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Decision No. 75995

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 household 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 Modification
No. 39
(Filed November 27, 1968)

 Wyman Knapp and Charles A. Woelfel, for petitioner.
 Sam S. Blank, Carl W. Dysinger, Jr., William W. Edmond. Jim Garvey, W. F. Goines, Bert Hussey, Gordon W. Koller, David Macauley, Robert J. Menne, Frank A. Payne, Jr., Gerald N. Poznanovich, R. L. Reeves, Russell L. Reiserer, Roeder S. Stinson, Ralph E. Rose, George E. Thomas, Thomas R. Travers, John J. Canova, Quiz M. Driver, Robert R. Eisenberger, and Pobert C. Johnson, various respondents.
 Tad Muraoka, for IBM, and John T. Reed, for California Manufacturers Association, interested parties.
 R. J. Carberry and E. H. Burgess, for the Commission

<u>OPINION</u>

This matter was heard and submitted April 29, 1969 before Examiner Thompson at San Francisco. Copies of the petition and of notice of hearing were served in accordance with the Commission's procedural rules.

California Moving & Storage Association, Inc. is a non-profit corporation whose membership is composed of persons, firms, and corporations engaged in the transportation of household goods and related articles over the public highways of this state. It here seeks upward adjustments in the hourly moving rates and accessorial rates and charges provided in Items Nos. 330 and 350 of Minimum Rate Tariff No. 4-B.

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Petitioner alleges that the present minimum hourly rates and accessorial charges established by the Commission for local moving of household goods are and will continue to be unduly and unreasonably low for the following reasons:

A. Said rates and charges do not reflect the total impact of re-negotiated wage contracts and/or increase provisions in such contracts which petitioner's members have experienced.

B. Rates and charges to be established in and through this Petition should reflect a cost-rate relationship of 93 percent in order to enable petitioner's members to effectively and efficiently serve the shipping public.

C. In establishing said rates and charges the Commission should maintain the integrity of the random sampling process underlying Petition No. 32. Data secured through the random sampling process therein established should be utilized as a basis for determining:

1. Non-revenue time percentage;

2. Miles per revenue hour;

3. Weighting between truck and tractor - semi-trailer.

D. In Petition No. 32, equipment cost factors were presented. Said equipment cost factors should be brought current in establishing said rates and charges in and through this petition.

E. In establishing said rates and charges, the Commission should return to its prior practice of weighting labor increases on a population basis and measuring the amount of such increases by the increase in labor contracts as is now done in connection with distance rates provided in Minimum Rate Tariff No. 4-B.

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The Commission staff opposes the rates proposed by petitioner and disagrees with many of the allegations set forth above. Except for "A" above, the reasons set forth are issues that could have been presented in a petition for rehearing of Decision No. 73386 dated November 21, 1967 in Petition No. 32 in Case No. 5330. In essence, petitioner challenges the minimum rates established by Decision No. 73386 by attacking the evidence offered therein and considered by the Commission in establishing the present rate structure. Petitioner raised those same issues at the hearing in Petition No. 35. In Decision No. 74678, dated September 17, 1968, in said Petition No. 35 the Commission discussed those contentions but rejected them, stating:

"In any event, if the procedures used were erroneous, and the rates established unreasonable, the proper vehicle in which to raise such issues would have been in a petition for rehearing." Under such procedure the Commission and all parties would have had notice of the issues involved and the entire record in the original proceeding would have been before the Commission."

"The petition and the amendment thereto placed the Commission and all parties on notice that only the wage increases and their effect upon the cost of performing the services were in issue and the so-called 'offset' or datum plane procedures were involved."

"Proper procedure and fair play require petitioner, the staff or any other party who desires to present issues not specifically mentioned in the petition (or Order Setting Hearing), such as allegations of changes in other cost factors and weighting factors in the datum plane, to file a pleading which will provide notice of the issues which will be raised at the hearing."

"2. A petition for rehearing filed prior to the effective date of the order, but not prior to ten days before said effective date, would not automatically stay the effectiveness of the minimum rates established therein."

