

**ORIGINAL**Decision No. 53520

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 house- )  
 hold goods carriers, common carriers, )  
 highway carriers, and city carriers )  
 relating to the transportation of used )  
 household goods and related property. )

Case No. 5330  
 Petition for Modifi-  
 cation No. 4

Appearances will be listed in the final  
 order in this proceeding.

INTERIM OPINION

Minimum rates, rules and regulations for the transportation of used household goods and related articles are set forth in Minimum Rate Tariff No. 4A. The last general adjustment in said minimum rates was effective February 1, 1954 pursuant to Decision No. 49456, dated December 21, 1953, in Cases Nos. 4808 and 5330 (Petitions Nos. 1 and 2).

By petition filed July 2, 1955, amended November 28, 1955 and further amended May 28, 1956, California Moving & Storage Association seeks an upward adjustment of the said minimum rates. (1)  
 The petitioners allege that since the rate adjustment prescribed by Decision No. 49456, supra, household goods carriers have experienced substantial increases in the wages paid to drivers and

(1) A comparison of some of the rates involved:

<u>Local Moving Rates (cents per hour)</u>	<u>Present</u>	<u>Proposed</u>
Van and 2 Men, Territory A	960	1,100
Van and 2 Men, Territory B	885	1,050
<u>Long Distance Rates (cents per 100 lbs.)</u>		
100 pounds for 150 miles	1,116	1,235
4,000 pounds for 150 miles	337	365
100 pounds for 300 miles	1,250	1,375
4,000 pounds for 300 miles	457	495
100 pounds between S.F. and L.A.	1,087	1,205
4,000 pounds between S.F. and L.A.	353	385

helpers and other items. It is stated that because of the increased costs, the established minimum rates are unduly and unreasonably low and are insufficient to return the cost of performing service.

Public hearings were held in Los Angeles before Examiner J. E. Thompson. At the hearing of May 28, 1956, upon completing its presentation, the petitioner requested that the proceeding be taken under submission. The Commission's staff, having offered evidence concerning hourly rates on local moving,<sup>(2)</sup> did not oppose the submission of the phase of the proceeding concerning local moving. They requested however that the Commission not make a final determination of the proceeding until after the staff has presented evidence which is presently being developed respecting long distance moving and rules and regulations for the application of the minimum rates. On April 17, 1956, the Commission issued an order granting the Commission staff's motion to continue hearings in this proceeding. It appears however that due to certain exigencies the staff is not ready to proceed at this time. Petitioner resisted a further continuance and pointed out that the record made herein shows that carriers are experiencing unfavorable operating results and that a delay in a rate adjustment which would offset the increased costs might seriously impair the financial ability of carriers to remain in business.

Statements of operating results adjusted to reflect March 1956 wage levels show that transportation operations of almost all of the carriers whose operations were summarized were conducted at a loss. Almost all of the carriers had earnings in the form of commissions for booking long distance moving, including interstate hauls. When commissions were included in the operating revenues, the carriers generally were operating at the break-even point.

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(2) Local moving refers to transportation for distances not exceeding 30 miles or within a single metropolitan area.

Since March 1956 there have been additional wage increases in several of the counties in the State; for example, effective May 1, 1956 the wage of drivers in Los Angeles County was increased 10 cents per hour and the employer's contribution to the union welfare fund was raised from \$11.05 per man per month to \$12.43.

In view of the conditions mentioned above, consideration should be given at this time to the record made thus far.

The petitioner's showing in support of the proposed rates consists principally of exhibits reflecting the cost of Bekins Van and Storage Co., Lyon Van and Storage Co., Lyon Van Lines and twenty household goods carriers engaged in moving operations in various parts of the state. The cost exhibits are essentially the same as cost studies introduced in 1953 in Case No. 4808 and Case No. 5330 (Petitions Nos. 1 and 2), revised only to reflect the current cost of labor. The proposed rates being based on the cost exhibits, it follows that the petitioner here is seeking an increase in rates which would offset additional wage expense arising from increases in wages paid to drivers, helpers and packers. (3)

(3) Abstract of Exhibit No. 4-16 Showing Certain Terms of Wage Contracts Between Carriers and Drivers Comparing Terms in Effect September 1953 with Those Effective May 1956.

