

ORIGINAL

Decision No. 77444

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 and highway)
carriers relating to the transpor-)
tation 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. 23
(Filed March 2, 1970)

J. C. Kaspar, Arlo D. Poe, H. F. Kollmyer, for California Trucking Association, petitioner.
J. D. Kain, for Shell Oil Company, protestant.
Sam O. Sciortino, for Furniture Freight, Inc.;
Herbert Williams and David O. Williams, for Williams Transfer Company; Walter L. Keeney, for Keeney Truck Lines, Inc., respondents.
Norman D. Sullivan, for Shed D. Bartush Foods Corporation; W. Paul Tarter, for William Volker & Company; Tad Muraoka, for IBM Corporation; William D. Mayer, for Del Monte Corporation; John T. Reed, for California Manufacturers Association; Norman Molaug, for J. C. Penney Company; Ronald M. Zaller and C. H. Costello, for Continental Can Company, Inc.; D. M. Enos, by Ronald M. Zaller, for Owens-Illinois; Robert R. Schwenig, for Sears, Roebuck Company; Patrick Murphree, for Johnson & Johnson; Don Marken, by Patrick Murphree, for Traffic Managers Conference of California, and Robert D. Stout, for Swift & Company, interested parties.
Robert W. Stich, Dale R. Whitehead, R. J. Carberry and Robert Walker, for the Commission staff.

O P I N I O N

Minimum Rate Tariff No. 15 (MRT 15) contains yearly, monthly and weekly vehicle unit rates applicable to the transportation of general commodities between all points in California. Said

tariff was established by Decision No. 65072, dated March 12, 1963 (60 Cal.PUC 624). The petition states that subsequent changes in the tariff have largely resulted from so-called cost-offset proceedings involving increases in labor costs. The current level of charges in this tariff was established by Decision No. 76357, dated October 28, 1969. The petition further states that the current level of tariff charges is predicated upon the costs of equipment, as such information was available to the Commission through staff Exhibits 1 and 2, introduced in the Order Setting Hearing dated April 24, 1962; and that MRT 15 has not been revised to reflect changes in equipment costs since its inception. Petitioner avers that equipment costs have increased significantly, and that MRT 15 should be adjusted to reflect such equipment cost increases in a manner similar to the tariff adjustments which have been authorized to offset labor cost increases.

The petition states that since 1964, the Commission has engaged upon a formidable program of creating a Data Bank. One of the purposes of the Data Bank Advisory Board has been to bring a major element of said program to a sufficient stage of fruition so that it may be tested in the formal procedures of the Commission. Accordingly, the Data Bank staff has prepared a series of schedules outlining the costs of equipment as they can be produced by the Data Bank program. Such information is attached to the petition as Exhibit A. Petitioner requests that the Commission, in this proceeding, determine proper historical equipment costs be substituted for the asserted out-dated equipment costs upon which the tariff now bottoms. Petitioner asks the Commission to make its ultimate finding that the cost of equipment as developed by the Data Bank, and modified as found appropriate after receipt of

evidence by all interested parties, be found appropriate as a basis for developing historical equipment costs to underlie a cost offset adjustment in the rates and charges named in MRT 15, and that the equipment classifications and levels of rates and charges in MRT 15 be revised accordingly.

Petitioner alleges that two principal issues are raised by this filing. First, whether the tariff fails to provide adequate revenue to compensate for current costs of equipment, and whether such rates are unreasonable and improper. Secondly, whether Data Bank information is valid and appropriate for use in minimum rate proceedings.

Public hearing was held before Examiner Mallory in San Francisco on April 28 and May 29, 1970, and the petition was submitted on the latter date. Evidence was presented by a transportation analyst from petitioner's division of transportation economics; by two engineers and a rate expert from the Commission's Transportation Division; and by a transportation analyst employed by protestant Shell Oil Company. Petitioner's representative stated that this is the initial proceeding directly involving the use of Data Bank information for rate-making purposes; and that Data Bank procedures, developed through the cooperation and assistance of the Data Bank Advisory Board, have not had formal Commission review. Petitioner urges that the decision herein examine various aspects of Data Bank activities with a view to the establishment of precedents to guide further activities.

