

ORIGINALDecision No. 52725

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 livestock and)
 related items (commodities for which)
 rates are provided in Minimum Rate)
 Tariff No. 3.))

Case No. 5433
 (Petition for Modification
 No. 4)

Arlo D. Poe and J. C. Kaspar, for California
 Trucking Associations, Inc., petitioner.
 J. J. Deuel and Joseph Q. Joynt, for California
 Farm Bureau Federation, California Cattlemen's
 Association and California Cattle Feeders
 Association, interested parties.
 C. W. Scott, for California Wool Growers
 Association, interested party.
 Grant L. Malquist, Marcel Gagnon and Arthur
 Mooney, for the Commission's staff.

INTERIM OPINION

By petition filed August 6, 1955, the California Trucking Associations, Inc., seeks an emergency 5 per cent increase in the minimum rates and charges contained in Minimum Rate Tariff No. 3 for the transportation of livestock.

Public hearing was held before Examiner J. E. Thompson on October 27 and 28, 1955, in San Francisco.

The last general adjustment of the rates and charges contained in Minimum Rate Tariff No. 3 was effective September 10, 1953, pursuant to Decision No. 48952 dated August 10, 1953. Petitioner alleges that since that adjustment the cost of transporting livestock by motor vehicle in this State has increased substantially, principally because of increases in the cost of labor. It

is further alleged that the financial condition of the carriers engaged in transporting livestock has been seriously impaired by recent wage increases and that such carriers may not be financially able to continue to maintain adequate service unless there is an immediate increase in their operating revenues. Petitioner states that there is no adequate or practical method of increasing the revenues except by an increase in the level of minimum rates. Petitioner also states that because of the financial condition of the carriers it is seeking an interim increase of 5 per cent pending a determination by the Commission of the adjustments necessary to restore the minimum rates to a just, reasonable and nondiscriminatory level.

Evidence was presented through testimony and an exhibit offered by the petitioner's director of research showing wage increases granted to drivers, mechanics, servicemen and clerical employees since September, 1953. The testimony and the exhibit show that increases in drivers' wages and additional benefits in the form of welfare and security fund, paid holidays, vacation and pension have increased driver wage expense by over 11 per cent. Carrier expenses for mechanics, servicemen and clerical employees have increased between 4 and 20 per cent depending upon the locality where the persons are employed. The effect of the wage increases upon the over-all cost of performing transportation has been estimated by the witness to be about 3 per cent.

The exhibit offered by petitioner also contains a summary of the operating results for the year 1954 of 19 carriers engaged in transporting livestock. The following is a summary of the operating results shown therein.

Year 1954

<u>Number of Carriers</u>	<u>Operating Ratio before Income Taxes</u>
4	Over 110 Per Cent
2	105- 110
6	100- 105
4	95- 100
1	94.90
1	92.26
1	87.57

The petitioner's director of research testified that the carrier having an operating ratio of 87.57 per cent has an unusually favorable operation. It transports livestock only to and from one feed lot. He stated that the operating results of this carrier do not accurately portray the expenses borne by livestock carriers generally because this carrier uses the feed lot as his terminal and does not have expenses such as operating rent. The witness testified that the records of the carrier having an operating ratio of 92.26 per cent did not reflect any salary or remuneration to the carrier who spends his full time in the conduct of the operation or to his wife who takes care of the clerical work. In calculating the operating ratio the witness made an allowance of \$5,000 for the year 1954 to represent remuneration to the carrier and his wife for services performed. This amount of \$5,000, rather than a larger figure as was used in the case of some other carriers operating as proprietorships, was chosen not because of any lack of effort or time expended by the carrier and his wife but because of the smaller amount of gross revenue earned by this carrier as compared to others.

Petitioner's director of research testified that the carriers have been taking all known steps to reduce their unit costs through acquiring new type equipment designed to increase the vehicular loading capacity, by use of new type tires which are

more suitable for the roads the carriers must traverse and by employing other innovations which are designed to reduce unit costs.

Exhibits were presented by the Commission's staff. An associate transportation engineer made revisions to a study developed in 1950 and 1951 of the cost of transporting livestock to reflect the wages in effect following the 1955 increases. The engineer's estimates show an increase in cost of transporting livestock of between 5 and 6 per cent since the last rate adjustment. The engineer stated that his study did not reflect improvements on equipment and tires described by petitioner's director of research. The staff showed the revisions in the rate structure that would result from application of the percentage increases in cost as estimated by the engineer to the present rates.

The granting of a 5 per cent interim increase was opposed by the California Farm Bureau Federation, the California Cattlemen's Association, the California Cattle Feeders Association and the California Wool Growers.