Long Line Drivers

	<u>Northern California</u>		<u>Southern California</u>	
	<u>1953</u>	<u>1956</u>	<u>1953</u>	<u>1956</u>
Driver's Wage Per Hour	\$ 2.07	\$ 2.30	\$ 2.00	\$ 2.30
Welfare Plan (1)	9.50	10.40	8.65	12.43
Pension Plan (1)		8.65	-	-

Local Drivers

	<u>Los Angeles</u>		<u>San Francisco</u>		<u>East Bay</u>	
	<u>1953</u>	<u>1956</u>	<u>1953</u>	<u>1956</u>	<u>1953</u>	<u>1956</u>
Driver's Wage Per Hour	\$1.85	\$ 2.15	\$ 2.125	\$ 2.325	\$2.125	\$ 2.275
Welfare Plan (1)	8.65	12.43	10.40	10.40	9.50	10.40
Pension Plan (1)	-	-	.50*	.50*	-	8.65

(1) Per man per month except where asterisked (\*) in which case, per man per day.

Allowance for vacation and paid holidays not shown. In general since 1953 there have been modifications resulting in increased expense to employers.

Further discussion of the evidence can best be accomplished under these categories; local moving, long distance moving and rules and regulations.

Local Moving

Exhibits showing the cost of transporting household goods at hourly rates were presented by the petitioner and by the staff. The exhibits show separately the costs developed for Territory A, which consists of the counties in the San Francisco Bay area, and Territory B which comprises the entire state except for Territory A. Exhibits presented by petitioner include costs developed for the operations of Bekins and Lyon and costs based on the operations of twenty carriers engaged in local moving in various parts of the state. The study developed by an engineer of the Commission's staff is based on a field survey of some sixty household goods carriers engaged in local moving in fifteen counties in the state. The study, according to the engineer, placed emphasis on the relatively small, independent local carrier engaged primarily in the moving of household goods.

The results of the cost studies introduced are summarized and compared on the basis of 100 per cent operating ratio.

Local Moving Costs in Cents Per Hour  
as of May 2, 1956.

	<u>20 Carrier</u>	<u>Lyon</u>	<u>Bekins</u>	<u>Staff</u>
<u>Territory A</u>				
Van and 2 Men	1091	1108	985	896
Van and 1 Man	-	650	-	634
Extra Helper	421	421	397	321
Packers	445	472	398	-
<u>Territory B</u>				
Van and 2 Men	1021	1007	916	835
Van and 1 Man	-	599	-	601
Extra Helper	384	412	355	305
Packers	412	422	374	-

There are many reasons for the wide difference in the estimates of cost. The carriers used by petitioner in developing the costs shown as "20 Carrier" are those engaged in providing service in the larger cities in the state. Bekins and Lyon operate generally in the urban areas. While some of the carriers used as a basis for the staff's estimates were located in the larger cities, others operated in some of the smaller cities. The following table compares the factors used in developing the estimates:

	<u>20 Carrier</u>	<u>Lyon</u> <sup>(1)</sup>	<u>Bekins</u> <sup>(1)</sup>	<u>Staff</u>
Use Factor (Hours)	1320	1586	1640	1300
Fixed Expense per Hour	\$.9724	\$.6141	\$.5787	\$.721
Miles per Use Factor Hour	6.	5.3	5.56	6.5
Running Cost per Hour	\$.5628	\$.4685	\$.4854	\$.689
<u>Territory A</u>				
Driver Cost per Hour	\$3.038	\$3.040	\$2.843	\$2.702
Helper Cost per Hour	\$2.878	\$2.883	\$2.640	\$2.617
<u>Territory B</u>				
Driver Cost per Hour	\$2.817	\$2.713	\$2.711	\$2.517
Helper Cost per Hour	\$2.625	\$2.528	\$2.422	\$2.347
Indirect Expense Ratio	44.51%	55.05%	44.62%	31.50%

(1) Truck Van equipment. Costs shown in table on page 4 are composite costs on use of trucks and tractor and semi-trailer units.