A transportation engineer assigned to the Transportation Division's Systems and Procedures Branch (Data Bank) presented Exhibits 23-1 and 23-2. Exhibit 23-1 shows by year the mean prices and numbers of all for-hire equipment units first sold in California

during the years 1948 through 1969. Said report is based upon information contained in magnetic tape files obtained from the California Department of Motor Vehicles (DMV) concerning those vehicles which are registered as for-hire and which have license plates bearing the special Board of Equalization numbers. The report contains data on the vehicle universe of for-hire units first sold during the years of 1948 through 1969. The data for the years 1965 through 1969 are taken from the complete file of vehicles sold as new during these years. The data for the years 1948 through 1964 represent the remaining universe in 1965 of vehicles first sold during the indicated year (vehicles which have not been modified or refurbished). Cost of the equipment was determined from the applications for registration of new vehicles filed with the DMV, which also embraces a certificate of cost completed by the dealer. DMV registration also shows the type and body style of the vehicle, its unladen weight and number of axles, and whether said vehicle will be used for hire.

The witness testified that DMV cost data includes tires, whereas the vehicle historical costs underlying the rates in MRT 15 reflect original costs of vehicles exclusive of tires. Therefore, the witness made a separate study of tire costs (Exhibit 23-2) to determine estimated average costs of various sizes of tires on an historical basis. Said estimated tire costs were deducted from the total vehicle costs as shown in DMV records. These data were further adjusted to provide for sales taxes. The resulting data provides historical vehicle costs on a basis comparable to that used in the underlying cost studies originally introduced in the 1963 proceeding involving MRT 15.

A staff transportation engineer presented Exhibit 23-3, a report of the costs of providing vehicle units on monthly and yearly bases for transportation of property within the State. Said exhibit was developed by substituting, in the latest version of the staff's cost study, the current data reflecting costs of carriers' equipment as set forth in Exhibit 23-1, for the corresponding data set forth in the staff's original cost study. The result of these changes was to increase and reduce costs for various types and categories of equipment, which produced corresponding reductions and increases in total monthly and yearly costs. The data set forth in Exhibit 23-1 was used without modification or exercise of judgment, except in one relatively minor instance where it appeared that DMV data were inconclusive.

A Commission staff rate expert presented in evidence proposed revisions in minimum rates in MRT 15 to reflect the cost changes set forth in Exhibit 23-3. Generally, the monthly and yearly rates were increased or reduced by the same percentage as the corresponding costs were increased or reduced, with minor adjustments to maintain historical rate relationships. The proposed weekly rates were adjusted to the same percentagewise relationship as the present weekly rates bear to the present monthly rates.

The witness for California Trucking Association (CTA) testified that he had analyzed the basic information set forth in Exhibit 23-1 and its translation into equipment costs in Exhibit 23-3, and that he concluded that said data were basically sound and correct. The witness testified that certain categories of equipment were not covered by adequate data in Exhibit 23-1, and he proposed that the data in said exhibit be supplemented and "enriched" with

data obtained from information gathered on a continuous basis by CTA from its members. The witness identified the classes of equipment as compact-type vans and insulated vans. The witness also proposed that the data for 3-axle gas flat-bed truck equipment having a tare weight of 7,501 to 12,000 pounds be combined with data for larger trucks of the same type to develop a composite cost for 3-axle gas flat-bed trucks of tare weights of 7,501 to 18,000 pounds.

CTA's witness took the data set forth in Exhibit 23-1, modified as described above, and further modified said data to "normalize" or adapt said data to eliminate the abrupt year-to-year changes in the raw data. The witness used the reconstructed equipment cost data in Exhibit 23-5 as a basis for his rate proposal in Exhibit 23-6. The latter exhibit adjusts the rates in MRT 15 not only to reflect the cost changes which are the subject of this proceeding, but also includes adjustments in rates to reflect the changes in labor and related items which are the subject of CTA's request in Petition No. 25 in Case No. 7783 (submitted on the same date as this proceeding). Petitioner requests, in order to simplify amendment of the tariff and to avoid confusion to the tariff users, that the tariff changes resulting from this proceeding and from Petition No. 25 be combined in one set of amended tariff pages.

A transportation analyst employed by Shell Oil Company (Shell) testified in opposition to the relief sought in the petition. The witness stated that Shell does not oppose rate increases necessary to maintain healthy motor carrier service, but Shell objects to the isolation of a single cost factor, namely equipment cost, from the many factors which compose total cost. The witness urged that equipment cost is one of the factors that traditionally has been held constant in cost offset proceedings. The witness

referred to the criteria for cost offsets as described in Decision No. 76353, dated October 28, 1969, in Case No. 7783 and several other minimum rate proceedings. Said decision stated that factors held (in past proceedings) to remain relatively constant, in face of wage cost changes, are the following elements:

- (1) fixed investment and depreciation;
- (2) vehicle use factors;
- (3) performance and weighting factors;
- (4) ratio of constructive to actual miles;
- (5) ratio of indirect to direct costs;
- (6) relationship of rates to cost estimates;
- (7) rate relationships;
- (8) traffic flow.