The director of the public utilities department of the California Farm Bureau Federation testified that California growers of livestock are presently at a severe competitive disadvantage in selling in western markets because midwestern growers are able to place dressed carcasses in California markets at prices lower than the California growers' cost of raising livestock. He pointed out that at the time of the hearing the top price for hogs listed in the San Francisco market was under 16 cents per pound. He stated that at the current price of feed in California it costs 17 cents to put one pound on a hog. While there has been a decline in the price of livestock generally, the witness attributes the low market price to competition from without the State. He testified that release of grain by the Federal Government from federal storage for

feed in the midwestern corn and grain belts has enabled the grower in the midwest to reduce costs. The witness stated that rail carriers were filing reduced westbound rates on meat and meat products.¹ This, he said, will place the California livestock raiser at a further disadvantage in competing in California markets. He stated that, while the California Farm Bureau Federation realizes that the costs of the carriers have increased, the situation is such that the livestock industry in California cannot bear an increase in transportation costs and because the livestock industry represents a large portion of the State's economy, a set back to that industry would have an adverse effect upon the State's economy as a whole.

The secretary of the California Cattlemen's Association testified that the situation confronting members of his association is substantially the same as described by the witness for the California Farm Bureau Federation. California cattlemen are now pasture feeding in order to curtail the cost of production. He stated that adequate transportation by motor vehicle is vital and essential to the cattlemen. In their present circumstances, however, in that cattle prices have declined 50 per cent in the past four years, the cattlemen would be sorely pressed to pay higher transportation costs.

Conclusions

From the evidence of record it is clear that the cost of transporting livestock by motor vehicle has increased and that livestock carriers should have an interim increase in revenues if adequate service is to be maintained. According to the petitioner's

1

The Commission takes official notice that the Interstate Commerce Commission has suspended the operation of the reduced westbound rail rates.

exhibits, a 3 per cent increase in the minimum rates will offset the increase in costs resulting from the higher wages.

Upon careful consideration of the facts and circumstances of record and cognizant that it is the policy of the State in rate making to be pursued by the Commission to establish such rates as will promote the freedom of movement by carriers of livestock at the lowest lawful rates compatible with the maintenance of adequate transportation service, the Commission is of the opinion and hereby finds that a 3 per cent interim increase in the minimum rates and charges contained in Minimum Rate Tariff No. 3 is justified and necessary to assure continuance of the required transportation services. The necessity for further revisions and adjustments in the rates as alleged by petitioner will be determined when the full record has been completed.

The interim increase will be established as a surcharge. Because of the need for revenues by respondents the increase will be made effective January 10, 1956. Highway common carriers will be authorized to increase their tariff rates as provided herein on not less than five days' notice to the Commission.

INTERIM ORDER

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

IT IS HEREBY ORDERED:

1. That Minimum Rate Tariff No. 3 (Appendix "C" to Decision No. 31924 as amended) be and it is hereby further amended by

incorporating therein to become effective January 10, 1956, Supplement No. 1, which supplement is attached hereto and by this reference made a part hereof.

2. That tariff publications required or authorized to be made by common carriers as a result of this order may be made effective on or after the effective date hereof on not less than five days' notice to the Commission and to the public; and that such required tariff publications shall be made effective not later than January 10, 1956.

3. That common carriers be and they are hereby authorized to depart from the provisions of Article XII, Section 21, of the Constitution of the State of California, and Section 460 of the Public Utilities Code, and from the provisions of Tariff Circular No. 2 and General Order No. 80 to the extent necessary to carry out the effect of the order herein.

4. That in all other respects said Decision No. 31924, as amended, shall remain in full force and effect.

5. That except as otherwise provided herein, the Petition for Modification No. 4 filed in this proceeding on August 6, 1955, by the California Trucking Associations, Inc., for an interim increase in the minimum rates and charges in Minimum Rate Tariff

No. 3 is denied. Evidence relating to rate adjustments and other matters in Petition for Modification No. 4 in this proceeding will be received by the Commission at a time and place to be determined.

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

Dated at San Francisco, California, this 5th day of December, 1955.

W. E. Bartlett
President

Justice J. Quinn

Paulo Interimier

William Dooly

B. H. Hart

Commissioners

SUPPLEMENT NO. 1

TO

MINIMUM RATE TARIFF NO. 3

NAMING

MINIMUM RATES, RULES AND REGULATIONS

FOR THE

TRANSPORTATION OF LIVESTOCK OVER THE
PUBLIC HIGHWAYS WITHIN THE
STATE OF CALIFORNIA

BY

RADIAL HIGHWAY COMMON CARRIERS
AND
HIGHWAY CONTRACT CARRIERS

◇ APPLICATION OF SURCHARGE

Compute the amount of charges in accordance with the rates, rules and regulations of this tariff. Increase the amount so computed by three percent. Fractions of less than one-half cent shall be dropped; fractions of one-half cent or greater shall be increased to one cent.

◇ Increase, Decision No. 52325

EFFECTIVE JANUARY 10, 1956

Issued by the
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
State Building, Civic Center
San Francisco, California