

ORIGINAL

Decision No. 80654

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)
transportation of used household)
goods and related property.)

Case No. 5330
Petition for Modification No. 62
(Filed June 8, 1972)

Knapp, Gill, Hibbert & Stevens, by Warren N. Grossman,
Attorney at Law, and Charles A. Woelfel, for
California Moving & Storage Association,
petitioner.

Thomas P. Fagan, R. T. Schmitz, Robert C. Johnson
and Richard E. Dotts, for Bekins Moving & Storage
Co.; Frank A. Payne, Jr. and Ralph G. Darrow,
for Lyon Van & Storage Co.; A. L. Chipman, for
Chipman Moving & Storage Co.; Tom Wooff, for
Smyth Van & Storage Co.; Quig M. Driver, for
Stringer & Driver Moving & Storage; Ralph E.
Rose, for City Transfer & Storage Co.; James A.
Nevil, for Nevil Storage Co.; Carl Dysinger,
for Settle's Van & Storage, Sam S. Blank, for
Dependable Moving & Storage Co.; and Ernest
Conner, for Ernie Conner's Moving & Storage;
respondents.

H. F. Kollmyer, J. C. Kaspar, for California Trucking
Association; and Tad Muraoka, for Jess Butcher,
California Manufacturers Association and IBM
Corporation; interested parties.

Charles F. Gerughty and Clyde T. Neary, for the
Commission staff.

O P I N I O N

The California Moving & Storage Association seeks increases
in the Territory A hourly rates and charges named in Items 330 and
350 of Minimum Rate Tariff 4-B (MRT 4-B) governing the highway

transportation of household goods.^{1/} The sought increases in hourly rates amount to 12.6 percent for a unit of equipment with driver and 15.3 percent for a unit of equipment with driver and one helper. A 20.7 percent increase is sought in the present per man charge for additional helpers and a 15.6 percent increase in the accessorial hourly rate for packing and for unpacking.

The petition was heard before Examiner Gagnon at San Francisco on July 27 and 28, 1972, and submitted on the latter date subject to the receipt of a late-filed exhibit, which has been received.

The petition states that the current minimum hourly rates for the movement of household goods within Territory A were established pursuant to Decision No. 79911, dated April 4, 1972, in Case No. 5330 (Petition 58).^{2/} Said decision authorized an average increase of about 4.6 percent as an offset for like increases in drivers' and helpers' wages and allied payroll expenses, effective generally as of January 1, 1972, pursuant to collective bargaining agreements between household goods carriers and Teamster Union locals.^{3/} Under the terms of said labor agreements, further increases in labor and allied payroll expenses become effective as of July 1, 1972. For example, the hourly wage rates for drivers, helpers and packers will be generally increased 25 cents per hour plus an 8 cents cost of living allowance. A 5 percent sales tax was also recently imposed on gasoline.

^{1/} Territory A consists of the Counties of Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara and a portion of Sonoma County.

^{2/} The California Moving & Storage Association petition for rehearing of Decision No. 79911 was denied by the Commission's order in Decision No. 80179, dated June 20, 1972.

^{3/} The 4.6 percent increase authorized by Decision No. 79911 was in addition to a surcharge increase of 4 percent in Territory A rates authorized by Decision No. 78801 of June 15, 1971, in Case No. 5330 (Petition 57).

In Exhibit 62-2 petitioner measured the effect of the increases in labor costs and related expenses experienced by household goods carriers since the minimum Territory A hourly rates named in MRT 4-B were last adjusted. The January 1, 1972 historical hourly labor costs per revenue hour set forth in the Commission staff Exhibit 58-3 of record in Decision No. 79911 was first adjusted upward by petitioner to reflect the carriers' July 1, 1972 increased labor and related expenses. The resulting updated costs were then compared with petitioner's January 1, 1972 total hourly costs computations set forth in Exhibit 58-1 of record in Decision No. 79911. The resulting percentage relationships were then used as the datum plane for increasing the Territory A hourly rates originally proposed in Petition 58 but not subsequently adopted by the Commission in Decision No. 79911. The percentage adjustments employed by petitioner are set forth below:

Table 1

<u>Description</u>	<u>Two-Axle Truck</u>	<u>Tractor-Semi</u>
Vehicle with Driver & Helper	6.23%	6.00%
Vehicle with Driver	6.56	5.27
Extra Helpers	7.80%	
Packing & Unpacking Labor	6.57	

The Commission staff also updated the historical costs of record underlying the MRT 4-B Territory A hourly rates so as to reflect the increases in labor and allied expenses experienced by the household goods carriers as of July 1, 1972. The staff developed wage and so-called fringe benefit data by analysis of current information obtained from the carriers studied in the historical cost study of record. Running costs were also updated to reflect the 5 percent sales tax imposed on gasoline. Gross revenue expenses were adjusted to reflect the increase in the Cal. P.U.C. Transportation Rate Fund Fee to 0.33 percent, effective July 1, 1972. The percentage increases in the historical costs of record developed by the staff are set forth below:

