

Decision No. 78905

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 motor)
vehicles and related items (commod-)
ities for which rates are provided)
in Minimum Rate Tariff 12).)

Case No. 5604
Petition for Modification No. 27
(Filed April 2, 1971)

Richard W. Smith and A. D. Poe, Attorneys at Law,
and H. F. Kollmyer, for California Trucking
Association, petitioner.
Robert E. Walker, for the Commission staff.

O P I N I O N

Minimum Rate Tariff 12 (MRT 12) sets forth statewide minimum rates for the transportation of motor vehicles in secondary truckaway movement.^{1/} In this petition, California Trucking Association (CTA), petitioner, seeks the establishment of a surcharge increase in all rates and charges in MRT 12 pending completion of new full scale cost and rate studies relating to the services covered by said tariff.

Public hearing was held and the matter submitted before Examiner Mallory on May 27, 1971 in San Francisco. Evidence was presented by CTA. The Commission staff concurred in the granting of the relief sought in the petition, pending completion of cost and

^{1/} Secondary movement means the transportation of motor vehicles except for the initial movement from manufacturing plant or return thereto.

Truckaway service means transportation where the weight of the vehicle transported rests wholly or partly on the carrier's equipment.

rate studies to be undertaken by the staff. The staff representative stated that the Transportation Division expects its studies to be completed by the end of the current year.

A cost analyst employed by CTA presented two exhibits and testified as follows: The rates and charges in MRT 12 have not been adjusted since the rate increase made effective May 5, 1962, pursuant to Decision No. 63413 (59 Cal. P.U.C. 439). In that same period carriers operating under the tariff have experienced increased wages, tire costs, weight and registration fees, federal highway use taxes and Workmen's Compensation Insurance rates, as shown in CTA's Exhibit 27-1. In past years, carriers operating under the rates in MRT 12 have been able to absorb labor and related cost increases because such increases have been offset by a corresponding reduction in costs resulting from increased productivity. Said increase in productivity stemmed entirely from the introduction and use of increasingly larger trucking equipment over the years. Trucking equipment for the services covered by MRT 12 has now reached optimum size and weight carrying capacity; therefore, there is no reasonable prospect for any further increase in productivity from this source.

The data in Exhibit 27-1 contains comparisons of wages set forth in collective bargaining agreements on a year-by-year basis, from November 1, 1961 through September 1, 1971. That exhibit shows that the increases in hourly wages which will be in effect on September 1, 1971 as compared with November 1, 1961 are 81.7 percent for short-line drivers and 76 percent for long-line drivers. Exhibit 27-1 also shows that the weighted average hourly labor costs for the year 1971 will exceed 1970 labor costs by 9.4 percent for short-line drivers and 9.8 percent for long-line drivers.^{2/} The witness testified that the carriers operating under the rates in MRT 12 no

^{2/} Wage increases effective March 1, 1971 and September 1, 1971 were averaged.

longer can absorb the increased costs of labor and require an immediate increase in rates in order that their operations will continue to be profitable.

To support the foregoing contention, the witness made a study of revenues and expenses of carriers operating under the rates in MRT 12. In developing the information in his study, the witness obtained from the Data Bank maintained by the Commission's Transportation Division, the names of all carriers reporting income from rates in MRT 12 in the first quarter of 1970. The 60 carriers on this list were circularized for information concerning their operations and were requested to furnish revenues and expenses for the year 1970. Replies were received from 14 carriers. The balance of the carriers assertedly either had very small amounts of revenue from MRT 12, or no longer operated under said tariff.

Exhibit 27-2 contains the results of the witnesses' analysis of the data supplied to him by the aforementioned 14 carriers. A consolidated profit and loss summary for the year 1970 showed that the 14 carriers had operating revenues of \$93,293,959, operating expenses of \$89,896,304 and an operating ratio of 96.4 percent. The exhibit shows that \$8,375,489 of the revenue of said carriers is from secondary truckaway movements within California. The witness adjusted the foregoing data to give effect to a 10 percent increase in revenues for California intrastate secondary truckaway service, and a 4.58 percent increase in expenses to cover added labor costs incurred in 1971. With these adjustments, the composite revenues, expenses and operating ratio would be \$94,131,508, \$94,013,555 and 99.9 percent, respectively.

The witness also analyzed similar data from six carriers which earned revenues in 1970 from intrastate secondary truckaway operations equal to 50 percent or more of their total operating revenues. This analysis showed the following:

TABLE 1
COMPOSITE PROFIT AND LOSS SUMMARY
SIX CARRIERS

Actual 1970 Results:

| | |
|--------------------|-------------|
| Operating Revenues | \$4,675,670 |
| Operating Expenses | 4,671,015 |
| Operating Ratio | 99.9% |

Adjusted Results:

| | |
|------------------------|-------------|
| Operating Revenues (A) | \$5,021,266 |
| Operating Expenses (b) | 4,919,513 |
| Operating Ratio | 98.0% |

(A) Includes increased revenues of \$345,596
(B) Includes increased expenses of \$248,498

The carriers represented in the foregoing table had \$3,455,956 revenue from secondary truckaway service within California; thus, approximately 74 percent of their total revenues were from this source.

