

ORIGINAL

Decision No. 80301

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 (com-
modities for which rates are
provided in Minimum Rate Tariff 12).

Case No. 5604
Petition for Modification
No. 30
(Filed March 17, 1972)

Richard W. Smith and Arlo D. Poe, Attorneys at Law,
and H. F. Kollmyer, for California Trucking
Association, petitioner.
George W. Pasha III, for Pasha Truckaway, respondent.
Robert E. Walker, for the Commission staff.

O P I N I O N

Minimum Rate Tariff 12 (MRT 12) contains statewide minimum rates for the transportation of motor vehicles in secondary truckaway service.^{1/}

California Trucking Association seeks, in the petition herein, the establishment of revised surcharge increases of 15 and 20 percent, in lieu of the present surcharge of 10 percent applicable to all rates and charges in MRT 12. The 15 percent surcharge is proposed to expire on August 31, 1972, and the 20 percent surcharge is proposed to become effective September 1, 1972.

^{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 vehicle transported rests wholly or partly on the carrier's equipment.

Public hearing was held and the petition was submitted before Examiner Mallory at San Francisco on May 18, 1972. Evidence was presented by a cost analyst employed by petitioner, and by representatives of five highway carriers which engage in transporting motor vehicles under rates in MRT 12. The Commission staff representative opposed the granting of rate relief in excess of 5-1/2 percent annually which, he argued, was the highest increase allowed by the Commission in other minimum rate proceedings, and the maximum permissible under federal price control regulations.

Background

The last general increase in MRT 12 is the 10 percent surcharge authorized by Decision No. 78905, dated July 13, 1971.^{2/} That decision indicates that the increase granted therein reflects carrier wages and related costs which became effective September 1, 1971. That decision states that the increases were granted in the form of a surcharge pending completion of cost and rate studies to be undertaken by the Commission staff, and which were expected to be completed by the end of 1971. Decision No. 78905 recites that, prior to the adjustment made therein, rates in MRT 12 had not been adjusted since the rate increase effective May 5, 1962, pursuant to Decision No. 63413 (59 Cal. P.U.C. 439). Decision No. 78905 states that in the period between said rate increases, carriers operating under the rates in MRT 12 were able to absorb increases in operating costs, such as drivers' wages, because of increases in productivity stemming from the use of more efficient trucking equipment placed in operation in that period and because the size of many models of automobiles transported in secondary truckaway service was reduced in that time span. The decision pointed out that increased productivity resulting from the foregoing was no longer available to

^{2/} The increase granted by Decision No. 78905 was suspended by Decision No. 79037 because of the executive order of the President freezing prices. The suspension was lifted effective November 22, 1971, by Decision No. 79371, upon the expiration of the price freeze period.

carriers because their equipment had reached optimum size and weight-carrying capacity.

Decision No. 78905 found, inter alia, that carriers operating under MRT 12 had incurred substantial increases in operating costs, principally labor cost increases resulting from collective bargaining agreements, that were not offset by gains in productivity, and that carriers engaged in operations under MRT 12 could no longer absorb increased wage costs as they had done in the period between rate adjustments.

Status of Staff Studies

The record shows that the staff studies contemplated in Decision No. 78905 were not completed because the staff was not able to provide the necessary personnel in view of commitments in other areas. The staff representative indicated that the Commission's Transportation Division was appraising all of its current assignments and workload to determine those matters which should be given priority. The staff representative stated that at the present time the staff intends to complete the MRT 12 cost and rate studies by the fall of 1973, but this target date may be changed after the staff appraisal of its assignments is completed. The staff representative further stated that there are a limited number of shippers and carriers involved in MRT 12 transportation services; therefore, agreement as to appropriate rate levels may be achieved without difficulty.