#### Long Distance Moving

In its Decision No. 49456, supra, the Commission held, "The resulting composite costs [average costs of Bekins and Lyon weighted in proportion to 1952 gross transportation revenue of each carrier, Bekins 69 per cent and Lyon 31 per cent] appear to be representative of costs of providing necessary and adequate long distance moving service." The petitioner introduced exhibits revising the cost studies which were referred to in the aforesaid decision so as to reflect current wage costs. The rates proposed by petitioner were determined by increasing the present minimum rates by percentages. The percentages represent the composite

percentage increase shown by the revised cost studies over the costs reflected in the original cost studies. The cost figures in all instances represented full costs at an operating ratio of 90 per cent.

The following is an abstract of Exhibit No. 4-21 showing the results determined by the petitioner.

Full Costs at 90 Per Cent Operating Ratio  
for Shipments 4,000 Pounds and Over  
(Costs in Dollars Per 100 Pounds)

<u>Distance</u>	<u>Lyon</u>		<u>Bekins</u>		<u>Composite Percentage Increase</u>
	<u>1953</u> (1)	<u>1956</u> (2)	<u>1953</u> (3)	<u>1956</u> (4)	
50 Miles	2.79	3.09	2.39	2.62	9.97%
150 "	3.58	3.92	3.41	3.70	8.81%
350 "	5.02	5.43	5.46	5.85	7.46%
550 "	5.74	6.18	7.51	8.01	6.97%
L.A. - S.F. (6)	4.07	4.40	3.27	3.56	8.63%
L.A. - S.D. (7)	3.25	3.55	2.66	2.92	9.60%

- (1) From Exhibit No. 123 in Cases Nos. 4808 and 5330 (Petitions 1 and 2)
- (2) From Exhibit No. 4-19
- (3) From Exhibit No. 127 in Cases Nos. 4808 and 5330 (Petitions 1 and 2)
- (4) From Exhibit No. 4-20
- (5) Weighted 69% Bekins, 31% Lyon
- (6) Between Los Angeles and San Francisco
- (7) Between Los Angeles and San Diego

The petitioner proposed upward adjustment of the distance rates, the "per piece" rates and the point-to-point rates. The proposed rates range between 7 per cent and 18 per cent higher than the rates presently in effect.

Rules and Regulations

Petitioner does not propose changes in the rules and regulations governing the application of rates but does urge an upward adjustment of the rates and charges contained in items in the tariff providing for pickup or delivery at other than ground floor, inability to make delivery, split pickup and split delivery, packing or unpacking, and for furnishing shipping containers and

packing material. The increases proposed in such rates and charges range between 7½ per cent and 13 per cent.

The staff indicated that it desires to make proposals respecting rules and regulations at future hearings.

### Conclusions

The record shows that the larger carriers of household goods charge rates in excess of the minimum rates for local moving. They are able to compete at higher rates because of the service offered as compared to that offered by carriers that assess minimum rates. In Decision No. 49456, supra, the Commission hold,

"However here, in contrast to long distance moving, the costs experienced by the small operators must be given major consideration in determining representative costs of local moving services. This is not only because the preponderance of this service is provided by the small operators, but also because they experience generally lower costs."

While the costs developed by the staff assertedly placed emphasis on the experience of the relatively small independent local carrier engaged primarily in the moving of household goods, the cost allocations, particularly the depreciation allowance for dollies, boards, pads, skins and ropes, indicate that the costs were developed for a service which, while not approaching that offered by some of the larger carriers, is something more than the type of service provided by a number of smaller carriers operating in the state. It is noted that the carriers whose operations were used by the engineer in making his estimates, operate in cities of some size.

The minimum rates established in Minimum Rate Tariff No. 4-A have application in all parts of the state including unincorporated communities as well as cities and are applicable to the transportation of household goods by motor vehicle irrespective of the type of service provided. The cost of providing the service

is an important consideration in the establishment of minimum rates. The costs however will vary with the type of service performed; therefore, where various types and degrees of services are performed, there is a question of the type of service which should be considered in the determination of costs for rate-making purposes. Where a shipper has household goods and effects which he values highly he requires the services of a carrier that has the facilities, the equipment and the experienced employees necessary to minimize the chance of damage to his goods. On the other hand a shipper having household goods that he does not value highly, because the articles are already nicked and stained, cares very little about the possibility of additional slight nicks or stains. This person does not demand the type of service required by the other shipper referred to above, yet the minimum rates prescribed for the transportation services are the same. The costs developed by the staff contemplate a service that is somewhere between the extremes described above. Inasmuch as the staff's cost estimates appear reasonable and are the lowest in this record, they will, with modifications, be used as a basis for consideration of the adjustment of local moving rates.

