

ORIGINAL

Decision No. 78754

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of R. A. Redmond, Agent on behalf of all common carrier participants in California Automobile Transporter's Tariff 1, Cal. P.U.C. No. 4, for authority to increase rates and charges; and related matters.

Application No. 52502
(Filed March 15, 1971;
Amended March 18, 1971)

Richard W. Smith, Attorney at Law, for R. A. Redmond, Agent, on behalf of common carrier participants in California Automobile Transporter's Tariff 1, Cal. P.U.C. No. 4, applicant.
B. I. Shoda and R. E. Douglas, for the Commission staff.

O P I N I O N

The rates, rules and charges of certain highway common carriers engaged in the California intrastate transportation of motor vehicles are published in California Automobile Transporter's Tariff 1, Cal. P.U.C. No. 4 of R. A. Redmond, Agent.^{1/} The tariff agent, on behalf of said participating carriers, seeks authority for a 10 percent increase in the rates and charges published in his Tariff 1 for the secondary movement of motor vehicles by truckaway service.^{2/} Applicant's specific tariff proposal is set forth in Exhibit A attached to the application.

^{1/} The common carriers are: Convoy Company, Hughes Truck-A-Way, Imported Auto Transport, Inc., Insured Transporters, Inc., Kenosha Auto Transport Corp., and Pasha Truckaway.

^{2/} Secondary Movement does not include (1) the initial movement of motor vehicles from the manufacture or assembly plant to a point of destination designated by operator of said plant or (2) the return of said vehicles to the plant in cases where delivery to the designated consignee has not been accomplished. Truckaway Service means the transportation of one or more motor vehicles where the weight of such vehicle or vehicles rest wholly or partly upon carrier's equipment.

Public hearing of Application No. 52502, as amended, was held before Examiner Gagnon at San Francisco on March 30, 1971. Oral testimony in support of the sought relief was presented by the tariff agent and officials from two of the common carriers involved. A cost analyst for the California Trucking Association presented cost and revenue data in justification for the proposed rate increase. No shippers of motor vehicles appeared in opposition to the sought increase. The Commission's Transportation Division staff, while presenting no affirmative evidence, recommends that the application be denied.

The common carrier rates published in California Automobile Transporter's Tariff, 1 for the secondary movement of automobiles by truckaway service are presently established at the same general level as the rates prescribed in the Commission's Minimum Rate Tariff 12. Said common carrier and minimum truckaway rates were last generally adjusted, effective April 30 and May 5, 1962, respectively, by Decision No. 63413, dated March 13, 1962, in Case No. 5604. Applicant states that the common carrier truckaway rates for both secondary and initial movements of automobiles were originally maintained at the same level. At the present time, however, applicant's truckaway rates for the initial movement of motor vehicles are higher than the rates applicable to like secondary shipments; the rates for the former truckaway service being recently increased as of January 2, 1971.^{3/}

^{3/} The tariff agent explained that should the increase sought herein be granted his published truckaway rates for initial movements of automobiles will still be higher than the resulting increased rates for secondary shipments.

In support of the sought increase in applicant's truckaway rates, a California Trucking Association cost analyst presented a report (Exhibit 1) concerning the increased wage costs and allied payroll expenses experienced by California automobile transporters for the period November 1, 1961 through September 1, 1971. He explained that the historical labor cost data of record underlying the rates contained in Minimum Rate Tariff 12 are as of November 1, 1961. The increase in major wage costs items experienced by the truckaway carriers of motor vehicles as developed by the cost analyst may be summarized as follows:

Table 1

Summary of Increase in Certain Major Wage Cost Factors Experienced by Truckaway Carriers for the Secondary Movement of Motor Vehicles During the Period November 1, 1961 through September 1, 1971

Truckaway Wage Cost Factors	Amount of Increase			
	Nov. 1, vs. 1961	Sept. 1, 1971	Sept. 1, 1970	Sept. 1, 1971
	Amount	%	Amount	%
Hourly Wage Scale				(See Note)
Short Line & Local Driver	\$ 2.32	81.7	\$0.43	9.4
Long Line Driver	2.15	76.0	0.43	9.8
Long Line Mileage Rates	0.047	50.0	0.065	5.0
Welfare Fund				
Per Man/Per Month	34.59	209.6	4.33	9.3
Pension Fund				
Per Man/Per Week	7.00	140.0	1.00	9.1

Note: 1971 increase in hourly wage scale is a weighted average increase of actual wage adjustments effective March 1, 1971 (25 cents per hour), September 1, 1971 (25 cents per hour plus 8 cents per hour cost of living allowance).