The witness urged that any increase based on rising equipment costs should include an updating of such items as vehicle use factors, depreciation in relationship to taxes, performance and weighting factors, relationship of rates to costs, and ratio of indirect to direct costs. The witness urged that new full-scale studies be the bases for an offset (other than offsets based on wage costs) inasmuch as the credibility of the basic data is rapidly deteriorating because of obsolescence.

Discussion

The Commission recently reviewed procedures for offsetting annual increases in labor costs in connection with its minimum rate tariffs in Decision No. 76353, supra. That decision sets forth the rationale for the use of offset procedures in the period between full-scale cost studies, and describes three acceptable methods of achieving offsets to cover annual changes in carriers' wage costs; payroll taxes; vehicle registration, license

and weight fees; highway use taxes; fuel taxes; and workmen's compensation insurance costs. Said components of cost are those which change frequently (many annually); and which cannot be disputed, inasmuch as wages and fringe benefits are set out in contracts, and taxes are established by law. Also the wage contracts and statutes contain the effective dates on which changes will occur. Other elements of costs were not considered appropriate for offset proceedings because the amount of change in said costs could not be readily determined, and thus could be disputed, and the effective date of the cost change could not be pinpointed.

The foregoing impediments were applicable to changes in equipment costs, because such costs originally were developed from the judgment of the cost witness after reviewing the data for a representative group of carriers. Judgment factors could not be evaluated in successive cost offset proceedings. In this proceeding, petitioner and the Commission's staff recommend use of the equipment costs developed by the Commission's Data Bank as a basis for periodic adjustment of equipment costs in offset studies involving MRT 15. The use of such data overcomes the impediments previously described. The Data Bank information is developed from facts obtained from DMV, and are summarizations of all new for-hire equipment. The total annual number of new equipment units by type and size are recorded. The price information is certified by the dealer and is that on which taxes will be paid. All elements of judgment are eliminated from the raw data contained in the Data Bank; such data are noncontroversial, and effective dates of changes in the data are known. The Data Bank equipment costs determined from the DMV annual records of sales of new equipment are sufficient and noncontroversial basic data for use in offset proceedings involving

MRT 15, similar in these respects to wage contracts.

The DMV equipment costs must be modified to put them on the same basis as the equipment costs used in historical cost summaries in the basic cost studies underlying MRT 15. That is, the cost of tires must be eliminated. This was accomplished by a staff study of annual tire costs, which appears to present reasonable results.

All types of equipment are not adequately reflected in the Data Bank summary tables, because such types of equipment were not purchased in sufficient quantities by for-hire carriers. CTA proposes that in such instances the Data Bank tables be supplemented with information developed from other sources. In this proceeding CTA developed additional information with respect to compact units and insulated van equipment. Compact units are in wide use for deliveries such as auto parts, film and flowers. The historical equipment costs for compact units, as developed by CTA, are substantially less than the costs for smaller size van-type gas trucks set forth in the staff exhibit. The staff exhibit reflects insulated vans not equipped with mechanical refrigeration units. The record indicates that the data in the staff exhibit are sparse because most insulated vans are equipped with mechanical refrigeration units when first registered, and that insulated vans have little use by for-hire carriers unless equipped with mechanical refrigeration. It appears, therefore, that the data supplied by CTA to augment the staff study is appropriate for this proceeding, and that the Data Bank information should be refined or supplemented with DMV figures showing historical costs of compact units and of insulated vans equipped with mechanical refrigeration units.

CTA proposed to combine the data for two sizes of gas trucks, and to use the composite data as a basis to underlie its

rate proposal. Alternatively, CTA suggests the sought result could be accomplished by using the data for the smaller equipment units to adjust the rates, and to limit such rates to trucks having tare weights of 10,500 pounds or less. The latter proposal appears preferable and will be adopted.

We turn now to CTA's request that the Commission discuss the aims of its Data Bank program and the projected means of accomplishing such aims. The Commission initiated the Data Bank program in 1963, having recognized that the gathering and accumulation of large amounts of data is essential in various functions conducted by its Transportation Division staff, and that computerization of such data might speed up its accumulation, analysis and reproduction. The Transportation Division has endeavored to use computer techniques with respect to a large number of its day-to-day functions, including the accumulation of various categories of motor carrier costs, and the accumulation of freight bill data showing movement of commodities within the State.

