

ORIGINAL

Decision No. 59089

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 property in the )  
 City and County of San Francisco, and )  
 the Counties of Alameda, Contra Costa, )  
 Marin, Monterey, Napa, Santa Clara, )  
 Santa Cruz, San Benito, San Mateo, )  
 Solano, and Sonoma. )

Case No. 5441  
 Petition for  
 Modification No. 36

Arlo D. Poe, J. C. Kaspar and J. X. Quintrall, for California Trucking Associations, Inc., petitioners.  
Edwin R. Adams, for Commercial Drayage Company;  
Charles H. Atthowe, for East Bay Drayage & Warehouse Company; Philip A. Winter, for Delivery Service Company; Hvland Humman, for Haslett Warehouse Company; Norman R. Moon, for Highway Transport, Inc., M. & L. Trucking Company, Vic Adelson Drayage, and Wills Delivery Service; Richard D. Stokes, for Howard Terminal, respondents.  
W. M. Cheatham, for Western Traffic Conference and the Northern California Shippers League; William L. Knecht and Ralph Hubbard, for California Farm Bureau Federation; A. E. Norrbom, for Los Angeles Wholesale Institute and California Shippers Associates; Omar E. Pullen, for Retail Furniture Association of California; William D. Wagstaffe, for California Packing Corporation; Royston E. Campbell, for Freight Traffic Service; A. H. Penttila and J. C. Torbet, for The Sherwin-Williams Company; Charles C. Miller, for San Francisco Chamber of Commerce; S. B. Erickson, for The Dow Chemical Company, Western Terminals; Milton A. Walker, for Fibre-board Paper Products Corporation, interested parties.  
C. Ray Bryant and Grant L. Malquist, for the Commission's staff.

INTERIM OPINION

California Trucking Associations, Inc., represents a substantial number of city carriers and highway carriers engaged in the transportation of property in the East Bay Drayage Area. By

petition filed July 28, 1959, it seeks an increase of six percent in all rates and charges contained in City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A.

Public hearing was held before Examiner J. E. Thompson on August 10, 1959 at San Francisco. Evidence was adduced, and following oral argument the matter was taken under submission.

The rates and charges contained in City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A were last revised and adjusted generally on October 10, 1958 pursuant to Decision No. 57296 dated September 2, 1958. Since September 2, 1958, following negotiations with collective bargaining agents of employees, increases in wage rates have occurred with respect to truck drivers, helpers, freight handlers, dock employees, maintenance employees, and clerical employees.

It was testified that wages and salaries paid employees constitute about 60 percent of the total cost of performing drayage services in the East Bay. A recently negotiated contract between the carriers and the union representing drivers and helpers resulted in wage increases of twenty-five cents per hour plus added fringe benefits.

The director of research for petitioner testified that the only cost studies which have been made of drayage operations in the East Bay have been made by the Commission's Transportation Division. He said that he had made an analysis of the increases in expenses to the carriers, such as wage costs and increased taxes, and had concluded that revisions in the minimum rates which would yield a six percent increase in revenues is necessary to offset the increases in the costs of operation. He further testified that it was his opinion that the impact of the increases in expenses would not be the same with respect to all services performed under the

rates in the tariff; and, assuming that the staff would present analyses of the effect of the cost increases upon the various services for which rates are prescribed, advocated spreading the burden of the increases within the rate structure in proportion to the results shown by such cost analyses.

The staff offered an exhibit entitled "Supplement to Report on the Cost of Transporting Property by Motor Vehicle Equipment within the East Bay Drayage Area." The basic report which the exhibit supplements is a cost study completed in 1952 by staff engineers. The exhibit is the fourth supplement to that report, the third one being introduced as Exhibit No. 30-3 on August 15, 1958 in proceedings culminating in Decision No. 57296. In each of the supplements, the basic report was expanded to reflect then current contract wages, wage contract fringe benefits, payroll taxes and other taxes and fees levied upon gross operating revenues received from transportation of property. The other cost factors, including performance factors, were maintained without revision.

