

ORIGINAL

Decision No. 74691

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 any and
all commodities between and within
all points and places in the State
of California (including, but not
limited to, transportation for
which rates are provided in Minimum
Rate Tariff No. 15).

Case No. 7783
Petition for Modification
No. 13
(Filed May 23, 1968)
Petition for Modification
No. 14
(Filed July 3, 1968)

Russell & Schureman, by Carl H. Fritze, for Brake
Delivery Service, petitioner in Petition for
Modification No. 13.
Richard W. Smith, H. F. Kollmyer, and Arlo D. Poe,
for California Trucking Association, petitioner
in Petition for Modification No. 14.
Don B. Shields, for Highway Carriers' Association;
Maurice L. Parker, for Sears Roebuck and Co.;
James Quintrall, for Los Angeles Warehousemen's
Association; C. Fred Imhoff, for Industrial
Asphalt, interested parties.
George Hunt and Frank O. Haymond, Jr., for the
Commission staff.

O P I N I O N

The above entitled matters were heard and submitted on a
common record before Examiner Mallory at Los Angeles on July 29, 1968.

Brake Delivery Service (Brake), a corporation, operates
as a highway common carrier within and between the Los Angeles and
San Diego metropolitan areas, and serves intermediate points. Under
rates published in Western Motor Tariff Bureau Tariff No. 113, Cal.
P.U.C. No. 19, Brake provides vehicles and drivers at yearly rates.
Said rates are on the same level as the minimum rates set forth in
the Commission's Minimum Rate Tariff No. 15 (MRT 15). In Petition

No. 13, Brake seeks authority to reduce its published rates for econovan equipment offered at yearly rates to a level below that prescribed as minimum for highway permit carriers in MRT 15.

California Trucking Association, in Petition No. 14, seeks amendment of MRT 15 by the establishment of a new yearly rate grouping for econovan equipment in that tariff at rates less than the present yearly rates for small trucks with less than nine lineal feet of loading space.

MRT 15 provides minimum yearly, monthly and weekly vehicle unit rates and rules for transportation of property between points in this state. For a truck without trailer having a lineal loading space of less than nine feet, the present yearly base vehicle unit rate per month is \$1149 in Rate Basis A territory and \$1090 in Rate Basis B territory.^{1/} The minimum mileage rate for this equipment is 8-1/2 cents per mile for all miles operated. The foregoing rates apply to operations performed by a unit of equipment with driver during regular working hours. When work is performed outside of said hours, additional charges are provided in MRT 15.

Petition No. 13

Brake seeks authority to publish a base yearly rate of \$1,000 per month and 7-1/2 cents per mile for the use of econovan type of equipment, limited to transportation of single packages

^{1/} Rate Basis A applies when the base of operations of the equipment is located within Counties of Alameda, Contra Costa, Lake, Marin, Mendocino, Monterey, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano or Sonoma. Rate Basis B applies when the base of operations is any other county in the state.

weighing less than 75 pounds each, and subject to a minimum charge for 2,000 miles per month.^{2/} The sought rates would be applicable between points in the Los Angeles Basin Area, and between said area and points located on U. S. Highway 101 or 101 Alternate south of said area to and including San Clemente.

The president of Brake Delivery Service testified in support of Petition No. 13, and presented nine exhibits in evidence. The witness testified that Brake's highway common carrier operations principally involve the LTL transportation of general commodities. Brake also provides several units of equipment at vehicle unit rates. Brake currently operates 16 units of econovan equipment for Los Angeles Drug Company (LA Drug). The witness testified that LA Drug had reviewed its transportation costs and had concluded that unless rates for econovan equipment were lowered LA Drug would consider the purchase and operation of its own delivery truck equipment.

Brake's president testified that econovan equipment is less expensive to operate than its other type of trucking equipment having similar loading space. The witness stated that Brake operates equipment having a "walk-in" type body (metro equipment) which takes the same rate as econovan equipment. The initial cost of metro equipment is about twice that of econovan equipment, and operating costs of metro equipment also exceed those for econovan equipment.

The witness presented studies showing Brake's cost of providing service on a yearly basis using econovan equipment. Said

^{2/} Econovan equipment is a truck having a gross vehicle weight of less than 4,000 pounds, unladen, and a lineal loading area of less than nine feet. Said equipment is made by the major automobile manufacturers.

studies show the basic wage costs, equipment operating costs and equipment acquisition costs for ten units of econovan equipment operated for LA Drug. The studies presented by the witness contain several clerical errors and fail to indicate the overhead or indirect expenses attributable to the operations here in question.

Petitioner's witness testified that overhead and administrative expenses (indirect costs) are so minimal for operations under yearly rates that he was unable to measure them. He stated that the only identifiable costs are those involving maintenance of payroll and equipment records. The witness stated that no garage or dispatching costs are incurred as equipment is garaged at the shippers' place of business and is dispatched by shipper personnel.

