

ORIGINALDecision No. 76164

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of VELTMAN TERMINAL CO.,
 a corporation, to deviate from the
 minimum rates and charges named in
 Minimum Rate Tariff No. 15 for the
 account of J. C. Penney Co.

Application No. 51310
 (Filed August 11, 1969)

OPINION AND ORDER

Veltman Terminal Co. (Veltman), a corporation, operates as a highway permit carrier. By Decision No. 74651, dated September 11, 1968, in Application No. 50443, Veltman was authorized to deviate from the minimum rates set forth in Minimum Rate Tariff No. 15 (MRT 15) for transportation performed for J. C. Penney Co. from its warehouse in Buena Park to its various retail outlets in the Southern California area. The current authority is scheduled to expire September 30, 1969.

Applicant seeks to modify and extend its current authority for an additional one-year period. It is proposed that the minimum charge presently authorized for a second shift of drivers be increased from \$254.00 to \$262.00 for not to exceed 8 hours out of 9 consecutive hours per day and 40 hours in any one calendar week. Such modification is designed to give effect to a 15 cents per hour increase in drivers' wages, plus related increases in so-called wage fringe benefits and payroll taxes, totaling about three cents per hour which applicant incurred as of June 1, 1969.

MRT 15 provides minimum yearly, monthly and weekly vehicle unit rates and rules for the transportation of property

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between points in this State. The base yearly and base monthly rates in the portion of the State involved herein include the use of a vehicle and service of a driver during eight out of nine consecutive hours per day, exclusive of Saturdays, Sundays and holidays. For operations in excess of this limitation, additional charges are provided in Item No. 530 of the tariff. Said charges in Item No. 530 are designed to recover overtime and premium pay applicable under labor contracts.

Veltman performs transportation services for J. C. Penney Co. under the monthly or yearly vehicle unit rates named in MRT 15. Since such services are performed during both the day and night hours, a second shift of drivers is required. Applicant's service for J. C. Penney is, however, essentially a nighttime service as the shipper prefers that deliveries be made during hours other than when its retail stores are open for business, in order to reduce traffic congestion. Some deliveries, however, can be conveniently made during retail store hours depending on traffic flows and availability of dock space at a particular retail outlet. The extra shift drivers are employed mainly, if not exclusively, in making deliveries to retail outlets where said deliveries can be conveniently accepted during retail store hours; thereby avoiding, as much as possible, the added expenses incident to swing shift or graveyard shift employees.

The provisions of MRT 15 require that excess hours charges be collected when the equipment is used with two shifts of drivers in the manner outlined above. Applicant has heretofore been authorized to operate its equipment with two shifts of drivers, subject to the following conditions: A minimum charge of \$254.

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(proposed herein to be increased to \$262) per week will be assessed for the extra driver for each unit of equipment. Service of extra shift drivers beyond eight hours in any nine hours, and on Saturdays, Sundays and holidays will be subject to the excess hours charges in Item 530 of MRT 15.

The minimum base yearly and monthly vehicle unit rates named in MRT 15 are designed to earn a minimum reasonable return to a carrier on related labor and vehicle time costs; therefore, Veltman assertedly recovers said costs on its basic shift. The rates and charges proposed herein for the extra shift of drivers are intended to recapture the labor costs experienced by applicant in providing such extra services plus return a reasonable margin of profit. It is also understood that granting of the sought authorization will enable applicant to approximately double the use factor of its vehicles used on two shifts. The increased use factor to be achieved is expected to greatly increase the mileage charges per unit of equipment.

The application contains a comparison of the labor charges incurred by applicant with those used as a basis for the recent adjustment of the monthly and yearly vehicle unit rates in MRT 15.^{1/} Veltman's labor contracts (Local 235 and Local 986) provide for separate wage scales for a regular shift, a swing shift and a graveyard shift. The fully distributed wage costs for each shift were developed in Appendix "E" to the application. Applicant's labor costs for regular shift drivers' straight time and overtime, are lower than the like labor costs set forth in Exhibit 17-3; whereas Veltman's labor costs for swing shift and graveyard shift drivers are higher for straight time and lower for overtime than the similar

^{1/} The development of such labor costs is set forth in Exhibit 17-3, received in evidence in Case No. 7783, Petition No. 17 (Decision No. 75492).

cost developments set forth in Exhibit No. 17-3. It is also noted that the proposed minimum charge of \$262 per week for the extra shift driver reflects a \$6.55 per hour charge, based on a 40-hour week, which hourly charge is higher than applicant's straight time hourly costs for both regular, swing or graveyard shifts.

Applicant alleges that the authority sought is non-controversial in character, that no traffic will be diverted from any other carrier in the event the application is granted, and that the rates proposed will earn a profit to applicant on the services rendered. Applicant requests that the application be granted without hearing.

Copies of the application were served upon the California Trucking Association. The application was listed on the Commission's Daily Calendar of August 8, 1969. There are no protests.

It is clear that the type of operations proposed to be conducted by applicant was not specifically provided for in connection with the establishment of the yearly and monthly vehicle unit rates in MRT 15. Operations as proposed by Veltman will improve the use factor of its equipment and will avoid the possibility that some of the traffic now handled for the shipper will be diverted to proprietary operations. The minimum charge per week proposed in connection with the furnishing of extra shift drivers exceeds Veltman's labor costs for such drivers and provides for a margin of profit to the carrier.

The Commission finds that the departure from minimum rates proposed in the application will result in reasonable rates and charges for the services to be performed for J. C. Penney Company. The Commission concludes that a public hearing is not necessary and

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that the application should be granted. Inasmuch as circumstances surrounding the transportation may change at any time, the authority will be limited to a period of one year.

O R D E R

IT IS ORDERED that:

1. Veltman Terminal Co., a corporation, is authorized to depart from the minimum rates and rules set forth in Minimum Rate Tariff No. 15 for transportation performed for J. C. Penney Co. from its warehouse at 6131 Orangethorpe Avenue, Buena Park, California, to the extent provided for in Appendix A, attached hereto and made a part hereof.

2. In all other respects the transportation to which this authorization relates shall be subject to the provisions of Minimum Rate Tariff No. 15 insofar as they govern shipments which move at yearly and monthly vehicle unit rates.

3. The authority herein granted shall expire September 30, 1970.

The effective date of this order shall be September 30, 1969.

Dated at San Francisco, California, this 16th day of SEPTEMBER, 1969.

William J. ...
President

J. ...
J. ...

Vernon L. Sturgeon
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Veltman Terminal Co., a corporation, is authorized, in connection with transportation performed under yearly and monthly vehicle unit rates for J. C. Penney Co., to modify its existing vehicle unit rate agreements to the following extent:

When a unit of equipment, other than a truck and trailer combination or a tractor pulling more than one trailer or semitrailer, operated under the said Vehicle Unit Rate Agreement, is utilized on a second shift, the minimum charge for such shift shall be \$262.00. Such minimum charge shall include payment for services of the second shift of not to exceed 8 hours out of 9 consecutive hours per day and 40 hours in any one calendar week, exclusive of Saturdays, Sundays and holidays.

(Subject to the following requirements):

- (a) The second shift shall not commence until the unit of equipment returns to the base of operations;
- (b) For hours in excess of those not provided for herein the rates shall be those provided for in Item No. 530, MRT No. 15; and
- (c) All other provisions of MRT No. 15 shall apply.