

ORIGINALDecision No. 50006

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 all common carriers, highway)
 carriers and city carriers relating)
 to the transportation of general)
 commodities (commodities for which)
 rates are provided in Highway)
 Carriers' Tariff No. 2).)

Case No. 5432
(Pet. No. 26)Appearances

Arlo D. Poe and J. C. Kaspar for Motor Truck Association
 of Southern California, Petitioner.

R. D. Boynton for Truck Owners Association of California,
 interested party.

Donald M. Cooper, J. C. Powers, E. J. McSweeney,
Preston Davis, Roger Ramsey, Harold M. Brake,
W. J. Martindale, A. L. Demek, and H. J. Bischoff,
 for various carriers, respondents.

Milton Hallen, C. F. Lupold, Robert F. Brown, Marsorie
Stirrat, F. L. O'Neill, S. J. Zalar, Warner Knight,
Gustave D. Cederholm, William N. Pedder, Allen K.
Penttila, Calhoun E. Jacobson, N. Nightingale,
J. J. Holloway, Henry E. Manker, Morton S. Colgrove,
Norman Perlman, Clifford J. Van Duker, A. L. Hillman,
A. R. Allen, R. E. Tewson, Lester A. Bey, Jack
Edwards, Charles E. Kelly, R. J. Jones, L. E. Osborne,
R. O. Cowling, Robert K. Wilson, H. R. Van Maren,
J. J. Bradley, Robert F. Staib, L. G. Cantin, Edward
J. Schilz, J. A. Sullivan, W. G. O'Barr, Robert C.
Morgan, A. A. Upson, John F. Kirkman, W. O. Narry,
R. T. Hunt, R. S. Schmitt, and W. F. McCann, for
 various shippers, shipper representatives, port dis-
 tricts and chambers of commerce, interested parties.

Frank B. Austin, Grant L. Malquist, R. L. Lubich, and
Clinton S. Abernathy, of the staff of the Public
 Utilities Commission of the State of California.

O P I N I O N

By Petition for Modification No. 26 filed on February 23, 1954, the Motor Truck Association of Southern California seeks an immediate increase in certain rates and charges for small shipments provided in Highway Carriers' Tariff No. 2. The proposed increases would apply generally only within the counties of San Luis Obispo, Kern, San Bernardino, Santa Barbara, Ventura, Los Angeles, Orange, San Diego, Riverside and Imperial.

Public hearings were held before Examiner Bryant at Los Angeles on March 29 and 31, 1954. The matter is ready for decision.

The Motor Truck Association of Southern California is an association of approximately 500 for-hire motor carriers of various classes, most of whom operate primarily in the southern part of the state. By its present petition it alleges that the minimum charges and the class and commodity rates applicable to shipments of 1,000 pounds and less are now, and will be in the future, unreasonably low and insufficient as minimum rates for transportation between points within the ten designated southern counties. It asserts that highway carriers engaged predominantly in the transportation of small shipments within these counties are operating at a loss, or without reasonable, or any, profit, and that such condition results from the inadequacy of the minimum charges and the rates applicable to the small shipments. The petitioner declares further that the revenue deficiencies of such carriers are continuing and will impair their sound financial condition if not relieved in the immediate future.

Petitioner's proposal is (1) that the minimum charges provided in Item No. 150 series of Highway Carriers' Tariff No. 2 be increased by varying stated amounts, and (2) that the minimum rates provided in the tariff for shipments weighing 1,000 pounds and less (except as they are governed by the minimum charges) be increased by the imposition of a surcharge of 50 cents on each shipment. The association intends that the surcharge be prescribed as a temporary adjustment pending the development of further evidence upon which permanent revisions may be based.

The principal evidence in support of the petition was introduced through the testimony and exhibits of a transportation analyst who is the research director for the Motor Truck Association of Southern California. He explained that the rate proposal had been considered by and developed through regular procedures of a standing rate committee within the association. The petition, he said, is not based upon increased operating expenses but upon asserted maladjustments in the rate structure. He declared (1) that the minimum rates as established by the Commission in a general rate adjustment early in 1953 were below the costs of transporting small shipments as shown in cost studies then of record,¹ (2) that subsequent rate revisions designed to reflect increased operating expenses did not correct the basic deficiencies in rates for small shipments, and (3) that as a consequence the highway common carriers who handle such shipments predominantly have been and are receiving rates insufficient to return the cost of performing the service.