By its petition herein petitioner provided notice of the issues it would raise at the hearing; nevertheless, the petition presents the question of whether the Commission in one proceeding

should reconsider a decision made or reevaluate the evidence adduced in another proceeding. Section 1709 of the Public Utilities Code states that in all collateral actions or proceedings, the orders and decisions of the Commission which have become final shall be conclusive. That section follows the rule of law that at some point litigation on the same set of facts must end. Minimum rate cases, such as Case No. 5330, are continuing proceedings so that it might be contended that a decision issued in such case is merely an interim decision or interlocutory order which has not become final. If decisions in the minimum rate cases never become final, then anyone, including a person not a party to the proceeding in which the decision was issued, could argue or reargue the issues in that proceeding on the evidence adduced at that proceeding at any time and any number of times after the decision has been issued.

Case No. 5330, and the other minimum rate investigation cases, were instituted by the Commission pursuant to Section 3736 of the Public Utilities Code which states in part,

"For the purpose of service of decisions and orders issued pursuant to Section 3662, the Commission may from time to time establish such reasonable classifications or groups of carriers included in the term 'highway carriers' as the special nature of the services performed by the carriers requires."

Applications or requests concerning the minimum rates established by the Commission are docketed as "Petitions for Modification" in the appropriate minimum rate investigation case. Such petitions are considered as individual proceedings and a decision is issued with respect to each such petition. While a decision issued on such petition does not operate as a final determination of the minimum rate case, and the Commission may at any time thereafter make such further orders as it deems advisable with respect to the matters

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considered and determined in the order or to other matters involved in the proceeding (Sections 3738 and 5255), the Public Utilities Code provides that such decisions may be considered and treated as final (Sections 3739, 3740, 5256 and 5257).

With respect to petitioner's allegation "B" that the minimum rates for local household goods moving should reflect a cost-rate relationship of 93 percent, the only evidence offered by it was the opinion of an expert witness employed by petitioner that such cost-rate relationship would be reasonable. The basis for that opinion was the understanding of the witness that the Commission considered such relationship to be reasonable in the past and his understanding of the testimony of an expert witness for the Commission staff in Petition No. 32 to the effect that the rates proposed by the staff reflected such relationship to costs. By Decision No. 73386 the Commission established as minimum rates the rates proposed by the staff in Petition No. 32. With reference to such rates the decision recites,

"The (staff) witness indicated that the cost-rate relationships range from 93 to 95."

The Commission was not uninformed or misinformed of the relationship of the rates it established with the costs of record in that proceeding. Petitioner has not offered any evidence showing that rates predicated upon such relationship are insufficient or unreasonable. In the absence of such evidence we do not consider it appropriate to reconsider or reevaluate the evidence presented in Petition No. 32.

Allegations set forth in "C" and "E" above concern procedures and methods of cost development utilized by the staff in Petition No. 32. The expert witness engaged by petitioner reviewed the methods and operations of the staff in the development of the

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cost estimates presented in Petition No. 32 and adopted by the Commission in Decision No. 73386. He suggested certain other procedures and methods for the treatment of the data collected by the staff therein which he contends are more logical and more statistically sound than the methods used by the staff. Applications of those other methods provide different results than those set forth in the staff's estimates. Petitioner contends that the minimum rates should be adjusted to reflect said different results. Again, this presentation is merely argument concerning the conclusions that should be made from the facts of record in Petition No. 32. It is essentially argument that the evidentiary facts adduced in that proceeding do not support the findings and conclusions made by the Commission in Decision No. 73386. It should be noted that Decision No. 73386 states.

> "Petition No. 32 was submitted on the showing made by the staff. Petitioner requested that Petition No. 33 (Calif. Moving & Storage Assn.), which requested interim rates, be dismissed. Petitioner's counsel explained that the California Moving and Storage Association is generally in accord with the staff proposals; that further time would be necessary to present its evidence as its principal cost witness became ill just prior to the hearing; and that increases in revenues are urgently needed by members of the association."

Other than evidence of changes in wage levels, petitioner has not made any presentation except argument on the evidence and facts presented in Petition No. 32 to support any contention that the minimum rates established by the Commission therein are unreasonable. We will not undertake to review and reevaluate all of the exhibits and testimony in Petition No. 32 to consider such argument.