The supplementary cost analyses shows increases in total labor cost, which includes wages, fringe benefits and payroll charges, of operating personnel on the order of ten percent. The exhibit shows increases in the cost of transporting class rated traffic of between 5.6 percent and 9.8 percent, depending upon the weight of the shipment transported. Similar increases are also shown for transportation under vehicle unit rates. Other than in the case of transportation of canned goods on which the exhibit shows increases of approximately 4.8 percent, the report shows increases in the cost of transporting shipments under commodity rates of about 8 percent.

Following the presentation made by the staff, petitioner asked that the rates in the minimum rate tariff be increased as

reflected by the increases shown in the supplementary cost study presented by the staff. This request was vigorously protested by interested parties on the ground that such increases are substantially greater than those of which the public had any notice would be involved in this proceeding. Petitioner, in reply, contends that Case No. 5441 is an investigation upon the Commission's own motion and that it is not bound by the petition but is required by the Public Utilities Code to establish just, reasonable and nondiscriminatory minimum rates.

It is the duty of the Commission to establish suitable and proper minimum rates based upon all of the facts which it receives at public hearing. We believe, however, that fair play requires that the public be notified in general terms of the matters which will be considered or the issues which will be raised at the hearing. Those interested generally in the proceeding should be able, upon reading the notice, to determine whether or not their interest requires participation. It would be an imposition upon the public to require attendance at every hearing in order to ascertain if the subject matter is one with which it is concerned. With respect to the notice of hearing issued in the instant proceeding, it stated that evidence would be received relative to the petition for a 6 percent emergency increase in rates in City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A. We are of the opinion that the shipping public is aware that such a proceeding does not necessarily involve only a horizontal increase of 6 percent in all rates, but that the evidence might justify higher increases in charges for some services, such as accessorial services or pool car services and lesser increases in charges for those services in which labor is not the predominant cost factor. Increases in the general level of rates substantially higher than those set forth in the

hearing notices seldom can be justified because of the possibility that pertinent facts have not been presented to the Commission for the reason that parties having knowledge of those facts, relying upon the notice, did not participate in the proceedings.

The increase in total labor cost can be measured, and has been measured at about 10 percent in the supplementary report offered by the staff. The supplementary report, however, shows some unusual results in connection with the measurement of the impact of the increased labor costs upon the cost of performing several of the services. In one instance, namely services performed under monthly vehicle unit rates, the increase in the cost of providing the service is precisely the same as the increase in the cost of employing the truck driver. Assertedly, no adjustments were made in expenses for depreciation, fuel, tires or maintenance. The engineer who compiled the supplementary report testified that he was doubtful of the results so shown because this was the fourth time that the basic data had been expanded to reflect increases in labor costs. This, he stated, could have resulted in a pyramiding effect which would give disproportionate weight to labor costs.

The evidence shows that the operating costs of carriers performing drayage service in the East Bay Area have increased by six percent. The evidence of record is persuasive that such cost increase cannot be absorbed by the carriers without impairing their ability to maintain adequate and dependable service. While we recognize that increases in labor cost do not have the same impact upon the cost of providing individual services, the record herein, and we refer specifically to the staff's supplementary cost analysis, does not provide reliable data which would reflect the added cost burden of particular services attributable to a ten percent increase in labor cost. Other than in a few instances,

such as accessorial services and pool car services where the cost of performing the service results from the employment of helpers and freight handlers, could even an approximation of the increases in full cost resulting from increases in labor expense be made.

In the case of pool car services, for competitive reasons the rates in the San Francisco Bay Area have been established on a uniform basis. The establishment of pool car rates on a permanent basis in City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A, therefore, depends somewhat upon the level of rates found to be reasonable for such services in City Carriers' Tariff No. 1-A. There are competitive relationships affecting other rates which also should receive consideration.

We take official notice of the filing of Petitions Nos. 37 and 38 in Case No. 5441 and Petition No. 159 in Case No. 5432, all of which affect the establishment of minimum rates in the San Francisco Bay Area. In view of all the circumstances, we are of the opinion and find that, except as hereinafter set forth, a six percent increase in the minimum rates and charges is justified and should be established in the form of a surcharge; and that proceedings in this petition should be kept open so as to permit adjustment of specific rates in City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A, such as pool car rates and other rates, which, from the evidence in this record and the evidence relating to competitive services introduced in said other proceedings, may be found to be just, reasonable and nondiscriminatory.

