

**ORIGINAL**

Decision No. 46061

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation )	
into the rates, rules, regulations, )	
charges, allowances and practices of )	Case No. 4808
all common carriers, highway carriers )	
and city carriers relating to the )	
transportation of property. )	

Appearances

- Herbert Cameron and E. O. Blackman, for California Dump Truck Owners Association, Inc., petitioner.
- Austin H. Peck, Jr. and E. G. Feraud, for Southern California Rock Products Association, interested party.
- Charles E. Jacobsen, for Engineering Division, Transportation Department, Public Utilities Commission, interested party.

SUPPLEMENTAL OPINION

This opinion pertains to the vehicle hourly rates which apply as minimum for the transportation of rock, sand and gravel and other materials in dump trucks over the public highways in southern California. By petition filed February 23, 1951, the California Dump Truck Owners Association, Inc., a California non-profit corporation representing approximately 500 dump truck owners, alleges that increases in the present rates are necessary to compensate for recent increases in operating costs.

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In its petition the Association also proposed certain revisions in the rules governing the minimum rates. By a subsequent filing, however, petitioner requested that consideration of its rule proposals be deferred.

Public hearing of the matter was held before Examiner Abernathy at Los Angeles on April 30, 1951. Evidence was submitted by petitioner's secretary, by a transportation engineer of the Commission's staff, by a representative of a building contractors' association, and by a representative of the Southern California Rock Products Association.

The minimum hourly rates which apply in southern territory were last adjusted in March, 1949.<sup>2</sup> Petitioner alleges that increases in operating costs since then, and more particularly during the latter part of 1950 and during 1951 to date, warrant further adjustment of the hourly rates. According to testimony of petitioner's secretary, truck carriers in recent months have experienced expense increases amounting to 50 per cent in the cost of tires, 12 per cent in the cost of parts and repairs, 5 per cent in rent, 10 per cent in overhead expense, and 20 cents an hour in wages; in addition, depreciation expense has increased 10 per cent as a result of increases in the cost of equipment.

Petitioner's secretary and the Commission's engineer each submitted evidence to show the present hourly cost of dump truck service. Petitioner's witness, in his cost study, undertook to develop hourly operating costs based upon data taken from the 1950 book records of 107 member carriers of his association. These cost

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The present vehicle hourly rates are set forth in Item No. 360 series of City Carriers' Tariff No. 6, Highway Carriers' Tariff No. 7 (Appendix "A" of Decision No. 32566, as amended, in Cases Nos. 4246 and 4434). The rates do not include allowance for drivers' and helpers' wages which are added, as a separate factor, to the vehicle rates in order to arrive at the total hourly charges to be assessed by dump truck carriers. The term "southern territory" is used herein to designate the area consisting of the Counties of Santa Barbara, Ventura, Los Angeles, Orange, San Diego, Imperial, Riverside, San Bernardino, Inyo and Mono.

figures were then adjusted to reflect the expense increases which assertedly have become effective since the first of 1951. On the basis of his figures for 1950 the witness calculated that in all the carriers' operating costs have increased approximately 10 per cent since the first of the current year. The exhibit of the Commission's engineer was designed to reflect carriers' costs as he had found them immediately prior to the hearing in this matter. The vehicle and tire cost figures shown in his study represent current price quotations. Outlays for insurance, taxes, licenses and fees were computed at present rates. Running-costs per mile, however, were developed on the basis of estimates of the average costs over the economic service lives of the vehicles. The witnesses' cost figures, also their cost figures expanded to include allowance for profit, are set forth in Tables Nos. 1 and 2 below:

Table No. 1

Hourly Operating Costs of Dump Truck Vehicles

	Type of Equipment		
	<u>2-axle</u>	<u>3-axle</u>	<u>5-axle</u>
Petitioner's witness			
1950	\$ 2.04	\$ 3.51	\$ 5.01
1951	2.25	3.86	5.54
Commission engineer			
1951	\$ 2.52	\$ 3.82	\$ 5.66

Table No. 2

1951 Hourly Operating Costs (Plus Profit), Dump Truck Vehicles

	Type of Equipment		
	<u>2-axle</u>	<u>3-axle</u>	<u>5-axle</u>
Petitioner's witness	\$2.74 (a) 2.60 (b)	\$4.71 (a) 4.50 (b)	\$6.48 (a) 6.20 (b)
Commission engineer	\$2.95 (b)	\$4.35 (b)	\$6.46 (b)

(a) Includes allowance for profit based upon an operating ratio of 90 per cent.