¹ The witness referred to the general rate adjustment made by Decision No. 48187, dated January 19, 1953, in Case No. 4808 (52 Cal. P.U.C. 385). The rates became effective March 1, 1953.

In support of the sought increases in minimum charges the analyst offered an exhibit consisting in part of his own re-evaluation of cost and rate exhibits previously presented by Commission staff witnesses in an earlier phase of Case No. 5432 and in the antecedent Case No. 4808.² From factors contained in these exhibits he developed estimated costs for the transportation of shipments of various weights up to 100 pounds. He pointed out that the proposed minimum charges for shipments weighing up to 50 pounds are slightly below what he termed the estimated out-of-pocket cost of performing the service, while the proposed charges for shipments above 50 pounds are below the estimated full costs without provision for profit. This witness stated that the minimum-charge proposal had been influenced downward by a consideration of the possible effect of the charges upon the shipping public and of possible diversion of traffic to agencies offering more attractive rates. He said that the carrier rate committee had concluded that their rate proposal was the minimum that reasonably could be advanced.

No specific cost evidence was offered in support of the proposed surcharge of 50 cents a shipment. The analyst explained that the amount of the surcharge was determined upon somewhat arbitrarily as the minimum amount necessary to correct the financial plight of those carriers whose principal revenues are derived from the handling of small shipments. To show its effect he introduced an exhibit containing traffic analyses and

² Exhibit 9-4 received in Case No. 5432 on July 22, 1953;
Exhibit 276 introduced in Case No. 4808 on April 29, 1949;
and Exhibit 803 introduced in Case No. 4808 on June 20, 1949.

profit-and-loss statements for ten carriers engaged principally in the transportation of small shipments within Southern California.³ This exhibit sets forth for each carrier the operating revenues and expenses for the year 1953 and separately for the fourth quarter of 1953, an analysis of the shipments handled for one or more days segregated by weight brackets and by territorial application, and a calculation of the effect of the proposed rate increases on the operating revenues and operating ratios for each period. It contains also a consolidated recapitulation of the figures for the ten carriers as a group.

The analyst testified that the ten carriers had been selected by a process of necessary elimination from some 200 who had responded to a preliminary questionnaire distributed by his office. He expressed the opinion these ten carriers handle the greater part of the small-shipment traffic within the scope of the petition. According to his exhibit, they had a combined operating ratio of 100.35 percent for the year 1953, and 102.24 percent for the fourth quarter of that year. If the increased rates and charges herein proposed had been in effect during the same periods, the projected operating ratios would have been 97.20 percent for the year 1953 and 99.02 percent for the last quarter. The individual operating ratios of the selected carriers vary, of course. Only two of the carriers had actual

³ Desert Express, Higgins Trucks, Inc., Mercury Delivery Service, Pacific Freight Lines, Public Freight System, Reliable Delivery Service, San Diego Forwarding Company, Smith Transportation Company, Southern California Freight Lines, and Victorville-Barstow Truck Line.

operating ratios during the fourth quarter more favorable than 97 percent. The most favorable projected ratio under the proposed increases would be 90.25 percent.

Other witnesses in support of the petition were the president of Southern California Freight Lines and the manager of cost accounting for Pacific Freight Lines.⁴ The president declared that the existing minimum rates on the small-shipment traffic are seriously deficient. He said that there are various inequities in the rates which should be corrected as soon as possible, but declared that pending more permanent adjustments the rates should be revised as herein proposed in order to avoid further penalizing the carriers whose principal revenues accrue from the handling of small shipments. He asserted that his company and others who are engaged in handling small shipments are urgently in need of immediate rate relief. In order to show that the present revenues from the small shipments are relatively deficient this witness introduced exhibits comparing the present and proposed revenue from minimum-charge shipments and other small shipments with the revenue which would be derived from a comparable weight received as a single shipment. He offered also a time study of his company's operations to show the relatively greater cost per 100 pounds of handling a given quantity of traffic in small shipments than in a single large shipment.

⁴ These companies are the largest of the ten carriers included in the exhibit submitted by the transportation analyst.