Table 2

<u>Description</u>	<u>Two-Axle Truck</u>	<u>Tractor-Semi</u>
Vehicle with Driver & Helper	3.63%	3.52%
Vehicle with Driver	3.27	3.12
Extra Helpers	2.58%	
Packing & Unpacking Labor	3.61	

It will be noted from Tables 1 and 2 above that the percentage increases (datum plane) in the January 1, 1972 historical cost data supporting the current level of MRT 4-B Territory A hourly rates, required to reflect the July 1, 1972 increases in labor and allied expenses, are considerably higher under petitioner's calculations than those resulting under the like computations of the Commission staff. The lower datum plane established by the staff is primarily due to the following major differences in the cost offset procedures employed by petitioner and the staff:

1. The petitioner employed the so-called Wage (Cost) Offset procedure for determining the percentage increase (datum plane) necessary to reflect the July 1, 1972 increases in labor costs and allied expenses. The staff, on the other hand, employed the Wage Offset method for determining the aforementioned datum plane.^{4/} Under the Wage (Cost) Offset method, indirect expenses are increased in the same proportion as direct costs; whereas under the Wage Offset method only wage and salary expense items included in the established indirect expense ratios are increased proportionately with the increases in direct costs.

2. The staff cost engineer witness explained that the July 1, 1972 level of driver and helper wage costs he developed were reduced by a productivity gain factor of 2.3 percent (Exhibit 62-6, Part One). Said productivity rate was also employed to lower the staff's

^{4/} The description and application of the Wage (Cost) Offset and Wage Offset procedures are more specifically set forth in Decision No. 76353 (70 Cal. P.U.C. 277).

estimated indirect labor cost ratio of 60 percent to 58.7 percent. The resulting reduced July 1, 1972 labor costs were then used by the staff cost engineer in his subsequent Wage Offset computations to determine the percentage increase occurring in the January 1, 1972 historical cost data underlying the existing level of hourly rates. The petitioner, on the other hand, contends that the household goods carriers have not experienced any productivity gains since the MRT 4-B Territory A hourly rates were last adjusted and, consequently, no such productivity rate is employed by petitioner in its Wage (Cost) Offset rate increase proposal.

In Exhibit 62-6, Part Two, the Commission staff rate witness presented a revised level of Territory A hourly rates which gives consideration to the actual dollar change in labor and related expenses as of July 1, 1972. Said dollar amount of increase was determined from the staff cost engineer's prior Wage Offset computations. The hourly rates developed by the staff rate witness provide for an average rate increase of 3.3 percent. A comparison of the present MRT 4-B Territory A hourly rates with those proposed by petitioner and as developed by the staff rate witness are set forth in the following Table 3:

Table 3

MRT 4-B, Item 330 - Hourly Rates in Cents Per hour:

<u>Unit of Equipment</u>	<u>Territory A</u>		
	<u>Present</u>	<u>Petitioner</u>	<u>Staff</u>
(a) With Driver	\$ 15.50	\$ 17.45	\$ 15.95
(b) With Driver & One Helper	27.70	31.95	28.65
(c) Extra Helpers, Per Man	9.90	11.95	10.15

MRT 4-B, Item 350 - Accessorial Charges:

Packing & Unpacking	12.20	14.10	12.65
---------------------	-------	-------	-------

The staff rate witness also presented a comparison of the increased revenues he estimates will accrue to the carriers under petitioner's rate proposal as opposed to the additional revenues anticipated under the adjusted hourly household goods rates developed by the staff. A summary of this analysis shows:

Table 4

<u>Estimated Revenues</u>	<u>Petitioner's Rate Proposal</u>	<u>Adjusted Staff Rates</u>
As of September 1, 1972 - \$9,486,230	\$10,947,109	\$9,799,275
Revenue Increase	1,460,879	313,045
Difference		\$1,147,835

The staff's computations noted in Table 4 above indicate that, under the adjusted rates developed by the staff, the carriers would realize approximately \$313,045 in additional revenues to offset the July 1, 1972 increases in their labor costs and related expenses. The staff's estimate of the additional revenues expected to be generated under petitioner's rate proposal amounts to approximately \$1,460,879.

Petitioner's application of its sought rate increase to the level of Territory A hourly rates that it originally proposed in Petition 58, which was higher than the resulting level of rates authorized by Decision No. 79911, was in contemplation of the Commission's action on a pending petition for rehearing of Decision No. 79911. By Decision No. 80179, dated July 15, 1972, in Case No. 5330, said petition for rehearing was denied. This particular phase of petitioner's rate proposal is now contrary to the existing known facts of record and need not be further considered.