(b) Includes allowance for profit based upon an operating ratio of 93 per cent.

Petitioner's witness urged that the minimum rates for transportation service by dump truck equipment be constructed to provide an operating ratio of 90 per cent. He asserted that the minimum rates heretofore have been designed to return an operating ratio of 93 per cent. However, the carriers have not been able to attain an operating ratio of 93 per cent, he said, because of constant increases in costs, and, as a result, they are unable to replace increasingly expensive equipment or to expand their operations on the basis of profits.<sup>3</sup> The witness recommended that the minimum hourly rates be increased to the following bases:

	<u>Rate per hour</u>
2-axle vehicles, capacity 4½ to 5½ cubic yards .....	\$2.75
3-axle vehicles, capacity 8 to 9 cubic yards .....	4.35
5-axle vehicle units, capacity 16 to 17 cubic yards .....	6.32

In comparison with the sought rates, the corresponding minimum rates are as shown in the following table:

Table No. 3

Minimum Hourly Rates

<u>Capacity of Vehicle</u>	<u>Rates per Hour</u>		
	A	B	C
Over 4½ but less than 5½ cubic yards	\$2.41	\$1.64	\$2.15
Over 8 but not over 9 cubic yards	3.64	2.82	3.18
Over 16 but not over 17 cubic yards	6.45	5.02	5.79

- (A) Applies when vehicle loading is performed by power loading device.
- (B) Applies when vehicle loading is performed by hand.
- (C) Applies when vehicle loading is performed by means other than by power or hand.

<sup>3</sup> In his exhibit petitioner's witness reported carrier results for 1950 as shown by the following:

	<u>Operating Ratio</u>
Carriers operating 2-axle vehicles .....	99%
Carriers operating 3-axle vehicles .....	99.8%
Carriers operating 5-axle vehicles .....	92.7%

Other vehicle hourly rates are also provided in the minimum rate tariff for vehicles having capacities different than those shown in Table No. 3.

The representative for the building contractors' association supported the petition herein. He testified to the effect that he and the members of his association are finding it increasingly difficult to employ dump truck equipment at the present rates. He expressed the view that the present rates are not sufficiently compensatory and he urged that they be increased. The witness for the Southern California Rock Products Association testified that his association does not oppose an increase of 5 per cent in the minimum hourly rates but that it does oppose any increase in excess of 5 per cent as being not justified.

As is evident from the foregoing review of the record, a substantial amount of evidence was adduced in the instant phase of this proceeding, relative to the present hourly costs of dump truck service. It appears, nevertheless, that in certain respects the data do not provide a suitable basis for adjustment of the minimum rates. It is evident that the cost figures which petitioner's witness and the Commission engineer developed represent an average of the costs of the three types of dump truck operations, viz.: (a) Those operations where vehicle-loading is accomplished by power devices, (b) those where the loading is performed by hand, and (c) those where the loading is performed by other means. The Commission has heretofore found substantial differences in the separate costs of the three types of service.<sup>4</sup> The degree of the differences is indicated by the fact that present hourly rates for service where the

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<sup>4</sup> Certain differences in hourly costs also appear attributable to the nature of the transportation performed. For example, it appears that the transportation of excavated materials requires the use of more expensive vehicles than is the case with respect to the transportation of other materials. The Commission engineer's figures reflected costs of these more expensive vehicles for the reason that much transportation of excavated materials is performed at hourly rates.

loading is performed by hand range from 64 to 77 per cent of the rates which apply when loading is performed by power. The rates which are applicable when loading is accomplished by means other than by hand or power range from 81 to 92 per cent of the rates applicable under power loading. Without information as to the present relationship of the costs of the separate types of service to the average cost figures which the witness submitted, direct adjustment of the rates on a cost basis may not be made. Such information was not supplied. The request of petitioner's witness that rates be established to return hourly revenues of \$2.75 per hour for 2-axle vehicles of  $4\frac{1}{2}$  to  $5\frac{1}{2}$  cubic yard capacity, \$4.35 per hour for 3-axle vehicles of 8 to 9 cubic yard capacity, and \$6.32 per hour for 5-axle units of 16 to 17 cubic yard capacity, apparently would involve the substitution of a single scale of rates for the three rate scales currently provided. If such is petitioner's proposal, it must be denied. The reasonableness of a single rate scale was not shown.