Petitioner's Evidence

A cost analyst on the staff of the California Trucking Association presented two exhibits. The first contained a comparison of the weighted 1971 labor and related costs with similar costs effective March 1, 1972 and September 1, 1972 pursuant to collective bargaining agreements. Said exhibit also contains comparisons of current social security and other payroll taxes and workmen's compensation insurance rates with those in effect in prior years. The witness stated that labor costs had increased an average of 8 percent

in the period between March 1, 1972 and the last rate adjustment, and that further labor cost increases of approximately 8.5 percent will occur on September 1, 1972. Petitioner seeks revision of the minimum rates to offset such cost increases.

The second exhibit presented by the analyst was an analysis of the impact of the 1972 wage increases on the operating results of carriers engaged in transportation under the rates in MRT 12. The witness explained his development of this exhibit as follows: Fourteen carriers earn significant revenues from services performed under MRT 12 rates and charges. Of this group, six carriers earned more than fifty percent of their revenues from said tariff. The composite 1970 operating results of the carriers were adjusted (1) to reflect in operating expenses the increased labor, payroll and insurance expenses measured in the first exhibit, and (2) to reflect in operating revenues the increases sought in this proceeding. Separate analyses were made for the March 1, and the September 1, 1972 wage increases for the group of six carriers and for the group of fourteen carriers. The following table sets forth the analysis of operating results of six carriers giving effect to the March 1, 1972 wage increase.

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)	\$4,848,468
Operating Expenses (B)	4,903,344
Operating Ratio	101.1%

- (A) Includes increase revenues of \$172,798.
(B) Includes increased expenses of \$231,682.

The carriers represented in the foregoing table had 1970 revenues of \$3,455,956 from secondary truckaway service within California; thus, approximately 74 percent of their total revenues were from this source.^{3/}

The witness stated that 1970 was used as the datum plane because 1971 operations of the selected carriers were extraordinary as a result of the longshoremen's strike of Pacific Coast ports from August 6, 1971 through March 4, 1972. The witness explained that four of the six carriers in Table 1 earn significant amounts of their revenues from truckaway of foreign cars from ports of entry to dealers in California. During the strike period all California ports were closed and imported automobiles were transported by the carriers into this country from Mexican ports (primarily Ensenada). Certain efficiencies in loading and scheduling not ordinarily available at United States ports of entry were made available to the carriers by the Mexican port operators. Also, the imported automobiles were transported in full loads to a single destination point. When the strike was over the major California ports were crowded with other cargo, and many foreign automobiles were brought into California through Port Hueneme.

The witness testified that, as a result of the foregoing operating patterns, productivity was increased in 1971 over prior years. However, productivity returned to approximately the same level as in 1970 when the dock strike ceased and normal operations from California ports were resumed. The witness stated that it is his opinion that 1970 operating results more nearly reflect current conditions than the 1971 operating results because of the unusual conditions existing during the latter part of 1971.

^{3/} The record shows that carriers engaged in contract carrier operations for initial movements and common carrier operations in interstate secondary movements not subject to MRT 12 have increased their rates for such transportation services in 1972.

Carrier Witnesses

Representatives of five carriers testified concerning operations of their companies during recent periods. The witnesses explained their methods of operation during 1970, 1971 and the first quarter of 1972. That testimony confirmed the statements of the CTA witness with respect to the unusual operating conditions existing during the longshoremen's strike. Those carriers which engaged in hauling imported automobiles from Ensenada, Mexico, to California points stated that the rates received for this transportation were higher than MRT 12 rates for similar distances.

The carrier witnesses also testified concerning the need for rate increases to offset current labor cost increases. Their testimony was that such labor cost increases cannot be absorbed, inasmuch as operations under MRT 12 would be conducted at the break-even point or at a loss in 1972 if the sought increases are not granted.

The witnesses stated that all possible gains in productivity have been achieved in prior years and no further gains can be achieved in 1972 because of limitations on equipment size and weight and because no more efficient use can be made of labor.