In Decision No. 79911 the so-called Wage Offset procedure for reflecting labor cost offset increases in MRT 4-B Territory A hourly rates was found to be "...reasonable for the purposes of this proceeding." No evidence was presented in the instant proceeding which would move the Commission to reach a different finding.

The only basis for the Commission staff application of a productivity rate of 2.3 percent is the productivity rates established by the Federal Price Commission as guidelines for use by regulatory agencies. Appendix III of Part 300 of Title 6 of the Code of Federal Regulations sets forth a productivity rate of 2.3 percent for the classification "Trucking, Except Local". Such guideline, by definition, does not apply to local moving at hourly rates for distances not exceeding 50 miles. Additionally, the cost considerations underlying the proposed rate increases consist of like increases in labor costs and allied operating taxes. Under Rule 23.1, Section (E)(2)(b) of the Commission's Rules of Procedure rate increases intended to pass through increased costs resulting from taxes, other than income taxes, are

not subject to procedures and guidelines established to give effect to the policies of the Federal Economic Stabilization Act of 1970, as amended. Under said act we have, therefore, only to consider here the increases in labor costs. The minimum household goods rates under consideration are hourly rates. To a substantial degree any improvement in the productivity rate of the household goods carriers involved will be reflected in fewer performance hours upon which the minimum hourly rates are to be applied which, in turn, will result in lower total freight charges.^{5/} The application of a 2.3 productivity factor as proposed by the staff in this proceeding is, therefore, improper.

Adoption of the Wage Offset increase in MRT 4-B Territory A hourly rates as developed by the Commission staff, modified so as to exclude the effects of a productivity factor of 2.3 percent, would result in the following changes in the staff rate development:

Table 5

<u>Unit of Equipment</u>	<u>Adjusted Staff Rates</u>	<u>Modified Staff Rates (1)</u>
With Driver	\$ 15.95	\$ 16.20
With Driver & One Helper	28.65	29.05
Additional Helpers, Per Man	10.15	10.30
Packing/Unpacking	12.65	12.85

(1) Charges rounded off to nearest five cents.

The modified staff rates shown in Table 5 above provide for an average increase of approximately 4.7 percent and projected additional revenues of about \$445,852, in lieu of the \$313,045 contemplated under the scale of rates developed by the staff.

^{5/} Improvement in productivity by reducing "non-productive" time of employees or by increasing the "revenue hours" of the equipment may lower the minimum charge per hour to the shipper.

Findings and Conclusions

The Commission finds that:

1. The minimum household goods hourly rates and charges for Territory A named in Minimum Rate Tariff 4-B were last adjusted by Decision No. 79911, dated April 14, 1972, in Case No. 5330. By said decision the Territory A hourly rates and charges were adjusted upward so as to reflect the labor costs and allied payroll expenses of the household goods carriers generally in effect as of January 1, 1972.

2. As of July 1, 1972, the prevailing costs of household goods carriers operating in Territory A, as described in Minimum Rate Tariff 4-B, will be further increased due to increased wage costs and allied expenses. The labor cost increases experienced by the household goods carriers involved herein have not been previously considered by the Commission nor reflected in the current level of hourly rates named in Minimum Rate Tariff 4-B for Territory A.

3. In recognition of the objectives of the Federal Economic Stabilization Act of 1970, as amended, and the desire of the Commission to maintain its minimum rates at the lowest level consistent with the maintenance of an adequate transportation system, the Wage Offset method described in Decision No. 76353 (70 Cal. P.U.C. 277) is reasonable and appropriate for the purposes of this proceeding.

4. The Wage Offset increase in Minimum Rate Tariff 4-B Territory A hourly rates developed by the Commission staff, modified so as not to give effect to the suggested productivity rate of 2.3 percent, is consistent with the guidelines of the Federal Price Commission and the Rules of Procedure of this Commission.

5. The Wage Offset increase in Minimum Rate Tariff 4-B Territory A hourly rates developed by the Commission staff, as modified in Finding 4 hereof, results in an overall increase in the minimum hourly rates of approximately 4.7 percent which has

been shown to be justified and will result in just, reasonable and nondiscriminatory minimum rates for the services to which they apply.