The parcel rates in Item No. 995 have been established based upon the operations of United Parcel Service. By Decision No. 56950, dated July 8, 1958, in Application No. 40018, the Commission found a rate of 16 cents per package plus 3 cents a pound proposed by United Parcel Service to be just and reasonable. The provisions of Item No. 995 will be adjusted accordingly.

Parcel rates contained in Item 990 are based on the operations of Delivery Service Company. Those rates were adjusted April 17, 1959 by Decision No. 58133, dated March 17, 1959, in Case No. 5441, Petition No. 33, and should not be further adjusted herein.

Items Nos. 130, 170 and 200 provide charges for the handling of C.O.D's, loss and/or damage claims and export freight clearances. Increases in those charges have not been justified.

Item No. 1070 prescribes rates for transportation between docks, piers and wharves and warehouses and industries directly served by carload spur track facilities. The charge prescribed is based upon the switching charge of the railroads and carloading charges of carloaders. Such charges should not be disturbed herein; however, the additional rates and charges prescribed in that item for pickup, delivery and accessorial services should be subject to the surcharge which will be prescribed.

A surcharge ordinarily is not a satisfactory manner in which to adjust rates. On the evidence of record we have found that an increase of six percent in carrier revenues is necessary to offset the increases in labor costs incurred by the carriers. The record shows that certain other expenses incurred by carriers have been increased. Whether the latter have been offset by reductions in other expenses or by improvements in vehicles and other equipment utilized by the carriers is conjectural. Furthermore, we have found that the record does not contain reliable data upon which the impact of the increases in labor cost upon the particular services for which rates are prescribed can be measured. The lack of such data, together with evidence concerning competitive forces, prevents the establishment of just, reasonable and nondiscriminatory rates for the particular services involved. The record shows that the

development of data which would permit such determination in the case of all such services will require some time. The supervising engineer in charge of the Freight Cost Section of the Commission stated that the 1952 cost study required a substantial number of man-days to compile and was developed from data assembled in the field over a period of two years.

While the record herein is such that definitive rates can not be established, and it appears unlikely that data permitting such a determination will be forthcoming in the immediate future, the facts and circumstances as set forth in the record requires the conclusion that an emergency increase of six percent as described above is justified and is necessary in order to preserve to the public adequate and dependable transportation services in the East Bay Drayage Area. Proceedings in this petition will be kept open to permit such data to be received, when available, and also to permit the establishment of definitive rates for particular services at such time as additional facts, which may be presented to the Commission in other proceedings together with the evidence of record herein, may warrant.

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 City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A (Appendix A of Decision No. 42362, as amended) is further amended by incorporating therein to become effective October 26, 1959, Supplement No. 7 and Eighth Revised Page 40, which supplement and revised page are attached hereto and by this reference made a part hereof.



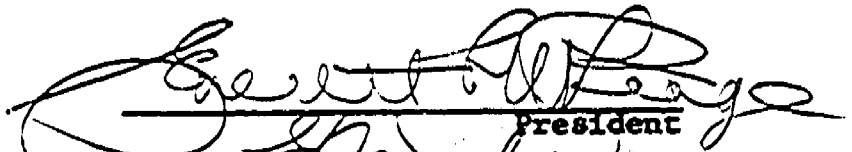


2. That tariff publications required to be made by common carriers as a result of the order herein made be made effective not earlier than the effective date hereof on not less than five days' notice to the Commission and to the public, and that such tariff publication shall be made effective not later than October 26, 1959.

3. That proceedings in this petition are kept open and are continued to a time and place to be determined.

4. That in all other respects, the aforesaid Decision No. 41362, as amended, shall remain in full force and effect.

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

Dated at San Francisco, California, this 29th day of September, 1959.

  
\_\_\_\_\_  
President  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
Commissioners

Commissioner Theodore R. Jenner, being necessarily absent, did not participate in the disposition of this proceeding.