The president of Los Angeles Drug Company testified that his company engages in a wholesale drug and sundries business in the Los Angeles Basin Area. His company's transportation requirements include the need for two daily deliveries of small parcels from each of its warehouses to retail stores. This service has been performed by Brake under yearly vehicle unit rates. Said service has been satisfactory. However, LA Drug believes that the present rates are too high. Unless they are reduced to the level sought in Petition No. 13, LA Drug would seriously consider the purchase and operation of its own equipment.

Discussion

It is clear from the evidence adduced by petitioner's president that the cost savings resulting from the use of econovan equipment as compared with other small trucks, such as the metro truck, stem from lower acquisition and operating costs only. There

are no savings in labor costs, because the same labor rates are incurred for econovan equipment as are incurred for metro equipment.

The witness for Brake concurred in several corrections to his cost showing, as pointed out by the Commission staff engineer. However, he disagreed that any indirect expenses should be assigned to the operations here in question. A comparison of operating costs as shown in Exhibits Nos. 13-6, 13-7, 13-8 and 13-9, adjusted so as to be more directly comparable with the format of previous cost studies introduced in Case No. 7783 is set forth in the following table. Said table contains no provision for indirect expenses.^{3/}

^{3/} The data in Table 1 were also revised to correct clerical and other errors as developed through cross-examination.

TABLE 1

BRAKE DELIVERY SERVICE

Restatement of Monthly Costs for
a Unit of Econovan Operated Under
Yearly Vehicle Unit Rates

Labor Costs \$ 850.06

(\$4.9043 per hour x 173.33 hours)

Vehicle Fixed Costs

Licenses		\$ 66.00	
Taxes (PUC & BE)	(a)	110.00	
Insurance	(a)	102.00	
Depreciation		508.00	
Total Annual Cost		\$806.00	
Per Month			<u>67.17</u>

Total Fixed Costs Per Month \$ 917.23

Running Costs

Fuel		\$ 727.20
Oil		9.90
Taxes (PUC & BE)	(a)	110.00
Insurance	(a)	102.00
Tires		53.20
Repairs & Maintenance		302.40
Total Annual Cost		\$1,304.70

Total Running Costs Per Mile \$ 0.04273

(30,535 miles per year)

(a) Assigned 50 percent to fixed costs and 50 percent to running costs.

On the basis of the cost data in Table 1, the proposed base monthly rate of \$1,000 and mileage rate of 7-1/2 cents per mile would appear to be profitable.

The cost data which underlie the present minimum yearly rates in MRT 15 contain provision for indirect expenses in the amount of 12 percent of direct expenses.^{4/} If the direct costs contained in petitioner's showing, as reflected in Table 1, above, are adjusted to give effect to an increment for indirect costs in the amount of 12 percent, the following would result:

TABLE 2

Costs Set Forth in Table 1, Adjusted
for Indirect Costs in the Amount
of 12 percent of Direct Costs

Total Fixed Costs	\$ 917.23
Indirect Costs	110.07
Total	<u>\$1,027.20</u>
Running Costs Per Mile	\$ 0.04273
Indirect Costs	0.00513
Total	<u>\$ 0.04786</u>

Provisions for indirect costs in the amount previously found reasonable by the Commission would raise total fixed costs per month to an amount exceeding the proposed base monthly rate of \$1,000; however, there would be a margin for profit between the adjusted running costs of 4.8 cents per mile and the proposed mileage rate of 7-1/2 cents per mile.^{5/} Indirect costs in the amount of 12 percent may be overstated for petitioner's operations; however as

^{4/} Decision No. 65072 (60 Cal. P.U.C. 624), in which yearly rates were initially established, found that an indirect expense ratio of 12 percent to be appropriate for yearly vehicle unit costs (at page 630).

^{5/} Petitioner proposes a minimum charge based on 2,000 miles per month, which, together with the base monthly charge, was indicated to be the break-even point for operations under the proposed rate.

no estimate of such costs was furnished, it is not possible to make an accurate determination of petitioner's indirect costs on this record.

Findings

We find as follows:

1. Petitioner, Brake Delivery Service, a highway common carrier, operates several econovan trucks at yearly vehicle unit rates. Said rates published in Pacific Motor Tariff Bureau Tariff 113, Cal. P.U.C. No. 19, are on the same level as the corresponding minimum rates set forth in Minimum Rate Tariff No. 15.

2. In the petition, Brake seeks to publish rates less than the established minimum rates for the use of econovan equipment, subject to certain specified limitations and conditions.

3. The cost evidence adduced in support of a showing of the reasonableness of the proposed rates failed to include an integral element of cost incurred by petitioner, namely overhead or indirect costs.

