

Decision No. 80134

ORIGINAL

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 car-  
riers relating to the transportation 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. 2).

Case No. 5432  
Petition for Modification  
No. 652  
(Filed May 7, 1971;  
Amended August 11, 1971)

(Appearances are shown in Appendix A)

O P I N I O N

Highway Carriers Association (HCA) is a non-profit corpora-  
tion composed of persons, firms and corporations engaged in the  
transportation of property by motor vehicles, many of whom are engaged  
in the transportation of logs. By its petition filed May 7, 1971 as  
amended on August 7, 1971 HCA seeks the establishment of minimum rates  
for the transportation of logs on a statewide basis.

Public hearing on the petition was held before Examiner  
O'Leary at Sacramento on November 9, 10 and 11 and December 15 and 16,  
1971. The petition was submitted subject to the filing of concurrent  
briefs which were due February 23, 1972. Briefs were filed by the  
petitioner and two protestants, namely, Fibreboard Corporation and  
California Forest Protective Association. The matter is now ready  
for decision.

HCA presented evidence through its managing director and  
Jerry Holman who provides a bookkeeping and business management  
service for log haulers and others; of his total clientele approximately  
25 percent are log haulers.

Exhibit 3 sponsored by witness Holman is a cost study based on the records of 13 log haulers whose operations are confined to Amador, Calaveras and El Dorado Counties. The exhibit purports to cover the operations of the 13 carriers for the years 1968, 1969 and 1970 and May and June of 1971.

Exhibit 4 is a cost study which was prepared by the managing director of HCA. The data contained in said exhibit was compiled from the information set forth in Exhibit 3 and from responses of log hauling members of HCA to four questionnaires sent out by HCA. Copies of the four questionnaires were received in evidence as Exhibits 8, 9, 10 and 11. (Portions of Exhibits 10 and 11 were not received in evidence, namely, paragraphs 2, 3 and 4 of Exhibit 10 and paragraphs 1 and 5 of Exhibit 11) The witness testified that the completed questionnaires contained no information as to the name, location, or size of carriers.

Exhibit 2 sets forth HCA's proposed minimum rates for the transportation of logs. The managing directors of HCA testified that the purpose of filing the instant petition is to stabilize the rates for hauling of logs and to provide a record from which future studies can be made for the development of just and reasonable rates as required under Section 3662 of the Public Utilities Code. The witness also testified that the rates proposed in Exhibit 2 were not taken from the cost study but were developed by members of HCA. The witness further testified that the cost study was developed for the purpose of comparing the level of rates proposed and the cost of operations at 100 percent operating ratio.

Table 1 of Exhibit 4 sets forth a cost per revenue hour of \$18.65 at 100 percent operating ratio. Said figure was arrived at by totaling the following:

<u>Classification</u>	<u>Cost Per Revenue Hour</u>
Fixed Cost	\$3.95
Labor Cost	8.04
Support Equipment Cost	.73
Operating Cost	3.55
Overhead Cost	1.62
Overtime Work	.42
Total Cost	<u>\$18.31</u>
Increase for Gross Receipts Expense ( $18.31 \div 9815$ )	\$18.65

In order to arrive at the hourly cost the managing director computed the average number of working days per logging season to be 132 days. The cost per hour was developed by multiplying the 132 days by 12 to show that an average logging season contained 1,584 work hours. This figure was then reduced by 10 percent to arrive at 1,426 revenue hours per logging season. The \$3.95 fixed cost is based upon the present cost of a diesel 3-axle tractor and a 2-axle log trailer together with taxes and license fees. Said cost is set forth in Table 2 of Exhibit 4. The labor cost was developed pursuant to the labor contract of Eureka Local 684 Lumber Veneer, Plywood, Chips, Log Hauling and Forest Products Drivers Contract. The support equipment cost is based upon the cost of support equipment for the 13 carriers whose records were utilized to prepare Exhibit 3. The operating costs were developed by arriving at an average for the operating cost set forth in Exhibit 3 and information received from completed questionnaires from 15 additional carriers. The average was arrived at by dividing the total of the average of the 13 carriers and the 15 carriers by 2. The overhead expense includes insurance premiums and undistributed costs. This expense was computed in the same manner as operating costs as far as insurance premiums are concerned; however, only the costs of the 13 carriers used to formulate Exhibit 3 were used. The overtime cost was developed from information received from 22 carriers in response to question 2 of the questionnaire which was received in Exhibit 8. The average of 139 days worked was developed by averaging 18 of the responses (the

two highest and two lowest answers were not used in computing the average). The witness assumes that the 7 days in excess of his assumed number of 132 working days per season would be work that was performed on Saturdays.

In its amended petition HCA contends that Section 3662 of the Public Utilities Code requires that the Commission establish or approve rates when petitioned to do so. Section 3662 of the Public Utilities Code provides:

"3662. The commission shall, upon complaint or upon its own initiative without complaint, establish or approve just, reasonable, and non-discriminatory maximum or minimum or maximum and minimum rates to be charged by any highway permit carrier for the transportation of property and for accessorial service performed by it.

"In establishing or approving such rates the commission shall 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."

It is apparent that the cost study (Exhibit 4) is based upon the assumption that the labor cost for all carriers, transporting logs throughout the state, is at the level of the labor cost of those carriers who are parties to the Eureka Local 684, Lumber, Veneer, Plywood, Chips, Log Hauling and Forest Product Drivers contract; costs of 13 carriers who operate solely within the Counties of Amador, Calaveras and El Dorado and costs of a small number of additional carriers whose location of operations and size cannot be determined.