It appears that in some respects the 1951 cost estimates should be modified. As has been shown heretofore, certain of the 1951 data were developed by computing costs for 1950 and expanding such costs by the amount of the increases which assertedly have taken place since the first of the current year. It appears, however, that some of the increases became effective in 1950 and are partly reflected in the 1950 figures. Moreover, the depreciation costs which were reached by expansion of the 1950 figures exceed the costs which would apply were all of the equipment purchased new and put into operation in 1951. Clearly, when depreciation expense is being adjusted to reflect the increased costs of new equipment, the resulting figures should not exceed the costs applicable to new equipment. Furthermore, where depreciation costs were computed wholly on the basis of new equipment, the resulting figures are

excessive. As the Commission has hitherto pointed out in various of its decisions, the use of investment figures in excess of those represented by the property involved leads to inflated results.

Effect being given to adjustment of the data in the respects indicated, the record is convincing that the present hourly rates fall short of returning current operating costs plus a reasonable allowance for profit. It appears that under present rates those carriers operating the smaller types of vehicles will experience the greatest deficiency in revenues. Under the circumstances disclosed herein, increases ranging from 7 per cent in the rates for the larger vehicles to 15 per cent in the rates for the smaller vehicles appear justified. To this extent the petition of the California Dump Truck Owners Association, Inc. for increases in the minimum rates will be granted.

Upon consideration of all of the facts and circumstances of record the Commission is of the opinion and hereby finds that the existing hourly rates for dump truck service should be revised to the extent hereinbefore indicated and as provided in the order herein.

#### 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 Decision No. 32566 of November 14, 1939, as amended, in Cases Nos. 4246 and 4434, be and it is hereby further amended by incorporating in City Carriers' Tariff No. 6 -

Highway Carriers' Tariff No. 7 (Appendix "A" of said Decision No. 32566, as amended) the revised page attached hereto and by this reference made a part hereof, which page is numbered as follows:

Eighth Revised Page 42 cancels Seventh Revised Page 42

IT IS HEREBY FURTHER ORDERED that except to the extent herein provided, the petition of California Dump Truck Owners Association, filed February 23, 1951, insofar as it seeks adjustments in the volume of hourly rates provided in Item No. 360 series of said City Carriers' Tariff No. 6 - Highway Carriers' Tariff No. 7, be and it is hereby denied.

In all other respects the aforesaid Decision No. 32566, as amended, shall remain in full force and effect.

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

Dated at San Francisco, California, this 7<sup>th</sup> day of August, 1951.

Justice J. Creever  
Harold P. Hulse  
Lawrence H. Patton  
John L. Mitchell

Commissioners



Cancel

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>						
	Level Capacity of Dump Truck Body in Cubic Yards (See Note 1)	NORTHERN TERRITORY (See Item No. 110 series)			SOUTHERN TERRITORY (See Item No. 100 series)		
		Column A	Column B	Column C	Column $\diamond$ A	Column $\diamond$ B	Column $\diamond$ C
360-H Cancel 360-G		(1) Rates in Cents Per Hour (See Item No. 330 series)					
	Over      But not over						
	0            2	146	110	131	136	106	124
	2            2½	175	124	153	166	118	141
	But less than						
	2½          3½	242	146	205	213	136	177
(2)	3½          4½	292	175	248	247	159	213
(2)	4½          5½	337	213	292	277	189	247
	But not over						
(2)	5½          7	394	270	351	342	242	294
	7            8	445	307	394	407	289	330
	8            9	496	344	438	442	324	366
	9            10	546	381	482	477	354	407
	10          11	597	417	526	513	389	442
	11          12	647	454	569	554	419	483
	12          13	698	491	613	580	441	510
	13          14	749	528	657	608	466	535
	14          15	799	565	700	631	486	559
	△ 15        △ 16	△ 850	△ 602	△ 744	655	507	584
	△ 16 Add to rate for △ 16 cubic yards capacity for each cubic yard or fraction thereof	51	37	44	35	30	35
	(1) Minimum charge shall be the rate for one hour. (2) Includes the capacity shown.						

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.

In 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.

\* Change

◇ Increase

△ Change, neither increase nor reduction

} Decision No. 46061

EFFECTIVE AUGUST 27, 1951

Issued by the Public Utilities Commission of the State of California,  
San Francisco, California.  
Correction No. 206