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In allegation "D" above, petitioner contends that the minimum rates should reflect current equipment cost factors. A summary of the procedures used in cost finding and in rate making in the exercise by the Commission of its powers and duties in the establishment of minimum rates will make it apparent why adjustment of minimum rates to reflect current equipment costs should not be made herein.

The Commission has the power and the duty to prescribe minimum rates for the transportation of household goods so that adequate and dependable service by all necessary transportation agencies shall be maintained and the full use of the highways preserved to the public (Section 5102). In establishing or approving such minimum rates the Commission is required to give due consideration to the cost of all of the transportation services performed, including length of haul, any additional transportation service performed or to be performed to, from, or beyond the regularly established termini of common carriers or of any accessorial service, the value of the commodity transported, and the value of the facility reasonably necessary to perform the transportation service (Section 5191).

There are approximately 1,250 carriers holding household goods carrier permits operating in various portions of the State. Some perform household goods moving only, others perform other kinds of transportation in varying degrees. Some perform all of the services, including accessorial services, involved in the transportation of household goods, personal effects and office, store and institution furniture, fixtures, equipment and related articles in varying degrees. Some do not perform all of the services themselves but with respect to some services act as an intermediary for an

affiliated company. Other carriers restrict their operations to certain services and do not provide others. The values of the commodities transported by different carriers vary widely; and, the expenses of the individual carriers also vary widely. It is doubtful that any two carriers are exactly alike with respect to operations, facilities and expenses. If the Commission is to fix and determine a just, reasonable and nondiscriminatory minimum rate to be charged for a transportation service, or accessorial service, by all carriers the first problem is deciding what cost, what facilities and what commodity value should be given due consideration in such determination. The solution to that problem is to consider how a particular type of service is typically performed in an efficient manner, the facilities necessary to perform such service in that manner and the value of the commodities involved in such typical service. That was done in Petition No. 32 by the following method.

From the approximately 1,250 carriers holding household goods carriers permits, an initial screening was made based on information contained in reports filed with the Commission, supplemented by data obtained from a preliminary questionnaire, to select those carriers who had obtained gross revenues of \$10,000 or more from the transportation of household goods. That left a group of approximately 550 carriers to whom a questionnaire was mailed to obtain data on shipments and revenues from the transportation of household goods at hourly rates. Upon the return of the questionnaires some 266 carriers were classified geographically and according to gross revenues received from hourly rates. From such groupings a sample of 40 carriers was selected. The sample carriers were requested to prepare reports concerning every shipment

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transported during a specified period of time which showed the time required to load, transport and unload the shipment, the distances involved and the various other data. A transportation engineer examined the books of account of the sample carriers and observed transportation being performed. From such data (the sample was now reduced to 38 carriers) the engineer made a preliminary opinion, or engineering judgment, regarding a typical efficient operation as follows:

1. Although many types of vehicles are operated by carriers engaged in local moving, the ones ordinarily used, and which appear to be best suited for such service, are a two-axle gasoline engine truck with a van body of a certain size and a two-axle gasoline engine tractor with a single axle semi-trailer having a van body of a certain size.

2. Other facilities reasonably necessary to provide an efficient service are a certain number of blankets, ropes, dollies and other impedimenta.

3. There are discernible differences in the patterns of expenses due to differences in labor costs within three different areas of the State.

From an examination of the records of the carriers, the engineer estimated that 10 years for trucks and tractors and 12 years for semi-trailers would be reasonable service lives of the typical equipment. From carrier records he determined the cost to the carriers of that type equipment acquired during the preceding 10 years in the case of trucks and tractors and 12 years in the case of semitrailers. He used an average, but not necessarily an arithmetic mean, to arrive at estimates of the costs of the typical types of equipment in service. From that and the estimated service lives,