The witness testified that the cost increases and reductions occurring in the 10-year period since rates were last adjusted which are readily measurable without the conduct of a new field study are set forth in Exhibit 27-1. Other changes in costs such as equipment costs, productivity and indirect expenses can only be measured by new cost studies. The witness urged that new studies to determine up-to-date total operating costs be conducted by the Commission staff; and that pending consideration of such studies, the 10 percent surcharge proposed herein be made applicable to the rates and charges in MRT 12.

The Commission staff representative stated that the Transportation Division staff intends to undertake the studies necessary to develop current total operating costs and that the staff expects to complete said studies by the end of the current year.

Question was raised by the staff representative concerning whether the petition herein seeks authority for common carriers to adjust their rates for primary, as well as secondary, movements of motor vehicles. Petitioner indicated that the additional relief

sought for common carriers pertains only to secondary movements not subject to MRT 12, such as vehicles weighing under 1,000 pounds or vehicles weighing over 5,000 pounds.

The Commission finds:

1. The minimum rates for the transportation of motor vehicles in secondary movement, as set forth in MRT 12, were last adjusted effective May 5, 1962, pursuant to Decision No. 63413 (59 Cal. P.U.C. 439).

2. In the period subsequent to the last general adjustment of rates in MRT 12, carriers operating under said tariff have incurred substantial changes in operating costs, including increases in labor costs resulting from collective bargaining agreements.

3. Increases in drivers' wage costs, in the period since MRT 12 rates were last adjusted, have been offset in whole or in part by reductions in operating costs resulting from increased productivity stemming from the transportation of greater numbers of cars per load.

4. Truckaway equipment cannot be made to handle any more vehicles than currently are being handled; therefore, no further increase in productivity from this source is available.

5. Carriers operating under MRT 12 can no longer absorb increased wage costs, as they have done in the period since rates in MRT 12 were last adjusted.

6. A surcharge increase in the rates and charges for secondary movement of motor vehicles is necessary if operations conducted under the rates in MRT 12 are to be profitable under 1971 average cost conditions. The composite earnings under such increased rates of carriers primarily engaged in operations under MRT 12 will not be excessive.

7. The surcharge increase in MRT 12 rates sought in the petition herein is justified, pending consideration of studies which will show current operating costs and related data.

8. Common carriers should be required to increase their rates to the levels authorized herein for the services covered by the rates

in MRT 12, and should be authorized to increase their rates by corresponding amounts for the secondary movement of motor vehicles for which minimum rates are not provided in MRT 12. The latter increases are also justified.

The Commission concludes that the petition should be granted to the extent indicated by the foregoing findings, MRT 12 should be amended accordingly, and common carriers should be authorized to depart from the long-and-short-haul provisions of the Public Utilities Code to the extent necessary to publish the rate increases authorized herein.

O R D E R

IT IS ORDERED that:

1. Minimum Rate Tariff 12 (Appendix "A" of Decision No. 50218, as amended) is further amended by incorporating therein, to become effective August 21, 1971, Supplement No. 1, attached hereto and by this reference made a part hereof.
2. Common carriers subject to the Public Utilities Act, to the extent that they are subject to said Decision No. 50218, as amended, are directed to establish in their tariffs the increases necessary to conform to the further adjustments herein of that decision.
3. Common carriers maintaining rates for the transportation of motor vehicles in secondary movement not subject to Minimum Rate Tariff 12 are authorized to increase said rates by the same amounts as authorized for Minimum Rate Tariff 12 rates herein.
4. Tariff publications required or authorized to be made by common carriers 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 the tenth day after the effective date of this order, on not less than ten days' notice to the Commission and to the public; such tariff publications as are required shall be made effective not later than August 21, 1971; and as to tariff publications which are authorized but not required, the authority

herein granted shall expire unless exercised within sixty days after the effective date hereof.

5. 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.

6. In all other respects, Decision No. 50218, as amended, shall remain in full force and effect.

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

Dated at San Francisco, California, this 13th day of July, 1971.

Chairman

William Lyons

[Signature]

Vernon L. Sturgeon

Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

SUPPLEMENT 1

(Supplement 1 Contains All Changes)

TO

MINIMUM RATE TARIFF 12

NAMING

MINIMUM RATES AND RULES

FOR THE

TRANSPORTATION OF MOTOR VEHICLES

(As Described Herein)

IN SECONDARY MOVEMENT

BY

TRUCKAWAY SERVICE

OVER THE PUBLIC HIGHWAYS WITHIN THE

STATE OF CALIFORNIA

BY

RADIAL HIGHWAY COMMON CARRIERS

HIGHWAY CONTRACT CARRIERS

◊Application of Surcharge

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.

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.

◊ Increase, Decision No.

78905

EFFECTIVE

Issued by the
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
State Building, Civic Center
San Francisco, California 94102