4. Lacking an affirmative showing by petitioner concerning this element of cost, it will be reasonable for the purposes of this proceeding to use the ratio of indirect to direct expenses (12 percent) found appropriate by the Commission in the development of costs for operation of vehicles under yearly rates in Decision No. 65072 (60 Cal. P.U.C. 624, at 630).

5. Petitioner's showing, modified to correct clerical and other errors, and further modified to reflect indirect expenses discussed in finding 4, above, is set forth in Table 2 in the foregoing opinion. Said adjusted costs are reasonable for the purposes of this proceeding.

6. A comparison of the total fixed costs in Table 2 of \$1,027.20 per month with the proposed base monthly rate of \$1,000 per month indicates that such rate will not cover such costs and provide a margin of profit to the carrier. A comparison of the running costs per mile of \$0.04786 with the proposed rate per mile of \$0.075 indicates that said rate will cover costs and provide a substantial margin of profit.

7. Petitioner proposed that a minimum charge based on 2,000 miles per month be established in connection with its rate proposal, on the basis that such minimum charge, together with the charge under the proposed base yearly rate, equals its break-even point for operations here under consideration.

8. Standing alone, the proposed base monthly rate is not profitable; said rate together with the proposed mileage rate subject to a minimum charge based on 2,000 miles per month will approximate the total costs of operation.

9. A base monthly rate of \$1,030 per month, and a rate of 7.5 cents per mile are reasonable and justified, subject to the minimum charge and other conditions proposed in the petition.

The Commission concludes that petitioner, Brake Delivery Service, should be authorized to establish the rates described in finding 9, above.

Petition No. 14

California Trucking Association (CTA), petitioner, seeks revision of MRT 15 to include therein a new basis of yearly vehicle unit rates applicable to operations of econovan equipment for both Rate Basis A and Rate Basis B areas of operation.

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CTA proposes the following rates:

	<u>Rate Basis A</u>	<u>Rate Basis B</u>
Base Monthly Rate:	\$1,059	\$1,000
Rate Per Mile (for all miles operated):	7-1/2 cents	7-1/2 cents

CTA's assistant director of its Division of Transportation Economics testified in support of the proposal. The witness stated that the proposed base monthly rate and mileage rate for Rate Basis B are the same as the rates proposed in Petition No. 13, except that the limitations as to the size of packages and the area of application were eliminated, and the minimum charge for 2,000 miles per month was deleted. For Rate Basis A the proposed base monthly rate was developed by adding to the proposed Rate Basis B rate the dollar difference in rates between the existing Rate Basis A and Rate Basis B minimum rates for truck equipment having a lineal loading area of less than nine feet. The mileage rate for Rate Basis A is the same as that proposed for Rate Basis B.

The witness testified that econovan equipment has come into general use for deliveries of small packages, and that two carriers, other than Brake, have been authorized to assess rates less than the established minimum rates for econovan equipment operated under yearly vehicle unit rates.^{6/} Said authorities must be renewed annually, and the carrier must make a showing when the authority is

^{6/} Southern California Truck Leasing, Inc. is authorized to maintain a base monthly rate for operations based in Hollywood of \$975 and a mileage rate of seven cents, limited to packages weighing 25 pounds or less (Decision No. 73236, dated October 24, 1967, in Application No. 49043). Cabs Unlimited Corporation, doing business as Falcon Parcel Service, is authorized to assess a base monthly rate for operations based in Palo Alto of \$1,022 and a mileage rate of 7-1/2 cents per mile (Decision No. 73365, dated November 21, 1967, in Application No. 49695).

initially granted and when renewed of the reasonableness of the rates proposed by it. Rather than require this burden to be met, it is preferable that appropriate minimum rates be established applicable to econovan equipment. A further consideration along this line is that Brake's rates, being those of a highway common carrier, may be applied by highway permit carrier under the alternative application of common carrier rates provisions of MRT 2 and Section 3663 of the Public Utilities Code.

The witness presented in evidence an exhibit containing comparisons of various elements of costs, as developed by petitioner in Petition No. 13, and as set forth in the Commission staff cost exhibit in the latest proceeding in which the yearly rates in MRT 15 were adjusted.^{7/} The witness testified that the cost study made by the petitioner in Petition No. 13 was not developed in the same manner as the costs set forth in Exhibit No. 10-2; therefore no direct comparison could be made. His comparison of labor costs showed that there was no material difference between the data adduced in Petition No. 13 and Petition No. 10. A comparison of the historical equipment costs showed that the cost of econovan equipment is less than the amount used in Exhibit 10-2. A comparison of running costs showed that those developed in Petition No. 13 were less than those contained in Exhibit No. 10-2. No direct comparison was possible of all of the elements of costs. The witness testified that if he were to prepare a complete independent analysis of the costs of operations for econovan equipment he would have adopted methods similar to those used in Exhibit No. 10-2.