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together with an estimated 10% salvage value, the engineer estimated an annual depreciation expense. To such estimated annual depreciation expense was added the taxes, license and registration fees for the typical equipment at the then current rates in order to obtain estimates of the annual expense of the vehicles. In order to convert the annual expense into terms of cost per hour it is necessary to apply a divisor which in cost finding is called the annual use hours or use factor. This represents the number of hours per year the equipment is in actual revenue service. It is one of the so-called performance factors used in cost finding. The number of annual hours that a carrier's equipment is in revenue service depends in part upon the amount of traffic, or business, tendered to it. The amount of traffic obtained by a carrier depends upon the total amount of business available and also upon the carrier's sales efforts in the form of advertising and solicitation. There is, therefore, a correlation between hourly vehicle expense and sales expense. From his examination of the accounts of the sample carriers the engineer made an engineering judgment of the share of the reasonably efficient carrier of the total available traffic and of the annual use hours of equipment necessary to handle such traffic.

Another item of cost finding is the development of estimates of running costs for the operation of the equipment under consideration. The expenses involved therein concern fuel, oil, tires and repair and maintenance of the equipment. Age and type of equipment influence the amount of expense in those categories. In making his estimates of running costs, and in utilizing the data appearing in the records of the carriers, the engineer had to keep in mind the age and the type of equipment utilized in his development of the annual vehicle costs of equipment and, for reasons which will become

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apparent, the annual use factor hours of said equipment. The amounts of the expenses in the running costs depend upon the amount of miles operated and therefore the costs are expressed in terms of cents per mile. We are concerned with the establishment of rates in terms of cents per hour so that it is necessary to convert the running costs per mile into cost per hour. That was done by the engineer by estimating the number of miles the equipment was operated per hour of revenue service. Data from the trip reports assisted the engineer in making this estimate.

There is no need to go further into details of cost development, it should be readily apparent that there is a correlation among the various elements of costs and expenses. It should also be apparent that the cost estimates do not represent the actual costs experienced by any individual carrier or any group of carriers. It. does not even represent the average of the expenses incurred by all carriers in conducting their individual operations. It does, or at least it should if the estimates are made according to sound engineering and statistical principles, represent reasonable estimates of the cost that would be incurred at a given time by a reasonably efficient carrier with typical facilities that are suitable and are necessary to perform the transportation service involved. We note here that in Decision No. 73386 the Commission found that the cost estimates submitted by the staff in Petition No. 32 were reasonable for the establishment of minimum rates at that time and we consider such finding to be final and conclusive. The resulting estimated cost per hour of performing the particular service involved does, or should, closely reflect the actual cost of individual carriers of performing that service at that time because of the correlation of the expenses and cost factors. As an illustration, consider one

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carrier that operates with a brand new truck as against another carrier that performs transportation with an older truck. The annual depreciation expense and vehicle expense of the first carrier will be greater than that of the second carrier; however, the newer truck will not be subject to repair as much as the older truck which will result in lower running costs and more availability for use in revenue producing service. The greater investment cost does not necessarily result in a higher total cost per hour of performing the service.

As stated above, the estimated costs so developed represent expenses and cost factors as of a given time. In the case of those developed in Petition No. 32 the given point in time was 1967. Transportation conditions and attendant cost factors are not static. Except in certain areas of expense the changes in conditions and cost factors are gradual when considering the carriers as a whole. Innovations and improvements in equipment, operating practices and techniques tend to improve the performance factors. Also they usually involve capital expenditures which tend to increase annual expenses. Operational changes may be abrupt in the case of an individual carrier but in the overall the changes in performance are gradual for the carriers collectively. All of these changes in expenses and in performance necessarily result in cost factors which are different from those used in the cost estimates for the given point in time. Where there is a correlation among cost factors, a change in one factor has the effect of changing another factor. As shown above there is a relationship among the factors of age of equipment, annual equipment expense, annual use hours, running costs per mile and miles per revenue hour of operation. It is therefore

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exceedingly difficult if not impossible to measure the impact upon the total cost per hour of performing a service resulting from a change in an expense that relates to productivity or performance. If the Commission is to consider the increase in the expense of acquiring new equipment it must also consider whether, as has usually been the case in the past, the newer equipment results in improved performance or productivity. The evidence herein does not offer any light on that subject.

