

ORIGINAL

Decision No. 80753

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 highway carriers 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 2).

Case No. 5432  
 Petition for Modification  
 No. 636  
 (Filed April 2, 1971;  
 Amended September 27,  
 and December 17, 1971)

(For List of Appearances See Appendix A)

O P I N I O N

The California Trucking Association (CTA) filed joint Petitions Nos. 636 and 39 in Cases Nos. 5432 and 7783, respectively, on April 2, 1971. By Decision No. 79293 of November 2, 1971, in this proceeding, Petition No. 39 was dismissed without prejudice.<sup>1/</sup>

Petition No. 636 originally sought a nine percent increase in the rates named in Minimum Rate Tariff 2 (MRT 2) for the transportation of property by for-hire highway carriers within the Metropolitan Los Angeles Area.<sup>2/</sup> On September 27, 1971, CTA filed its First Amendment to Petition No. 636 requesting revised increases

<sup>1/</sup> CTA's Petition No. 638, heard on a common record with Petition No. 636, was submitted on December 28, 1971 and the Commission's Decision No. 79952 relative thereto was issued on April 18, 1972, in Case No. 5432.

<sup>2/</sup> This area encompasses approximately 1,600 square miles of the most populous portions of Los Angeles and Orange Counties. It is specifically described as the area embraced by Metropolitan Zones 201 through 252 of the Commission's Distance Table.

of 39 percent in the shipment charges named in tariff Item 530 and 24 percent in all other rates and charges prescribed in MRT 2 for the Metropolitan Los Angeles Area. Thereafter, on December 17, 1971, CTA further amended its sought relief by requesting a 43 percent increase in MRT 2, Item 530 shipment charges and increases in the 1,000-pound rates in Item 550 of the tariff to the level of rates set forth in Item 500 (Statewide Any-Quantity Class rates). The Second Amendment to Petition No. 636 also requested that all other Metropolitan Los Angeles Area rates and charges be increased 26 percent.

Eleven days of public hearing were held in this proceeding before Examiner Gagnon at Los Angeles. Petition No. 636, as amended, was submitted subject to the filing of concurrent briefs due on or before May 31, 1972. Said briefs having been received the matter now stands submitted for decision.

#### Antecedents

Minimum rates for the highway transportation of property between points located within the Metropolitan Los Angeles Area were recently established by Decision No. 78264, dated February 2, 1971, in Case No. 6322 (OSH Decision No. 74991) et al. The rates thus adopted replaced the prior governing minimum rates published in MRT 5 (Los Angeles Drayage Area)<sup>3/</sup> and MRT 2 (Statewide-General Commodities). The rates established by Decision No. 78264 were published in MRT 2 and MRT 15 (Hourly Vehicle Unit Rates) and were originally published to become effective as of March 13, 1971. This effective date was stayed by the timely filing of a CTA petition for reconsideration, modification or rehearing. The latter petition was denied by Commission order in Decision No. 78472, dated March 23, 1971, in Case No. 6322 (OSH Decision No. 74991) et al., whereupon the newly prescribed minimum rates became effective as of April 24, 1971.

---

<sup>3/</sup> The rates published in Minimum Rate Tariff 5 governed the local drayage of general commodities within the central "Core Area" portion of Los Angeles County (Metropolitan Zones 213, 227, 228, 229, 234, 235 and 236).

Subsequent to the denial of its request for reconsideration, modification or rehearing of Decision No. 78264, the trucking association commenced filing a series of petitions relative to said established minimum rates.<sup>4/</sup> Included in said seriatim filings was the instant Petition No. 636. In denying motions to dismiss Petition No. 636 prior to hearing thereon, the Commission explained (Decision No. 78981) that "the pleadings express a desire to present new or additional evidence for Commission consideration relative to circumstances and/or conditions different from those reflected in the evidence supporting Decision No. 78264".

Minimum Rate Tariff 2 prescribes minimum distance and point-to-point class and commodity rates, rules and charges which, except as otherwise specifically provided in said tariff, govern the for-hire highway transportation of property statewide within California. Subject to certain modifications, restrictions and additions, Decision No. 78264, in establishing minimum rates for the greater Metropolitan Los Angeles Area found, in part, as follows:

"4. The adoption of Minimum Rate Tariff 2...to govern the transportation of general commodities on a weight basis within the 58-zone area...will eliminate the unnecessary duplication of tariff provisions..."

"7. The rates, charges, rules and other provisions set forth in Minimum Rate Tariff 2, except as described below, will be just, reasonable, and nondiscriminatory minimum rates, now and for the future, to govern the transportation of general commodities...between all points within the 58-zone area..."