The engineer was conservative in his estimates of the helper cost per hour, particularly with respect to Territory A. He stated that he arrived at his estimates by taking the various union labor agreements as a base and weighting the wage rates and fringe benefits prescribed in those agreements in proportion to the population of the counties in which the various wage agreements were effective. Territory A consists of the City and County of San Francisco, the Counties of Marin, San Mateo, Alameda, Contra Costa and Santa Clara. Separate wage agreements are in force in each county. Marin and San Mateo Counties generally follow the



pattern of the San Francisco agreement. Contra Costa and Santa Clara Counties generally follow the agreement made in Alameda County. While the contracts between carriers and the labor unions do not always provide for wage rates in terms of dollars per hour, the rates may be readily converted to an hourly basis. The following tabulation compares the wage rates in terms of dollars per hour in effect as of May 28, 1956 in Alameda County and San Francisco with the wage rates estimated by the engineer.

	<u>San Francisco</u>	<u>Alameda</u>	<u>Staff Estimate</u>
Driver Straight Time	2.325	2.275	2.275
Helper Straight Time	2.200	2.213	2.200
Helper 1/2 Day	2.500	2.275	*
Helper Broken Time	2.850	2.650	*

\* Staff estimate for Extra Helper \$2.275

It may be seen that the driver's wage estimated by the engineer coincides with the lower of the wage rates for drivers and the estimated helpers wage rate coincides with the lower of the helper wage rates for the counties shown, although the wage rates are for separate jurisdictions. While the engineer stated that he arrived at his estimates by a method other than choosing the lower of the wage rates, it does not appear to be a reasonable assumption that a carrier would ordinarily employ a driver in one union jurisdiction and a helper in another.

In developing the cost of providing an extra helper the engineer did not make any allocation for vacation pay, or health, welfare and pension benefits indicating that the costs were developed for casual labor. Again, as may be seen, the engineer's estimate coincides with the lower of the casual labor wage rates so that the estimate of the cost of providing extra helpers appears to be understated.

The engineer arrived at his estimate of the cost of providing service with driver by subtracting the increment of helper cost from the cost estimate developed for providing service with driver and helper. Because the helper wage cost is a factor in other increments in the total cost, the method used by the engineer results in a higher cost estimate than that which is developed by totaling the cost increments applicable to this type of service as shown in the staff's exhibit. The engineer stated that he selected the higher cost because the carriers he interviewed indicated that they were reluctant to provide service with driver because inexperience on the part of the shipper in the handling of household goods can cause damage to the shipment and also working with inexperienced persons places an extra burden on the driver.

As pointed out above, the minimum rates are applicable to all types of services performed. There are carriers which regularly and ordinarily provide a service with driver only. The engineer's cost study provides the cost increments comprising the total cost of providing this service. In totaling these increments it appears that the total cost of providing such service is \$5.50 per hour in Territory A and \$5.25 in Territory B.

With the above modifications it appears that the costs developed by the staff afford a reasonable basis for determining the reasonableness of the present rates. It appears that the present rates for extra helper and for providing service with driver are reasonable. It also appears that the rates for service with driver and helper should be increased to \$10.00 per hour in Territory A and to \$9.25 in Territory B.

With respect to long distance moving the situation is different. As pointed out in decisions in prior proceedings, here the preponderance of the traffic is moved by Bekins and Lyon.

Because of their extensive and regular operations in long distance moving and the economics attending such operations it has been found that the costs of these carriers are controlling for rate-making purposes. The evidence offered by petitioner leaves no doubt that the costs of operations by Bekins and Lyon have increased and that an upward adjustment is warranted if the general situation found in prior proceedings still prevails. There has been no evidence tending to show that such is not the case; however, because, unlike in the case of other transportation, the users of household goods transportation service, as individuals, have comparatively few occasions to require such service, the shipping public seldom appears in these proceedings to present evidence. The carriers located in the rural areas of the state seldom, if ever, participate in these proceedings. Accordingly, the Commission has the duty of having its staff undertake investigations of the current circumstances and conditions attendant to the transportation so that the Commission may be informed of all of the facts and circumstances, particularly from the point of view of the users and of the small carriers both in the rural areas and the urban areas. While the record thus far shows that the long distance rates should be increased, definitive rates as proposed by the petitioner should not be established until the Commission has the benefit of the facts developed by its staff.