Some changes in expense do not have any effect upon performance or productivity. Some of such changes are those pertaining to wages of employees, taxes and regulatory fees. Such changes ordinarily are abrupt and are incurred by all carriers more or less at the same time. Because there is no correlation between such changes in expense and performance factors it is relatively a simple task to measure their impact upon the total cost per hour by substituting the changes in expense in the prior cost development.

The present minimum rates reflect consideration of wage levels of August 1, 1968. Petitioner has shown herein that since said date,wages prevailing in household goods transportation have increased. An engineer of the Commission staff presented a cost analysis in which known changes in wage and payroll costs projected to August 1, 1969 were incorporated into the cost study considered by the Commission in the establishment of the present rates. A rate expert of the Commission staff presented a table of suggested rates which reflects the increases in costs developed by the engineer. The procedures used by the staff were consistent with the procedures used in the development of costs and proposed rates considered by the Commission in Petition No. 32 and Petition No. 35 except in the treatment of indirect expense and insurance expense. The engineer

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testified that his cost development herein sets forth the identical dollar amounts for those expenses found to be reasonable by the Commission in its Decision No. 74678. In other words, his cost estimates assume no increases in indirect expenses or insurance expense. He stated that he did this pursuant to what he considered to be a directive from the Commission in a letter dated October 31, 1968 addressed to interested parties to minimum rate proceedings.

The subject matter of that letter and the treatment of indirect expenses and insurance expenses in "offset" proceedings in minimum rate cases is presently before the Commission. A decision concerning such subject matter should not be made herein.

One matter concerning the rates suggested by the staff warrants discussion. The proposed rate per hour for additional helper in Territory B is 10 cents less than the present rate. This reflects a decrease in cost of 1.4% developed by the engineer in his cost analysis. This may appear to be an anomoly in light of increases in the general level of wage rates. The decrease results from findings made by the Commission in Decision No. 74678 regarding the wage levels in Territory B to be considered for the purpose of establishing the present rates. Because of singular circumstances at that time the Commission found that the wage levels estimated by the staff for Territory B were unrealistic and that, although the procedures used by petitioner to develop estimated wage levels was not considered to be appropriate, the wage estimates of petitioner did not appear to be unrealistic. Because of the circumstances the Commission adopted petitioner's wage estimates for Territory B for the purpose of that proceeding. The engineer's report shows wages for additional helpers in Territory B to be 8 cents per hour less than that estimated by the Commission in the aforesaid decision.

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We have considered all of the issues presented in the petition and we find:

1. The present minimum rates for local moving and accessorial services were established by the Commission in Decision No. 74678 based in part on wage levels and related payroll costs of August 1, 1968.

2. Since the aforesaid date, and projected to August 1, 1969, wage rates and payroll costs have, or will have, increased by measurable amounts in the respective territories.

3. The report of the engineer of the Commission staff (Exh. 39-4) reasonably and appropriately measures the impact of the increases in wages and benefits that will accrue on or before August 1, 1969 to drivers and helpers employed by carriers engaged in local household goods moving, together with payroll taxes and expenses relating to such increases in wages and benefits, upon the cost of transporting household goods for distances not exceeding 50 constructive miles and of accessorial services in connection therewith.

4. The rates suggested by the rate expert of the Commission staff set forth in Exh. 39-4 reasonably and appropriately reflect said increases in the cost of transporting household goods and of accessorial services.

5. Except as to evidence showing changes in wage levels and related expenses petitioner has made no showing that the minimum rates established for local household goods moving are unjust, unreasonable or discriminatory.

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6. Except as to evidence regarding changes in wage levels, and statements as to changes in equipment costs, the allegations and the presentation by petitioner herein consists of argument urging reconsideration of the data and evidence presented in Case No. 5330, Petition No. 32.

7. Decision No. 73386 was issued by the Commission in the aforesaid proceeding on November 21, 1967, and such decision has become final with respect to the consideration of the evidence offered in that proceeding regarding the findings and conclusions in said decision on issues presented in that proceeding.