^{7/} Exhibit No. 10-2, introduced in Petition No. 10, in Case No. 7783, (Decision No. 73822, dated March 5, 1968).

The witness stated that the restrictions on package size and area of operations in connection with the rates proposed in Petition No. 13 were inappropriate for inclusion in MRT 15 and would be discriminatory. He also stated that the establishment in MRT 15 of a minimum charge based on 2,000 miles per month in connection with econovan equipment could discriminate in favor of other equipment not subject to such a minimum charge.

Discussion

The record clearly demonstrates the need for the establishment of minimum rates on a yearly basis in MRT 15 for econovan equipment. However, the specific levels of rates proposed in Petition No. 14 have not been justified. In Petition No. 13 we found that a base monthly rate higher than the rate proposed herein would be reasonable. We also found that the authority should be subject to the package size and area limitations and the minimum charge proposed by Brake. As indicated by CTA's witness, an area limitation, a weight restriction or a minimum charge for econovan equipment would be inappropriate in connection with the minimum rates in MRT 15.

There is no relationship in petitioner's proposal to outstanding orders granting relief to other carriers operating econovan equipment. Such authorities not only differ as to the rates approved therein, but also contain restrictions as to the types of commodities or size of packages to be transported.

It appears that more complete studies than were furnished herein should form the basis for any adjustment of the minimum yearly rates applicable to econovan equipment.

The Commission finds that the rate proposals made in Petition No. 14 are not justified, and concludes that said petition should be denied.

O R D E R

IT IS ORDERED that:

1. Brake Delivery Service, a corporation, is authorized, as a highway common carrier, to publish and file, to expire with September 30, 1969, yearly vehicle unit rates applicable to econovan equipment, as set forth in Appendix A attached hereto and made a part hereof.

2. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and may be made effective not earlier than ten days after the effective date hereof, on not less than ten days' notice to the Commission and to the public.

3. Brake Delivery Service is authorized to depart from the long- and short-haul provisions of Section 460 of the Public Utilities Code to the extent necessary to exercise the authority granted herein. Tariffs containing the rates published under this authority shall make reference to this order.

4. To the extent not granted by ordering paragraph one hereof, Petition No. 13 in Case No. 7783 is denied.

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5. Petition No. 14 in Case No. 7783 is denied.

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

Dated at San Francisco, California, this 17th
day of SEPTEMBER, 1968.

William Symons A.
President
Ed. Mitchell
William L. Bennett
Augusta
Paul P. Morrissey
Commissioners

APPENDIX A

Brake Delivery Service, a corporation

Equipment Description

Truck without trailer:

Econovan type truck without trailer, gross weight of vehicle being less than 4,000 pounds (not including lading), having less than 9 feet of lineal loading space, provided the gross weight (including weight of containers) of property transported by such vehicle is 2,000 pounds or less during a single loading of equipment.

Base Yearly Vehicle Unit Rate - Column B (1)(2) \$1030.00

- (1) Rate applies only when no single package weighs in excess of 75 pounds.
- (2) Rate applies only: (a) between points and places within the Los Angeles Basin area as described in Note; (b) between the Los Angeles Basin area as described in Note and points and places located on U. S. Highway 101 or 101 Alternate between the southerly boundary of the said Los Angeles Basin area as described in Note to and including San Clemente, California.

Mileage Rate - (3) 7-1/2 cents per mile

- (3) Subject to a minimum charge for 2,000 miles per billing period.

Except as provided above, subject to the rates, charges and rules set forth in Minimum Rate Tariff No. 15.

NOTE: Los Angeles Basin Area:

Beginning at the intersection of the westerly boundary of the city of Los Angeles and the Pacific Ocean, thence along the westerly and northerly boundaries of said city to its point of first intersection with the southerly boundary of Angeles National Forest, thence along the southerly boundary of Angeles and San Bernardino National Forests to the county road known as Mill Creek Road; westerly along Mill Creek Road to the county road 3.8 miles north of Yucaipa; southerly along said county road to and including the unincorporated community of Yucaipa; westerly along Redlands Boulevard to U. S. Highway No. 99; northwesterly along U. S. Highway No. 99 to and including the City of Redlands; westerly along U. S. Highway No. 99 to U. S. Highway No. 395; southerly along U. S. Highway No. 395 to State Highway No. 18; southwesterly along State Highway No. 18 to U. S. Highway No. 91; westerly along U. S. Highway No. 91 to State Highway No. 55; southerly on State Highway No. 55 and the prolongation thereof to the Pacific Ocean; westerly and northerly along the shoreline of the Pacific Ocean to point of beginning.