The cost per mile of transporting logs can vary substantially depending upon various factors including varying road conditions (dirt roads, paved roads, extreme grades, speed at which vehicles can travel, etc.). Such factors must be considered in arriving at just and reasonable minimum rates. The adoption of petitioner's proposal

would provide that the minimum rates for the transportation of logs under very favorable conditions would be the same as for the transportation of logs under very adverse conditions for the same length of haul.

Based on the record adduced the Commission cannot make a finding that the rates proposed would be just and reasonable and non-discriminatory rates for the transportation of logs.

Forty-eight persons representing shippers and carriers appeared as protestants to the petition.

After consideration the Commission finds that:

1. Petitioner's purpose in filing the instant petition is to stabilize the rates for hauling of logs and to provide a record from which future studies can be made for the development of just and reasonable rates.

2. The rates proposed by petitioner are not based on the cost study.

3. The purpose of the cost study is to compare the level of rates proposed and the costs of operations at 100 percent operating ratio.

4. The cost study (Exhibit 4) is based upon the assumption that the labor cost for all carriers transporting logs throughout the state is at the level of the labor cost of those carriers who are parties to the Eureka Local 684, Lumber, Veneer, Plywood, Chips, Log Hauling and Forest Product Drivers contract; costs of 13 carriers who operate solely within the Counties of Amador, Calaveras and El Dorado and costs of a small number of additional carriers whose location of operations cannot be determined.

5. The cost per mile of transporting logs can vary substantially depending upon various factors including varying road conditions.

6. The adoption of petitioner's proposal would provide that the minimum rates for the transportation of logs under very favorable conditions would be the same as for the transportation of logs under very adverse conditions for the same length of haul.

7. A finding that the public interest requires the establishment of minimum rates for the transportation of logs as requested by petitioner and that the rates proposed would be just, reasonable and non-discriminatory cannot be made from the record adduced.

Based on the above findings, the Commission concludes that the petition should be denied.

O R D E R

IT IS ORDERED that Petition for Modification No. 652 in Case No. 5432 is denied.

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

Dated at San Francisco, California, this 7<sup>th</sup> day of JUNE, 1972.

J. P. Barker Chairman  
William J. Sweeney  
Alton J. Baker  
James L. Sturgeon  
Ed. D. O'Connell Commissioners

## APPENDIX A

LIST OF APPEARANCES

Milton W. Flack, Attorney at Law, and Don B. Shields,  
 for Highway Carriers Association, petitioner.  
Vaughn, Paul & Lyons, by John G. Lyons, Attorney at  
 Law, and C. Fred Landenberger, for California  
 Forest Protective Association; Lester G. Paddock,  
 for Commander Industries, Inc.; Warren Goldsmith,  
 for International Paper Co.; H. A. Blankenship,  
 for Blankenship Trucking; John H. Yingst, for  
 Simpson Timber Company; Russell H. Hause, for  
 Kimberly-Clark Corporation; Arthur E. Lance, for  
 Lance Logging Company; John Rycraft, for John  
 Rycraft Trucking; Donald E. Nolan, for Don E.  
 Nolan Trucking; Jim Cyphers, for Redwood Construc-  
 tion Company; Eugene A. Hoisted, for Arcata  
 Redwood Company, Division of Arcata National  
 Corporation; Richard H. Pland, for Pickering  
 Lumber Company; Marvin Johns, Wayne H. Strowbridge  
 and Hersey Robb, for Georgia Pacific Corporation;  
J. A. McArthur, for Georgia Pacific Corporation,  
 Samoa Division; George Plumlee, for George Plumlee  
 Trucking and Rellim Redwood; Cam Fray, for Jack Fray  
 Logging & Trucking; Louis Smith, for Louis L.  
 Smith, L & R Trucking; Wayne Bare, for Wayne Bare  
 Trucking; Meyer Kapler and William H. Kuphaldt,  
 for American Forest Products Corp.; Milton A. Walker,  
 for Fibreboard Corporation; Joseph C. Akers,  
 for Diamond International Corp.; Victor Beccaria,  
 for Sierra Pacific Industries; Joseph R. Griggs,  
 for Cal-Sierra Timber Inc.; E. G. Eastman, for  
 Eastman Trucking; Bill Van Sicklin, for Boisie  
 Cascade Corporation; Emmett G. Baugh, for Emmett  
 Baugh Co., Inc.; Dan Egli, for San Hedrin Logging  
 Co.; M. R. Emerson, for Emerson Logging Co., Inc.;  
Lem C. Hastings, for Walker Forest; Norbert J.  
Leiberg, for U. S. Plywood-Champion Papers, Inc.;  
Doug Mondani, for Mondani Bros.; Bobby E. Tollett,  
 for Tollett Bros.; John Wheeler for John Wheeler  
 Logging; Elmer D. Zimmerman, for International  
 Paper Company; Ralph Walsh, Donald O. Vance,  
Dennis K. Tollett, Jim Smith, Fred Robison, Rupert  
Parra, Thomas C. Martin, Ron Cranfill, George E.  
Adams and Ralph H. Thompson, for themselves;  
 protestants.  
Ralph Hubbard, for California Farm Bureau; George  
Sheldon, for Redwood Empire Owner-Operators  
 Association; J. C. Kaspar, Ed Bill, H. F. Kollmyer,  
 and A. D. Poe, Attorney at Law, for California  
 Trucking Association; S. C. Linebaugh, for S. C.  
 Linebaugh Logging Co.; Melvin L. Brown, Al Mendes,  
 and Ben Mills, for themselves; interested parties.  
Charles F. Gerughty, Jr., for the Commission staff.