The record suggests that applicant truckaway carriers were able to sustain the continuous increase in their cost of operations over the past several years due to material technological improvements

in truckaway equipment plus significant changes in the transportation characteristics of the motor vehicles transported. Both of these significant factors, which had the effect of increasing the truckaway carriers' productivity, are not reflected in the level of applicant's common carrier rates. In this connection, official notice is taken of the California Trucking Association Petition for Modification No. 27, filed April 2, 1971, in Case No. 5604. The petition seeks a similar adjustment in Minimum Rate Tariff 12, in the form of a 10 percent interim surcharge, as proposed by applicant on behalf of the common carriers involved in this proceeding. Coupled with petitioners interim rate proposal is a request for a comprehensive study, by the Commission's Transportation Division staff, of the current truckaway transportation services performed by carriers subject to the provisions of Minimum Rate Tariff 12; thereafter said tariff being revised to reflect the carriers' modern truckaway practices as disclosed by the staff investigation.

The applicant's cost analyst also presented a statement (Exhibit 2) endeavoring to measure the impact of the 1971 wage increases upon the 1970 results of operations for the six applicant common carriers. The cost analyst's statement is summarized in the following Table 2:

Table 2

<u>Determination of Impact of 1971 Wage Increases</u> <u>(1970 Results of Operations Utilized as Datum Plane)</u>		
<u>Actual - 1970 Results of Operations:</u>		
1. Operating Revenues	\$37,859,338	
2. Operating Expenses	36,681,201	
3. Operating Ratio		96.9%
<u>Modifications:</u>		
4. Provision for 1971 wage increase	\$ 1,845,064	
5. Sought 10% increase in revenue	407,367	
<u>As Modified:</u>		
6. Operating Revenues	\$38,266,705	
7. Operating Expenses	38,526,265	
8. Operating Ratio		100.7%

While the Commission's Transportation Division staff advanced no objections to applicant's cost and rate evidence, it did take issue with applicant's efforts to demonstrate the impact of the 1971 wage increases as summarized in Table 2 above. The staff's opposition to the financial showing of applicant centers upon the fact that said data was not segregated as between the carriers' interstate and California intrastate traffic, nor as to the initial or secondary truckaway movement of motor vehicles. Through cross-examination of applicant's cost witness, the staff developed the 1970 operating ratio for five of the six common carriers involved, together with the estimated percentage such carriers' overall traffic involves the secondary truckaway movement of motor vehicles within California. The aforementioned calculations are set forth below:

Table 3

<u>Applicant Common Carriers</u>	<u>Systemwide Operating Ratios for 1970</u>	<u>Percent California Secondary Truckaway Traffic</u>
1. Convoy Company	98.0%	.01%
2. Hughes Truck-A-Way	(Computation not Determinative)	
3. Imported Auto Transport, Inc.	86.6	79.8
4. Insured Transporters, Inc.	96.6	35.8
5. Kenosha Auto Transport Corp.	96.5	1.0
6. Pasha Truckaway	110.7	85.8

From the above Table 3 it can be seen that only three of the six applicant common carriers are significantly involved in the secondary movement of motor vehicles in truckaway service within California. The remainder of said carriers' truckaway traffic involves either the initial movement of automobiles or is interstate in character. Of the three carriers whose total traffic is between 35.8 - 85.8 percent secondary movement of motor vehicles in California, only Imported Auto Transport, Inc. enjoys a favorable

overall operating ratio. We understand that said carrier's operating ratio of 86.6 percent is the direct result of automobile preparation services incidental to transportation and not involved in this proceeding.