The manager of cost accounting for Pacific Freight Lines introduced a statement showing the number of stops and shipments picked up and delivered at the Los Angeles terminal of his company for the month of July, 1953. He explained that this month was the latest for which the data were available. He said that the principal purpose of the statement was to show the average number of shipments per stop was only 1.75 for pickups and 1.25 for deliveries.

A number of shippers and shipper representatives testified in opposition to the proposed increases. These witnesses offered various analyses of their own small-shipment traffic and of the effects which the sought increases would have upon such traffic. In general these witnesses objected to the sought increases in their entirety, but all of them were particularly opposed to the surcharge proposal. They offered various examples of assertedly unreasonable and discriminatory charges which would result from the application of the proposed surcharge.

The evidence offered by the Motor Truck Association of Southern California in support of its petition falls into two general categories. The proposed minimum charges are predicated primarily upon the estimated cost of transporting the minimum-charge shipments. The showing in support of the proposed surcharge of 50 cents a shipment for shipments up to 1,000 pounds consists primarily of the traffic analysis and the profit-and-loss statements for the ten "small shipment" carriers.

The cost evidence offered in support of the minimum-charge proposal is not based upon any new cost study, nor upon any asserted increase in costs, but rather upon petitioner's

own re-evaluation of evidence presented by Commission staff witnesses in 1949 and in July, 1953. These earlier exhibits were considered fully by the Commission, together with other evidence, in the development and prescription of the minimum rates and charges heretofore established. Petitioner's reappraisal of a portion of the evidence in prior records does not constitute a valid basis for revision of the minimum charges. The showing offered by petitioner in support of its minimum-charge proposal is tantamount to a request for reconsideration by the Commission of its past rate adjustments which have long since become effective. In the absence of substantial new evidence or a showing of changed conditions or circumstances such a request will be denied.

The profit-and-loss statements, together with other evidence of record, may tend to show that the existing minimum rates for the transportation of small shipments within Southern California are deficient or maladjusted, but a showing of revenue deficiencies of sample carriers does not of itself provide a sufficient basis upon which to predicate an adjustment of minimum rates. More specific evidence is required in order that the Commission may consider the most efficient method of providing a given service and the cost thereof so that it may determine the lowest justifiable costs for performing the service

by any of the different classes of carriers.⁵

Furthermore, the evidence shows that discriminatory and unwarranted results would attend the establishment of a 50-cent surcharge on the small shipments within a limited area as proposed by the petitioner. The surcharge was suggested as a temporary measure on the basis that it would provide a simple and expedient method of obtaining immediate revenue relief. However, rates and charges which clearly would be improper for permanent application are not made proper by calling them temporary.

The present record does not justify the proposed increases in the minimum rates and charges for small shipments. It is persuasive that such rates and charges have been insufficient on the whole to return reasonable revenues to Southern California carriers specializing in the small-shipment traffic. Reasonable earnings are requisite if these essential public services are to be sustained. The minimum charges and the rates for small shipments, not only within the southern counties but throughout the state, will be re-examined in detail to determine in what respects and to what extent they may be deficient or maladjusted. Hearings for this purpose will be scheduled as soon as the parties are prepared to offer the required evidence. In the meantime carriers

⁵ See Decision No. 48756 dated June 24, 1953 (52 Cal. P.U.C. 624); Decision No. 47123 dated May 5, 1952 (51 Cal. P.U.C. 702); and Decision No. 46912 dated March 27, 1952 (51 Cal. P.U.C. 586) and decisions cited therein. For further discussion of this subject see the decision of the Supreme Court of the State of California in California Manufacturers Assn. vs. Public Utilities Commission, dated March 19, 1954 (42 A. C. 543).

who deem it necessary and desirable to do so may make their own rate adjustments upon obtaining authority under Section 454 of the Public Utilities Code as required.

The petition of the Motor Truck Association of Southern California will be denied without prejudice to further consideration at the later hearings to be scheduled as aforesaid.

O R D E R

Based upon the evidence of record and upon the conclusions and findings contained in the preceding opinion,

IT IS ORDERED that Petition for Modification No. 26 filed in this proceeding on February 23, 1954, by the Motor Truck Association of Southern California be and it is hereby denied without prejudice.

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

Dated at San Francisco, California,
this 4th day of May, 1954.

John E. Mitchell
President
Justus F. Calver
Benjamin Potter
Gene Duggins

Commissioners