

Decision No. 80192

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 household-goods carriers, common
carriers, highway carriers, and city
carriers, relating to the transporta-
tion of used household goods and
related property.

Case No. 5330
Petition for Modification
No. 59
(Filed March 3, 1972)

Knapp, Gill, Hibbert & Stevens, by Warren N. Grossman, Attorney at Law, and Charles A. Woelfel, for California Moving & Storage Association, petitioner.
Sylvia M. Siegel, for herself and for San Francisco Consumer Action, Diablo Valley Consumer Action and Alameda Consumer Action, protestants.
Carl Dysinger, for Settles Van & Storage; Sam S. Blank, for Dependable Moving & Storage Company; F. Douglas Rideout, for Calmay Van Lines, Inc., dba California Moving & Storage; Q. M. Driver, for Stringer & Driver Moving & Storage; James A. Nevil, for Nevil Storage Company; Myron L. Spohn, for Central Moving & Storage; Robert C. Johnson, for Bekins Moving & Storage Company; Harry C. Kroening, and Crescencia S. Kroening, for Andy's Transfer & Storage; R. L. Reeves, for Lyons Van & Storage Company; and Roeder S. Stinson, for Owens Bros. Transfer & Storage, respondents.
H. F. Kollmyer, for California Trucking Association, interested party.
Robert W. Stich and Robert E. Walker, for the Commission staff.

O P I N I O N

In this petition California Moving and Storage Association, Inc. seeks increases in the local hourly moving rates and accessorial charges for Territory C, as set forth in Minimum Rate Tariff 4-B.^{1/}

This matter was heard before Examiner Mallory on May 4 and 5, 1972 in San Francisco, and the matter was submitted. Evidence was adduced by the petitioner and the Commission staff. Protestants presented no evidence, but opposed the granting of the rate relief on the basis that any increase in household goods moving rates adversely affects consumers.

The local moving rates for Territory C were last adjusted pursuant to Decision No. 78476, dated March 31, 1971, in Case No. 5330, Petition No. 56. The petition herein alleges that the rate increases established in said decision were predicated on prevailing labor and related costs of household goods carriers operating within Territory C as of April 1, 1971, and that as of April 1, 1972 there are additional increases in labor and related costs of such consequence that the minimum hourly rates and accessorial charges in Territory C will be unduly and unreasonably low. The petitioner seeks increases in said rates to restore them to a reasonable level.

Studies measuring the percentage changes in costs from those adopted as reasonable in Petition No. 56 (Decision No. 78476) were presented by representatives of petitioner and the Commission staff. The percentage-wise increases in total costs, as developed by said witnesses, are the following:

^{1/} Territory C consists of all counties in the State, except the following: Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Sonoma, Humboldt, Del Norte, Mendocino, Fresno, Madera, Merced, Napa, Sacramento, Solano, San Joaquin, Stanislaus and Yolo.

	Petitioner (Exhibit 59-1)	Staff (Exhibit 59-3)
Vehicle with driver and helper:		
2-axle truck	10.33	6.9
Tractor and semitrailer	9.82	6.7
Vehicle with driver:		
2-axle truck	9.27	6.7
Tractor and semitrailer	8.48	6.2
Labor:		
Extra helper	24.84	6.7
Packing and unpacking	11.24	7.6

The results set forth in the two exhibits differ primarily because of the different methods used by the witnesses in providing for increases in indirect expenses. The witness for petitioner used the so-called "Wage (Cost) Offset" method in the development of his cost study, whereas the staff cost witness used the so-called "Wage Offset" method.^{2/} Petitioner's witness relied upon the finding in Decision No. 78476 that the "Wage (Cost) Offset" method was reasonable for the purpose of that proceeding, for the continued use of said method. Petitioner's witness (in Exhibit 59-4) adjusted the data in the staff cost study in Exhibit 59-3 to reflect the "Wage (Cost) Offset" method of developing indirect expenses. Said exhibit shows the following percentages of increase:

^{2/} Decision No. 76353, dated October 28, 1969, in Case No. 5432, Petition No. 523, and in several other related minimum rate proceedings (none of which involved household goods), set forth three appropriate methods of developing cost information for use in minimum rate offset proceedings, such as Petition 56 herein. The methods are described as (1) Wage Cost Offset, (2) Wage Offset, and (3) Direct Wage Offset. The first assumes that indirect expenses increase proportionately with direct costs; the second assumes that only those expenses included in the indirect expense ratios related to salaries and wages will increase proportionately with the increases in direct labor costs; and in the third, indirect expenses are held constant and no allowance for changes in indirect expenses is made in the cost offset adjustment in rates.

