratio of 101.50 percent for the year ending June 30, 1950. Had present wage costs prevailed throughout the period, however, the corresponding operating ratio would have been 102.22 percent. The witness estimated that an increase of 10.09 percent in revenues would be required to provide for an operating ratio of 93 percent.

Two carrier representatives gave additional testimony in support of the Association's petition. Both expressed opinions that the present rates are noncompensatory and that those sought are necessary if full costs involved in performing drayage services are to be recovered.

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[3] The average effect of the sought rate adjustment would vary with different carriers according to the nature of the transportation services performed. Highway Carriers' Tariff No. 2 (Appendix "D" to Decision No. 31606, as amended in Case No. 4808) names minimum rates, rules, and regulations for the transportation of general commodities throughout the state.

Representatives of a number of shippers and organizations assisted in the development of the record by cross-examination of carrier witnesses. Some objections to the carrier proposals were suggested during cross-examination, but no specific evidence or argument was offered in opposition to the granting of the sought increases.

The evidence is clear that carriers performing transportation services within the area herein involved have experienced increases in various items of expense. However, it does not afford a satisfactory basis for determining either the revenue needs of the carriers or the present cost of performing the various services. The exhibit of the Commission engineer establishes only that fourteen selected carriers, in a recent 12-month period, had a wide range of profits and losses; and that the fourteen carriers as a group had a net operating loss. Information about the experience of any carrier or group of carriers can be of probative value only to the extent that it is related to the matters in issue. In this case the carriers were predominantly involved in enterprises of no direct concern herein, and they assessed rates which bore no known relationship to the established minimum rates.[4]

The Association consultant undertook, without reference to revenue or expense figures, to establish the amount by which the cost of performing the various services had increased. He did this

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[4] The witness recognized that his exhibit was a revenue study only and explained that it was planned to prepare and submit detailed cost analyses at some later date. The profits or losses were represented by operating ratios ranging from 88 to 120 percent before, and from 95 to 120 percent after, certain adjustments in revenues and expenses; the combined operating ratio was 101.5 percent and 102.2 percent after adjustment. Eight of the fourteen carriers derived the greater part of their revenues from sources other than local cartage. On the combined basis, 56 percent of the total operating revenue was derived from local cartage.

by using his 1941 study as a "datum plane," substituting for the original figures those representing current wages, vehicle costs, and certain other expenses, and making other adjustments. Although the method is similar to that used by the same witness previously in this proceeding, and may be the best one immediately available without current studies in the field, it is subject to defects and weaknesses which make the resulting exhibit unsatisfactory as a basis for adjusting minimum rates. The 1941 study itself included assumptions as to load and use factors, average truck speeds, loading and unloading performance, overhead and gross revenue expenses and other basic elements of cost which were not fully supported at the time and which were not then accepted for the purpose of establishing minimum rates.[5]

The consultant departed from his "datum plane" theory by substituting an operating ratio of 93 percent for a return on investment of 8 percent as used in the original study. How much this substitution affected the end results he did not know. Moreover, the 1941 study was made under conditions prevailing in a prewar era now remote by nearly a decade. It is unreasonable to presume that the intervening period has been devoid of important changes in materials, in load and use factors, and in other elements of carrier efficiency.

In view of our conclusions herein it is unnecessary to discuss all uncertainties in the cost evidence. The record affords no satisfactory basis for determining to what extent, if at all, the

[5] See Decision No. 35418, supra.

minimum rates should be adjusted at this time. When additional evidence is available, further hearings will be scheduled. The petition will be denied without prejudice.

O R D E R

An adjourned public hearing having been held in the above-entitled proceedings, and based upon all of the evidence and upon the conclusions and findings contained in the preceding opinion,

IT IS HEREBY ORDERED that the petition filed by The Motor Truck Association of Southern California in Case No. 4121 on August 15, 1950, be and it is hereby denied without prejudice.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 19th day of December, 1950.

R. E. Mitchell
Justus F. Craemer
Harold P. Huls
Kenneth Potter

Commissioners