6. In compliance with Rule 23.1 of the Commission's Rules of Practice and Procedure, promulgated pursuant to the Economic Stabilization Act of 1970, as amended, the evidence of record in this proceeding demonstrates that:

- (a) The increases, averaging 4.7 percent, found justified herein apply to local hourly rates which the Commission has heretofore established as minimum rates for the transportation of household goods locally within various counties surrounding the San Francisco Bay Area by for-hire highway carriers.
- (b) The increased minimum rates are cost justified as of July 1, 1972 and do not reflect future inflationary expectations.
- (c) The increased rates are required to assure continued, adequate and safe service by carriers engaged in for-hire transportation of household goods within the aforementioned territory.
- (d) The rate increase takes into account expected and obtainable productivity gains.
- (e) The dollar amount of the increased revenue which the increase in rates is expected to provide carriers collectively is about \$445,852.
- (f) The additional revenue is not more than required to offset like increases in operating costs which the carriers have experienced and which are not reflected in the present minimum rates. It is expected, therefore, that the effect, if any, of the increased revenues upon carrier earnings will be minimal and will not increase the carriers' overall rate of return on capital.
- (g) Pursuant to reasonable opportunity for participation by all interested parties at a public hearing in this matter, no other carrier appeared to present evidence expressing a willingness and capacity for providing the service at the existing level of rates.

The Commission concludes that Petition 62 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 December 2, 1972, Seventeenth Revised Page 28 and Sixteenth Revised Page 29, 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 also to said Decision No. 65521, as amended, are hereby directed to establish in their tariffs the increases necessary to conform with the further adjustment 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 shall be made effective not earlier than December 2, 1972, on not less than five days' notice to the Commission and to the public.

4. In all other respects said Decision No. 65521, 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 25th day of OCTOBER, 1972.

Vernon L. Sturgeon
President

[Signature]
[Signature]
Commissioners

*I dissent. I would not grant
this wage effect
Mukerjee - rate increase.*

MINIMUM RATE TARIFF 4-N

SECTION 3--RATES (Continued)				ITEM													
RATES IN CENTS PER HOUR (1) (2) (Applies for Distances of 50 Constructive Miles or Less)																	
Unit of Equipment:		TERRITORY (3)		6330													
		A	B		C												
(a) with driver-----		1620	1220		1310												
(b) with driver and 1 helper-----		2905	2120		2205												
Additional helpers, per man-----		1030	640	695													
Minimum charge--the charge for one hour.																	
(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)																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">FIRST PIECE</th> <th rowspan="3" style="text-align: center;">Each Addi- tional Piece</th> </tr> <tr> <th colspan="3" style="text-align: center;">MILES (3)</th> </tr> <tr> <th style="text-align: center;">Not Over 10</th> <th style="text-align: center;">Over 10 but Not Over 20</th> <th style="text-align: center;">Over 20</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1025</td> <td style="text-align: center;">1905</td> <td style="text-align: center;">2665</td> <td style="text-align: center;">355</td> </tr> </tbody> </table>			FIRST PIECE			Each Addi- tional Piece	MILES (3)			Not Over 10	Over 10 but Not Over 20	Over 20	1025	1905	2665	355	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 style="margin-top: 100px;"> Change) Increase) </div> <div style="margin-top: 100px;"> Decision No. 80654 </div> </div>																	
EFFECTIVE																	
ISSUED BY THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA, SAN FRANCISCO, CALIFORNIA.																	
Correction																	

SECTION 3--RATES (Concluded)			ITEM
ACCESSORIAL RATES			
Rates in Cents per Man per Hour (1) (2) (3)			
Packing) Unpacking)	TERRITORY (4)		6350
	OA	B C	
	1285	935 1020	
Minimum Charge--the charge for one hour.			
(1) See Item 70 for application of rates. (2) See Item 95 for computation of time. (3) Rates do not include cost of materials. (See Item 360) (4) See Item 210 for description of territories.			
RATES AND CHARGES FOR PICKING UP OR DELIVERING SHIPPING CONTAINERS AND PACKING MATERIALS			
1. In the event new or used shipping containers, including wardrobes, are delivered by the carrier, its agent, or employees, prior to the time shipment is tendered for transportation, or such containers are picked up by the carrier, its agents or employees subsequent to the time delivery is accomplished, the following transportation charges shall be assessed: (See Note 1) Each container, set up ----- 170 cents Each bundle of containers, folded flat-- 170 cents Minimum charge, per delivery ----- 790 cents			
2. (a) Shipping containers, including wardrobes (See Note 2) and packing materials which are furnished by the carrier at the request of the shipper will be charged for at not less than the actual original cost to the carrier of such materials, F.O.B. carrier's place of business. (b) In the event such packing materials and shipping containers are returned to any carrier, participating in the transportation thereof when loaded, an allowance may be made to the consignee or his agent of not to exceed 75 percent of the charges assessed under the provisions of paragraph 2(a). NOTE 1.--If the hourly rates named in Item 330 provide a lower charge than the charge in paragraph 1 of this item, such lower charge shall apply. NOTE 2.--No charge will be assessed for wardrobes on shipments transported at the rates provided in Item 330.			360
Change) Increase)	Decision No.		
80654			
EFFECTIVE			
Correction			
ISSUED BY THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA, SAN FRANCISCO, CALIFORNIA.			