Exhibit 59-4

Vehicle with driver and helper:

2-axle truck	8.76
Tractor and semitrailer	8.33

Vehicle with driver:

2-axle truck	7.89
Tractor and semitrailer	7.30

Labor:

Extra helper	22.47
Packing and unpacking	9.72

Petitioner's witness explained that, in addition to the adjustment referred to above, he also revised the cost basis in the staff's Exhibit 59-3 to reflect conditions in the Teamsters Union Contract concerning use of part-time labor. The witness stated that the contract provides for payment of $1\frac{1}{2}$ times the regular hourly rate for part-time employees. Based on estimates furnished to him by two carriers, the witness determined that an increment of 15 percent would be appropriate as an adjustment to the hourly rate for helpers to give effect to such contract provision.

Petitioner's witness recommended that cost data reflecting the "Wage (Cost) Offset" method of developing increased costs be used as the basis for adjusting rates; and that current rates be increased by the percentage increases in costs developed by such method.

The Commission staff witness proposed that any increase in rates resulting from this proceeding be limited to $5\frac{1}{2}$ percent. The witness based this recommendation on the fact that several decisions issued since December, 1971, in minimum rate proceedings have limited

offset rate increases to $5\frac{1}{2}$ percent or less.^{3/} The witness stated that said decisions indicated that rate increases were held to $5\frac{1}{2}$ percent in conformity with the Federal Government's economic stabilization guidelines. The witness stated that there is no rule of the Federal Price Commission nor federal statute which so limits the rate increase sought herein.

The staff rate witness testified that it would be appropriate to give consideration herein only to the dollar change in the labor and related expenses as of May 1, 1972 based on the wage-offset method, without further expansion for profit, in view of the goal of the Federal Economic Stabilization program to control inflation. The witness explained that a limitation of $5\frac{1}{2}$ percent on the rate increases resulting from this proceeding would accomplish those objectives.

3/ The witness cited the following decisions which have held minimum rate increases to an average of $5\frac{1}{2}\%$ or lower:

<u>Minimum Rate Tariff</u>	<u>Dec. No.</u>	<u>Dated</u>	<u>Case</u>	<u>Pet.</u>	<u>Percent of Increase Authorized</u>
2	79483	12-14-71	5432	665	$5\frac{1}{2}$
1-B, 19	79490	12-21-71	5441	232	$5\frac{1}{2}$
15	79627	1-18-72	7783	46	$5\frac{1}{2}$
8	79902	4- 4-72	5438	80	5
9-B	79907	4- 4-72	5439	150	$5\frac{1}{2}$
4-B	79911	4- 4-72	5330	58	4.6
7, 17	79674	4-18-72	5437	212	$5\frac{1}{2}$

The following table sets forth the present hourly rates (Column A), the rates proposed by petitioner (Column B), rates determined on the staff's proposal of an increase of 5½ percent (Column C), and rates based on the staff's "Wage-offset" cost development, without provision for additional profit (Column D):

TABLE I
(Rates in cents per hour)

<u>Unit of Equipment:</u>	<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>	<u>Col. D</u>
(a) With driver	1235	1350	1305	1310
(b) With driver and 1 helper	2145	2365	2265	2285
Additional helpers, per man	655	820	690	695
Packing)				
Unpacking)	950	1055	1000	1020

Discussion

Our prior holdings in Decision No. 78476, and decisions cited therein, were to the effect that, in the absence of substantive reasons to support a change, the "Wage (Cost) Offset" method heretofore found reasonable should be continued to be used as the appropriate basis for adjusting Territory C household goods hourly rates. The Commission staff has introduced evidence in this proceeding that indicates that this holding should be modified, for the purposes of this proceeding, because the Federal Economic Stabilization program requires that rate increases be the minimum required to assure continued, adequate and safe service by carriers engaged in the transportation services covered by the rates in issue. The lowest level of rates which will return all of the increases in costs (without provision for additional profit) are those set forth in Column D, above. Therefore said rates should be established by the order herein.

Findings and Conclusions

The Commission finds as follows:

1. 1. As of May 1, 1972, the prevailing labor costs of household goods carriers operating in Territory C, as described in Minimum Rate Tariff 4-B, have increased.

2. Prior decisions involving hourly rates and accessorial charges for local moving service have adopted the staff cost studies introduced in the proceedings therein as appropriate measures of the impact of increased wages and allied costs (Decisions Nos. 78476, 77194, 73386, 74676, 75995 and 76627).

3. It will be reasonable for the purposes of this proceeding to adjust the existing hourly rates and accessorial charges in Territory C by using the Wage Offset method described in Decision No. 76353, supra.