These staff programs have been materially assisted by the aid and advice of members of the Data Bank Advisory Board, consisting of representatives of shipper and carrier interests. Up to this point, the procedures developed in connection with the gathering and dissemination of carrier costs and traffic-flow data by the Commission's Data Bank have not been commented on in any detail in a Commission decision. Our principal purpose in commenting herein on Data Bank procedures is to iterate our belief that such procedures are necessary to meet the challenge presented by the need for increasing amounts of accurate, unbiased, and up-to-date information which can be used by our staff and shipper and carrier groups in determining reasonable rates in a time of rapid and volatile

changes in the State's economy. The purpose of the Data Bank is to accumulate data covering an entire statistical universe, in a regular and methodical manner without judgment bias, in order to minimize collection costs and to avoid duplicative efforts by the parties. Such data will be regularly reported to all interested parties, and will be presented in an unbiased manner, without judgment adjustments to the input, so that the data may be used by any party. The orderly collection, classification and reporting of such data increases the timeliness of the information, reduces the costs of collection, and permits broader participation by all parties in Commission proceedings because of ready availability of background information. The Data Bank information may be used by any party as reported, may be supplemented or augmented by any party, and may be interpreted and presented in any manner deemed appropriate by any interested party.

Findings and Conclusions

1. The last full-scale study involving vehicle unit costs was presented to the Commission in the proceeding leading to Decision No. 65072, dated March 12, 1963 (63 Cal.PUC 674). Since that date Minimum Rate Tariff No. 15 (MRT 15) has been revised by the so-called "offset" method. Such offsets have reflected changes in drivers' and helpers' wages and fringe benefits, various taxes and imposts, and workmen's compensation insurance. No recognition has been given to changes in equipment costs in any offset proceeding involving MRT 15.

2. Petitioner California Trucking Association (CTA) seeks in this proceeding an offset increase in MRT 15 rates to reflect up-dated equipment costs. CTA requests that the information with respect to equipment costs gathered by the Commission's Transportation Division, Systems and Procedures Branch (Data Bank) be used as

the basic information to adjust historical equipment costs. Said information has not heretofore been available to the parties.

3. In this proceeding, the Data Bank procedures have developed information which is timely, have minimized duplicative efforts by interested parties in collection of data, and have minimized hearing time in reconciliation of differing presentations of background data.

4. The Data Bank information presented in this proceeding concerning equipment costs, as supplemented and augmented, and as interpreted and used by the interested parties, is valid for determining historical equipment costs to underly MRT 15.

5. The historical cost figures contained in Exhibit 23-1, as modified by Exhibit 23-5, are proper for development of costs involved in transportation subject to MRT 15.

6. The rates in MRT 15 should be adjusted to reflect the changes in historical equipment costs measured in Exhibit 23-5.

7. The wage (cost) offset method for adjusting MRT 15 rates between major full-scale studies found reasonable in Finding 12 of Decision No. 76353 in Case No. 7783, Petition No. 17, should be modified to encompass adjustments reflecting changes in historical equipment costs based on data similar to that presented in Exhibit 23-1.

8. The rates in MRT 15, adjusted to give effect to current equipment costs, will be just, reasonable and nondiscriminatory minimum rates.

9. In order to avoid duplication of tariff revisions and confusion to the users of MRT 15, the adjustments found reasonable herein should be made concurrently with adjustments for revised wages, fringe benefits and taxes found reasonable in Case No. 7783, Petition No. 25.

We conclude that Petition No. 23 should be granted, and that Minimum Rate Tariff No. 15 should be amended in accordance with the above-stated findings.

ORDER

IT IS ORDERED that:

1. Minimum Rate Tariff No. 15 (Appendix B of Decision No. 65072, as amended) is further amended by incorporating therein, to become effective September 1, 1970, the revised pages attached to and listed in Appendix A to Decision No. 77443, issued today in Case No. 7783, Petition No. 25.

2. In all other respects said Decision No. 65072, as amended, shall remain in full force and effect.

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

Dated at San Francisco, California, this 30th day of JUNE 1, 1970.

William J. ...
President

Regina ...

Tom ...

Commissioners

I concur

W. ...

I concur

Vernon L. Sturgeon

C 5441, Pet. #192; C 5432, Pet. #584; C 5432, Pet. #581;
C 5438, Pet. #77; C 7783, Pet. #25; C 7783, Pet. #23;
C 5439, Pet. #116

apl

J. P. VUKASIN, JR., COMMISSIONER and
VERNON L. STURGEON, COMMISSIONER, Concurring:

We concur in these decisions.

The increases are clearly necessary in the public interest to offset wage increases negotiated in the recent labor contracts with the teamsters.

Denial of these increases would pose a serious threat to the movement of goods by truck in California. However, the applicants should be placed on notice that increases of this magnitude contribute to the problems of inflation which beset the national economy and future negotiations should consider the impact on the total economy.

It is our intention in the future to scrutinize such increases very carefully when passing on such applications.



J. P. Vukasin, Jr., Commissioner



Vernon L. Sturgeon, Commissioner

San Francisco, California

June 30, 1970