8. In the procedures in cost finding for minimum rate purposes there is a correlation among the elements and factors of age of equipment, price or cost of equipment, maintenance and repair expenses, revenue hours of use of equipment, miles per revenue use hour and certain others, so that a change in one such element or factor can result in a change in one or more of the other elements or factors, and the resulting effects of the changes are often offsetting with respect to the impact upon total costs involved.

9. The presentation by petitioner regarding changes in equipment costs does not permit a determination of the effect, if any, that increases in expense resulting from recent acquisitions of equipment and facilities would have upon the cost of providing local household goods moving services.

10. Procedures for the treatment of indirect expense and insurance expense in cost finding for minimum rate purposes is presently before the Commission in Case No. 5432, Petition No. 523, and related matters (Submitted May 7, 1969), and the subject matter of the Commission's letter to interested parties dated October 31, 1968 is specifically at issue in said proceeding.

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11. To the extent that the present minimum hourly rates for local household goods moving do not reflect the wage rates of drivers, helpers and packers prevailing on August 1, 1969, said minimum rates are, and for the future will be unreasonable and insufficient minimum rates.

12. The rates suggested by the rate expert, and which will be established as minimum rates in the order which follows, are, and for the future will be, the just, reasonable and nondiscriminatory minimum rates for the transportation of used household goods and related articles, and for accessorial services, by all highway carriers and all household goods carriers.

13. Increases resulting from the establishment of the aforesaid minimum rates are justified.

We conclude that:

1. Minimum Rate Tariff No. 4-B should be amended to incorporate therein the minimum rates herein found to be reasonable.

2. In all other respects Petition No. 39 should be denied.

3. The findings and order herein should not be conclusive with respect to the treatment to be accorded indirect expense and insurance expense in cost finding by the so-called "offset" method; and, upon final decision in the proceeding designated Case No. 5432, Petition No. 523, et al, the Commission may, on petition or on its own motion, reconsider herein treatment of indirect expense and insurance expense in accordance with such methods or procedures as may be prescribed in said decision, and may receive further evidence on said matters consistent with whatever determination is made in said decision.

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IT IS ORDERED that:

1. Minimum Rate Tariff No. 4-B (Appendix C of Decision No. 65521, as amended) is further amended by incorporating therein, to become effective September 13, 1969, the revised pages attached hereto and by this reference made a part hereof, which pages are numbered as follows:

> Eighth Revised Page 28 Eighth Revised Page 29

2. In all other respects said Decision No. 65521, as amended, shall remain in full force and effect.

3. Except to the extent provided for in Paragraph 1 hereof, Petition No. 39 is denied.

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

San Francisco _, California, this 54 Dated at _ AUGUST _, 1969. day of _____ 181: loners

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MINIMUM RATE TARIFF 4-8

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SECTION 3RATES (Concluded)								
ACCESSORIAL RATES Rates in Cents per Hen per Hour (1) (2) (3)								
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(1) See item 70 for application of rates.(2) See item 95 for computation of time.								
(2) See Item 95 for computation of time.(3) Rates do not include cost of materials. (See Item 360.).				1				
(4) See item 210 for description of territories.								
RATES AND CHARGES FOR PICKING UP OR DELIVERI SHIPPING CONTAINERS AND PACKING MATERIALS	NG							
 In the event new or used shipping containers, including wardrobes, are delivered by the carrier, its agents, or employees, prior to the time shipment is tendered for transporta- tion, or such containers are picked up by the carrier, its agents or employees subsequent to the time delivery is accomplished, the following transportation charges shall be assessed: (See NOTE 1) 								
Each container, set up								
 (a) Shipping containers, including wardrobes (See NOTE 2) and packing materials which are furnished by the carrier at the request of the shipper will be charged for at not less than the actual original cost to the carrier of such materials, F.O.B. carrier's place of business. 								
(b) In the event such packing materials and shipping containers are returned to any carrier, participating in the transportation thereof when loaded, an allowance may be made to the consignee or his agent of not to exceed 75 percent of the charges assessed under the provisions of paragraph 2(a).								
NOTE 1 If the hourly rates named in item 330 provide charge in paragraph 1 of this item such lower charge shall	apply.							
NOTE 2 No charge will be assessed for wurdrobes on shipments transported at the rates provided in item 330.								
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