The staff has indicated that it desires to present evidence regarding rules and regulations; therefore, as in the case of the long distance rates, the proposals of petitioner concerning charges provided in the rules and regulations will not be adjudicated at this time.

The record shows however that, pending a determination of this proceeding, an interim increase of 5 per cent in the long

distance rates, the rates in cents per piece and the charges provided in the tariff items set forth in the petition concerning rules and regulations are justified.

Upon consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that modification of the existing minimum rates is justified to the extent hereinbefore indicated and as provided in the interim order that follows.

The motion of petitioner for the submission of this proceeding is denied. Hearings will be scheduled for the purpose of receiving evidence developed by the staff and any additional evidence that may be offered by the petitioner or interested parties.

INTERIM ORDER

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

IT IS ORDERED:

1. That Minimum Rate Tariff No. 4-A (Appendix "A" of Decision No. 44919, as amended) be and it is hereby further amended by incorporating therein, to become effective September 1, 1956, Supplement No. 1 and Fifth Revised Page 25 Cancels Fourth Revised Page 25, attached hereto and by this reference made a part hereof;
2. That tariff publications to be made by common carriers pursuant to this order may be made effective not earlier than the effective date hereof on not less than five days' notice to the Commission and to the public;
3. That in all other respects said Decision No. 44919, as amended, shall remain in full force and effect;

4. That additional hearings shall be held in this proceeding as may be scheduled on the Commission's calendar.

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

Dated at San Francisco, California, this 31<sup>st</sup> day of July, 1956.

John E. Mitchell  
President  
Paul J. [unclear]  
[unclear]  
[unclear]

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Commissioners

Commissioner Justus F. Craemer, being necessarily absent, did not participate in the disposition of this proceeding.

SUPPLEMENT NO. 1

TO

MINIMUM RATE TARIFF NO. 4-A

NAMING

MINIMUM RATES, RULES AND REGULATIONS

FOR THE

TRANSPORTATION OF USED PROPERTY, VIZ.:  
HOUSEHOLD GOODS, PERSONAL EFFECTS AND OFFICE, STORE AND  
INSTITUTION FURNITURE, FIXTURES AND EQUIPMENT OVER  
THE PUBLIC HIGHWAYS WITHIN THE  
STATE OF CALIFORNIA

BY

CITY CARRIERS  
RADIAL HIGHWAY COMMON CARRIERS  
HIGHWAY CONTRACT CARRIERS  
AND  
HOUSEHOLD GOODS CARRIERS

◇ APPLICATION OF SURCHARGE

(a) Compute the amount of the charges in accordance with the rates, rules and regulations of this tariff. Increase the amount so computed by five percent in connection with the following items:

- Item No. 140 - Pickup and/or Delivery at Other than Ground Floor
- Item No. 280 - Inability to Make Delivery
- Item No. 290 - Split Pickup
- Item No. 300 - Split Delivery
- Item No. 410 - Distance Rates in Cents per Piece
- Item No. 420 - Distance Rates in Cents per 100 Pounds
- Item No. 430 - Point-to-Point Rates in Cents per 100 Pounds
- Item No. 440 - Accessorial Rates
- Item No. 450 - Rates and Charges for Shipping Containers and Packing Materials

(b) 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. 53520

EFFECTIVE SEPTEMBER 1, 1956

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

SECTION NO. 3 - RATES		Item No.
RATES IN CENTS PER HOUR (1) (2) (APPLIES FOR DISTANCES OF 30 CONSTRUCTIVE MILES OR LESS OR WITHIN METROPOLITAN AREAS)		
	<u>TERRITORY (3)</u>	
Unit of Equipment:	A	B
(a) with driver .....	630	620
(b) with driver and 1 helper .....	◊1000	◊925
Additional helpers, per man .....	400	355
Minimum charge - the charge for one hour		
(1) See Item No. 130 for application of rates.		
(2) See Item No. 170 for computation of time.		
(3) See Item No. 343 for territorial descriptions.		
* Change     ) ◊ Increase    ) Decision No 53520		
EFFECTIVE SEPTEMBER 1, 1956		
Issued by the Public Utilities Commission of the State of California, San Francisco, California		
Correction No. 64		