Some of the carrier witnesses testified as to increases in rates placed in effect during 1972 with respect to transportation services conducted by them which are not subject to MRT 12. For example, a carrier which engages in contract carriage of new automobiles in initial service raised its contract carrier rates by 2.75 percent in January and again by 2.6 percent in April of 1972. A carrier engaged in interstate common carrier operations in California raised rates for that service by 2 percent in January and again by 4 percent in May of 1972.

Position of Commission Staff

The Commission staff representative urged that the granting of the petition herein would be inconsistent with Price Commission regulations. He stated in the event an increase is granted, it should

be limited to 5-1/2 percent, inasmuch as the Commission has limited offset increases in other minimum rate proceedings to that amount.^{4/}

Discussion

It is undisputed on the record that carriers engaged in transportation under MRT 12 have incurred and will incur cost increases which are not reflected in the minimum rates in said tariff. The record also shows that in the period between 1962 and 1970 carriers transporting automobiles in secondary truckaway service experienced substantial gains in productivity, and that during said period the rates in MRT 12 were not increased. The record also shows that further gains in productivity are not available; thus there are no current productivity gains which can offset the increases sought herein.

The Federal Economic Stabilization program requires that rate increases be the minimum necessary to assure continued, adequate and safe service by carriers engaged in the transportation services covered by the rates in issue. Current regulations of the Price Commission contain no limitation of 5-1/2 percent.

The Commission staff urges that the total increase authorized herein be limited to 5-1/2 percent, which is the maximum increase authorized in other minimum rate proceedings since the advent of price controls. The increases in the decisions referred to by the staff were designed to offset in rates the first step labor increases incurred in 1972, which generally were effective January 1, 1972. Requests for additional rate increases to offset the second

^{4/} Recent Commission decisions which have held minimum rate increases to an average of 5-1/2 percent or lower:

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

step labor cost increases effective July 1, 1972 are currently before the Commission and the issues in those proceedings have not been decided. The decision herein covers the first and second step 1972 labor cost increases of carriers engaged in hauling motor vehicles in truckaway service. The record shows that to hold the combined first and second step increase sought herein to 5-1/2 percent would cause the operations of the carriers which earn more than half their revenues from the truckaway minimum rates to operate at a loss. Clearly, the purposes of federal price control regulations are not to foreclose price increases necessary to maintain this portion of trucking industry in a healthy condition.

This record establishes that the carriers having substantial operations under MRT 12 cannot absorb the contractual wage increases to be incurred in 1972 and continue to operate at a profit. The record shows that even with the sought rate increases said carriers' operations will only be marginally profitable.

The wage increases herein are the result of wage contracts negotiated prior to the inception of federal controls; therefore, there is no limitation in Price Commission rules as to the volume of wage increase which may be reflected in prices. The wage increase effective March 1, 1972, is now being incurred by the carriers. The wage increase effective September 1, 1972, can be withheld by the Wage Board; but the likelihood of such increase being withheld, in light of past Wage Board actions, appears very remote. The rate increase sought to offset the September 1, 1972 increase is proposed to become effective on that date; therefore, said rate increase will not reflect future inflationary expectations.

In the circumstances, the increases are justified in light of the economic needs of the carriers involved, and appear to be consistent with current Federal Economic Stabilization rules.

Findings and Conclusions

1. The minimum rates for the transportation of motor vehicles in secondary movement, as set forth in MRT 12, were last adjusted pursuant to Decision No. 78905, dated July 13, 1971, in Case No. 5604, Petition No. 27. Said decision reflects labor and related costs which became effective in 1971.

2. Carriers subject to MRT 12 have or will incur further labor cost increases effective March 1, and September 1, 1972 pursuant to collective bargaining agreements negotiated prior to the advent of the Federal Economic Stabilization program. Said cost increases are not reflected in the rates in MRT 12.