4. The cost finding system used in the report of the Commission staff engineer, as specifically set forth in Exhibit 59-3, reasonably and appropriately measures the impact of the increased costs occurring since the Territory C hourly rates and accessorial charges were last adjusted.

5. The rates set forth in Column D of Table 1, above, reasonably and appropriately reflect said increases in the cost of transporting household goods and of accessorial services. Said rate increases are justified.

6. To the extent that the existing minimum hourly rates and accessorial charges in Territory C do not reflect the cost increases measured in Exhibit 59-3, said minimum rates are, and for the future, will be, unreasonable and insufficient minimum rates for the services to which they apply.

The Commission concludes that Petition No. 59 should be granted to the extent provided by the order which follows, and that Minimum Rate Tariff 4-B should be amended to incorporate the minimum rates found reasonable herein.

O R D E R

IT IS ORDERED that:

1. Minimum Rate Tariff 4-B (Appendix C of Decision No. 65521, as amended) is further amended by incorporating therein, to become effective August 5, 1972, the revised pages attached hereto and by this reference made a part hereof, which pages are numbered as follows:

Sixteenth Revised Page 28

Fifteenth Revised Page 29

2. Common carriers subject to the Public Utilities Act, to the extent that they are subject also to said Decision No. 65521, as amended, are hereby directed to establish in their tariffs the increases necessary to conform with the further adjustments ordered herein.

3. Tariff publications required 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 fifth day after the effective date of this order, on not less than five days' notice to the Commission and to the public, and shall be made effective not later than August 5, 1972.

4. In all other respects said Decision No. 65521, as amended, shall remain in full force and effect.

5. Appendix A attached to the decision constitutes the certification required by the Code of Federal Regulations.

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

Dated at San Francisco, California, this 27th day of JUNE, 1972.

William J. Lyons Chairman

Thomas L. Sturgeon

Commissioners

I dissent,
William J. Lyons

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

APPENDIX A

DATA REGARDING INCREASES IN RATES
FOR CERTAIN TRANSPORTATION SERVICES
PERFORMED BY FOR-HIRE HIGHWAY CARRIERS
WITHIN CALIFORNIA

1. The increases averaging 6.3 percent in rates which are ordered by the decision to which this certification is attached apply to rates which the Cal. P.U.C. has heretofore established as minimum rates for the transportation of household goods locally except within portions of 19 counties surrounding San Francisco Bay by for-hire highway carriers operating under reasonably efficient circumstances. ✓
2. The increased minimum rates reflect cost conditions existing as of May 1, 1972. Said rate increases are cost-based and do not reflect future inflationary expectations.
3. Said rate increases are the minimum required to assure continued, adequate and safe service by carriers engaged in for-hire highway transportation of household goods within the aforementioned territory.
4. The dollar amount of the increased revenue which the increases in rates are expected to provide the carriers collectively is about \$2,095,000.
5. Said rate increases are not more than those sufficient to return to the carriers increases in operating costs which the carriers have experienced and which are not reflected in present minimum rates; hence, said rate increases:
 - a. Will not result in an increase in earnings which the Cal. P.U.C. has heretofore determined to be the minimum required to maintain adequate and safe transportation for the public.
 - b. Will not increase the carriers' overall rate of return on capital.
6. Sufficient evidence was taken at public hearings held before the Cal. P.U.C. in connection with said rate increases to support the certification herein made.

SECTION 3--RATES (Continued)				ITEM	
RATES IN CENTS PER HOUR (1) (2) (Applies for Distances of 50 Constructive Miles or Less)				6330	
Unit of Equipment: (a) with driver _____ (b) with driver and 1 helper _____ Additional helpers, per man _____ Minimum charge—the charge for one hour.		TERRITORY (3)			
		A	B		OC
		1550	1220		1310
		2770	2120		2285
		990	640	695	
(1) See Item 70 for application of rates. (2) See Item 95 for computation of time. (3) See Item 210 for territorial descriptions.					
DISTANCE RATES IN CENTS PER PIECE (1) (2) (Applies to Shipments of Not More Than 5 Pieces for Distances of 50 Miles or Less)				340	
FIRST PIECE			Each Addi- tional Piece		
MILES (3)					
Not Over 10	Over 10 but Not Over 20	Over 20			
1025	1905	2665			
			355		
(1) See Item 70 for application of rates. (2) Rates in this item will not apply to split pickup or split delivery shipments, or storage in transit privileges. (3) See Item 50 for computation of distances.					
<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div> ⚡ Change) ⬆ Increase) </div> <div> Decision No. 80192 </div> </div>					
EFFECTIVE					
ISSUED BY THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA, SAN FRANCISCO, CALIFORNIA.					
Correction					

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