To the extent the staff's opposition to applicant's forecasting of the carriers' estimated overall operating experiences under the sought increase is carried forward to the entire body of evidence presented in justification of the sought relief, said staff opposition is not conclusive. However, the information developed through staff cross-examination in this proceeding plus the pending major issues to be resolved pursuant to Petition 27, in Case No. 5604, is convincing that no permanent adjustment in applicant's truckaway tariff rates should be made on other than an interim basis at this time.

In the circumstances, we find that:

1. The common carrier rates set forth in California Automobile Transporter's Tariff 1, Cal. P.U.C. No. 4 of R. A. Redmond, Agent, applicable to the secondary movement of motor vehicles in truckaway service, were last generally adjusted, effective April 30, 1962, by Decision No. 63413, dated March 13, 1962, in Case No. 5604.

2. Applicant's truckaway carrier tariff rates involved in this proceeding are currently established on the same general level as the rates provided in the Commission's governing Minimum Rate Tariff 12.

3. The wage cost and allied payroll expenses underlying the common carrier tariff rates involved herein were those generally effective as of November 1, 1961. Since that time applicant truckaway carriers have sustained 11 substantive increases in their labor costs and will experience further increases in such costs as of September 1, 1971.

4. The common carrier rates presently named in applicant's Tariff 1 do not reflect the successive increases in truckaway wage and allied payroll cost factors which have occurred over the past 10-year period.

5. A substantial improvement in applicant truckaway carriers' productivity has occurred over the past 10-year period. Such increase in productivity is largely responsible for the common carriers' ability to absorb successive increases in transportation costs over the past several years.

6. The substantive changes which have occurred in the transportation characteristics surrounding the secondary movement of motor vehicles by truckaway carriers are not reflected in the common carrier tariff rates involved in this proceeding. Determination and evaluation of said changed transportation characteristics are currently issues for Commission consideration relative to Minimum Rate Tariff 12 in Petition No. 27, in Case No. 5604.

7. The Commission's ultimate determination of the issues now before it in Petition No. 27, in Case No. 5604, will have a material bearing upon the final level of common carrier tariff rates involved in this proceeding. Pending such determination, authorization of the relief sought in this proceeding should be on a temporary basis only.

8. The sought increase in truckaway carrier tariff rates, when published in the form of an interim 10 percent surcharge subject to a expiration date of approximately one year in lieu of applicant's proposed permanent rate tariff adjustment, results in freight charges which are not excessive and justified by the transportation conditions involved in this proceeding.

9. Applicant's proposed increase in rates on other than a temporary basis, has not been shown to be justified and to the extent not ultimately authorized herein should be denied.

We conclude that applicant should be authorized, on not less than five days' notice to the Commission and to the public, to increase his truckaway tariff rates named in Application No. 52502, as amended, by applying thereto a surcharge of 10 percent; said surcharge being made subject to an expiration date of July 2, 1972. To the extent not authorized herein, Application No. 52502, as amended, should be denied.

O R D E R

IT IS ORDERED that:

1. Applicant is hereby authorized to increase his truckaway carrier tariff rates and charges as referred to in Application No. 52502, as amended, by the publication of the following surcharge which shall be subject to an expiration date of July 2, 1972:

Except as otherwise provided compute the amount of charges in accordance with the rates and rules of this tariff and increase the amount so computed by ten percent (10%).

For purposes of disposing of fractions under provisions hereof, fractions of less than one-half cent shall be dropped and fractions of one-half cent or greater shall be increased to the next higher whole cent.

2. Tariff publications authorized to be made by the order herein may be made effective not earlier than ten days after the effective date of this order on not less than ten days' notice to the Commission and to the public.

3. The authority herein granted is subject to the express condition that applicant will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitutes a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as consent to this condition.

4. Common carriers, in establishing and maintaining the rates authorized hereinabove, are hereby authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorizations; such outstanding authorizations are hereby modified only to the extent necessary to comply with this order; and schedules containing the rates published under this authority shall make reference to the prior orders authorizing long- and short-haul departures and to this order.

5. To the extent the authority requested in Application No. 52502, as amended, is not granted herein, said authority is hereby denied.

6. The authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Diego, California, this 2nd day of JUNE, 1971.

[Signature]
Chairman
[Signature]
[Signature]
[Signature]
Commissioners