3. Prior to Decision No. 78905, the rates in MRT 12 were last adjusted effective May 15, 1962, pursuant to Decision No. 63413 (59 Cal. P.U.C. 439). Decision No. 78905 found that between 1962 and 1971, increases in wages incurred by carriers operating under MRT 12 were offset in whole or in part by reductions in operating costs resulting from increased productivity from the transportation of greater numbers of cars per load, and that no further increase in productivity from this source is available. Said decision also found that carriers operating under MRT 12 could no longer absorb wage increases as they had done in the past.

4. The record shows that no further increases in productivity from any source are currently available to carriers transporting motor vehicles under rates in MRT 12.

5. The surcharge rate increases sought in this proceeding produce increases in revenues no greater than the increases in expenses resulting from the cost increases measured in petitioner's exhibits. Carriers operating under MRT 12 cannot absorb further cost increases of the magnitude resulting from contractual wage increases and continue to operate at a reasonable profit.

6. The surcharge increases sought in this petition are justified.

7. 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. Inasmuch as the earliest date that tariff pages can be made effective is September 1, 1972, the increase contained in the order which follows will be the second step increase requested to become effective September 1, 1972.

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 September 1, 1972, Supplement 4, 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 September 1, 1972, 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.

7. Appendix A attached hereto 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 25th day of JULY, 1972.

~~Commissioner J. P. V. Commission, being necessarily absent, did not participate in the disposition of this proceeding.~~

President
William Lyons

[Signature]

[Signature]

Commissioner J. P. V. Commission
-11- necessarily absent, did not participate
in the disposition of this proceeding.

APPENDIX A
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Certificate of the Public Utilities Commission
of the State of California for Certain
Transportation Services Performed by
For-Hire Highway Carriers within California

Pursuant to provisions of Section 300.16 of the Economic Stabilization Act of 1971, as amended, the Public Utilities Commission certifies to the Federal Price Commission as follows:

1. The decision to which this appendix is attached provides increases in minimum rates for the transportation of new and used motor vehicles (principally automobiles) when transported in secondary truckaway service within the State of California (Minimum Rate Tariff 12). The decision increases rates for said services by 9.09 percent effective September 1, 1972.

2. The record in the proceeding shows that 14 carriers earn revenues from the services provided in Minimum Rate Tariff 12. The revenues of said carriers are estimated to increase annually by \$1,975,000 under the increase authorized in the order to which this certificate is attached.

3. The adjusted minimum rates are estimated to return to the group of six carriers (which earn 50 percent or more of their revenues under rates in Minimum Rate Tariff 12) a composite operating ratio (before federal income taxes) of 101.8 percent under the increase. The operating ratios of the test group of 14 carriers (which includes the aforementioned 6 carriers) are estimated to be 103.1 percent.

4. The minimum rate increases authorized in the decision to which this appendix is attached are designed to directly offset the increases in wages, payroll taxes, and operating taxes which became effective April 1, 1972 or prior thereto, and are not reflected in the minimum rate levels, or are scheduled to become effective September 1, 1972.

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5. There are no current increases in productivity which offset the 1972 increases in wage costs for the highway carriers engaged in services for which rates are provided in Minimum Rate Tariff 12.

6. The rate increases authorized herein are the minimum necessary to assure continued, adequate and safe service by carriers engaged in the for-hire highway transportation of motor vehicles in secondary service.

7. Sufficient evidence was taken at public hearings held before the Public Utilities Commission to support the certification made herein.

8. The increases are cost justified and do not reflect future inflationary expectations.

9. The increases do not reflect labor costs in excess of those allowed by Price Commission policies.

SURCHARGE SUPPLEMENT

SUPPLEMENT 4

(Cancels Supplement 3)

(Supplement 4 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

Compute the amount of charges in accordance with the rates and rules in this tariff and increase the amount so computed by twenty (20) percent, dropping fractions of less than one-half cent and increasing fractions of one-half cent or greater to one cent.

◇ Increase, Decision No.

80301

EFFECTIVE September 1, 1972