SPECIAL INCREASE SUPPLEMENT

Supplement No. 7

(Cancels Supplement No. 6)

Supplement No. 7 Contains All Changes

CITY CARRIERS' TARIFF NO. 2-A

HIGHWAY CARRIERS' TARIFF NO. 1-A

Naming Minimum Rates, Rules  
and Regulations

For The

Transportation of Property Over the  
Public Highways Within and Between  
the Cities Of

Alameda	Albany	Berkeley
Emeryville	Oakland	Piedmont

By

CITY, RADIAL HIGHWAY COMMON AND  
HIGHWAY CONTRACT CARRIERS

◊ Application of Surcharge

(a) Except as provided in Paragraph (b) below, compute the amount of charges in accordance with the rates, rules and regulations of the tariff. Increase the amount computed by six (6) percent disposing of fractions as provided in Paragraph (c) below.

(b) The provisions of Paragraph (a) will not apply to rates and charges computed in accordance with Items Nos. 130, 170, 200, 990, 995 and 1070 series.

(c) 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. 59039

EFFECTIVE OCTOBER 26, 1959

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

SECTION 3 - COMMODITY RATES (Continued)																											
In cents per 100 pounds, except as noted																											
Item No.	COMMODITY	RATE																									
990-E Cancels 990-D	<p>PARCEL CITY DELIVERY (Wholesale Only)</p> <p>Within and between all zones, and applies on packages containing property, weighing not to exceed (1)40 pounds per package, and only on deliveries from jobbers, wholesalers, industries and retail stores to other jobbers, wholesalers, industries and retail stores.</p> <table border="0"> <tr> <td>Over</td> <td>1 to and including</td> <td>50 packages per month</td> <td>-----</td> <td>65</td> </tr> <tr> <td>"</td> <td>50 " " "</td> <td>100 " " "</td> <td>-----</td> <td>57</td> </tr> <tr> <td>"</td> <td>100 " " "</td> <td>400 " " "</td> <td>-----</td> <td>45</td> </tr> <tr> <td>"</td> <td>400 " " "</td> <td>1600 " " "</td> <td>-----</td> <td>34</td> </tr> <tr> <td>"</td> <td>1600 packages per month</td> <td></td> <td>-----</td> <td>33</td> </tr> </table> <p>(1) On all packages exceeding 40 pounds each in weight, each additional 25 pounds or fraction thereof shall be considered an additional package and charge will be at the rates applicable for a 40 pound package.</p>	Over	1 to and including	50 packages per month	-----	65	"	50 " " "	100 " " "	-----	57	"	100 " " "	400 " " "	-----	45	"	400 " " "	1600 " " "	-----	34	"	1600 packages per month		-----	33	<p>In Cents Per Package</p>
	Over	1 to and including	50 packages per month	-----	65																						
"	50 " " "	100 " " "	-----	57																							
"	100 " " "	400 " " "	-----	45																							
"	400 " " "	1600 " " "	-----	34																							
"	1600 packages per month		-----	33																							
*995-A Cancels 995	<p>PARCEL CITY DELIVERIES</p> <p>Within and between all zones, and applies on deliveries from manufacturers, manufacturers' agents, wholesalers, jobbers and commercial distributors. (See Notes 1 and 2.)</p> <p>Weight per package, 70 pounds or less -----</p> <p>NOTE 1.-The consignor must elect in writing in advance to utilize the rate in this item for all packages weighing 70 pounds or less tendered to the carrier during any calendar week.</p> <p>NOTE 2.-All charges must be prepaid.</p> <p>NOTE 3.-An additional charge of 20 cents for each \$100 or fraction thereof shall be assessed for each C.O.D. collected.</p>	<p>In Cents Per Package</p> <p>16</p> <p>Plus 3 cents for each pound or fraction thereof. (See Note 3.)</p>																									
<p>* Change ) Decision No. 59089</p> <p>o Increase )</p>																											
<p>EFFECTIVE OCTOBER 26, 1959</p>																											
<p>Issued by the Public Utilities Commission of the State of California, San Francisco, California.</p>																											
<p>Correction No. 202</p>																											