In adopting the general provisions of MRT 2 for application within the Los Angeles 58-zone area, Decision No. 78264 also brought over to MRT 2 certain commodity rates and rules previously published

---

<sup>4/</sup> A list of said petitions filed by the CTA is set forth in Decision No. 78981, dated August 10, 1971, in Case No. 5432 (Petition No. 636) et al.

in MRT 5. In providing for the application of MRT 2 less-truckload and truckload distance class rate scales within the Metropolitan Los Angeles Area, the Commission determined "the cost data of record indicates that, insofar as small lot shipments are concerned, the rate levels in MRT 2 are inappropriate for short-haul movements encountered in the 58-zone area". Accordingly, said decision adopted the Commission staff rate proposal whereby shipments weighing less than 1,000 pounds within the 58-zone area were made subject to special per shipment charges (MRT 2, Item 530). Said charges were in lieu of the otherwise governing statewide Any-Quantity class rates. For Metropolitan Los Angeles Area shipments weighing 1,000 pounds but less than 5,000 pounds, specific distance class rates were adopted (MRT 2, Item 550). Shipments within the zoned area weighing 5,000 pounds or more were made subject to the general statewide rate provisions of MRT 2.

Before the aforementioned minimum rates could be integrated into a cohesive rate structure for the Metropolitan Los Angeles Area, it was imperative that the supporting cost and rate data underlying said rates reflect a uniform datum plane. By Decision No. 78030, dated December 18, 1970, in Case No. 5432, the statewide rates and charges named in MRT 2 were adjusted upward in order to offset the weighted average annual increase in labor costs experienced by highway carriers as of January 1 and July 1, 1971, respectively. On the other hand, the staff updated labor cost data of record underlying the 58-zone Los Angeles area rates reflected labor cost conditions as of January 1, 1971 only.<sup>5/</sup> Therefore, prior to adopting the staff's special small shipment charges and rates for the Metropolitan Los Angeles Area, the Commission further updated said staff rate proposals so as to reflect known labor costs experienced by carriers as of July 1, 1971.

---

<sup>5/</sup> Staff cost data of record in Decision No. 78264, supra, are set forth in staff Exhibit 86 as updated by Exhibit 117 to reflect January 1, 1971 labor costs.

By Decision No. 79483, dated December 14, 1971, in Case No. 5432 (Petition No. 665) the Commission authorized an interim surcharge increase in MRT 2 rates and charges, including those applicable within the Metropolitan Los Angeles Area, averaging 5-1/2 percent. The interim relief granted by said decision offset the increase in carriers' wage and allied payroll costs effective generally as of January 1, 1972. In lieu of the above interim surcharge, the Commission in Decision No. 80235, dated July 11, 1972, in Case No. 5432 (Petition No. 665) authorized the rates and charges named in MRT 2 to be increased by approximately 10.88 percent.<sup>6/</sup> This latter increase in MRT 2 rates and charges established a level of rates for the Metropolitan Los Angeles Area which reflected carriers' labor cost conditions for the year 1972.

The upward adjustment in MRT 2 rates authorized by Decision No. 80235 duplicates that portion of the relief sought in Petition No. 636 which CTA calculated was required to offset the highway carriers' 1972 labor cost experiences. The increase sought in Petition No. 636 over and above that granted in Decision No. 80235 represents CTA's efforts to have alleged increases in cost elements other than labor offset in said rates by a like percentage increase. Such cost offset rate increase is proposed as an interim rate adjustment pending completion of Commission staff full-scale productivity, cost and rate economic studies.

---

<sup>6/</sup> The July 29, 1972 effective date for the rates and charges found justified in Decision No. 80235 was stayed by the timely filing of a petition for rehearing of said decision. The petition was subsequently denied by Decision No. 80387, dated August 15, 1972, and the rates established by Decision No. 80235 became effective August 25, 1972.

CTA's Rate Proposal

The CTA first caused to be brought forward in this proceeding the Commission staff cost study of record (Exhibit 86) updated to reflect the carriers' labor costs experienced during the year 1971. The CTA then proceeded to further update selected cost elements of said staff study of record in an effort to establish a projected cost estimate of highway carrier operations for 1972. The resulting percentage increases, ranging between 48 and 26 percent, in the 1972-CTA modified Commission staff cost data over the 1971 updated staff cost data of record in Decision No. 78264 formulate the cost offset datum plane for CTA's sought increases in MRT 2 Metropolitan Los Angeles Area rates. Typical examples of (1) the 58-zone area rates established by Decision No. 78264; (2) the CTA's sought rates in Petition No. 665; (3) the rates granted by Decision No. 80235; and (4) the increased Metropolitan Los Angeles Area rates proposed by CTA in Petition No. 636, as amended, are summarized in the following Tables 1 and 2:

TABLE I  
MRT 2-Item 530: Metropolitan Los Angeles Area

Shipment Charges									
Weight (In Pounds):	Charges-In Cents					Percentage Increases			
Not Over	1	2	3	4	5	4-1	5-1	5-3	5-4
25	380	407	435	425	495	11.8	30.3	13.8	16.5
50	465	498	535	520	620	11.8	33.3	15.9	19.2
75	535	572	615	595	745	11.2	39.3	21.1	25.2
100	595	637	685	665	870	11.8	46.2	27.0	30.8
150	710	760	815	795	1000	12.0	40.3	22.7	25.8
200	830	888	955	930	1150	12.0	38.6	20.0	23.7
250	950	1017	1095	1065	1325	12.1	39.5	21.0	24.4
300	1040	1113	1195	1165	1500	12.0	44.2	25.5	28.8
400	1230	1316	1415	1380	1700	12.2	38.2	20.1	23.2
500	1375	1417	1520	1540	1900	12.0	38.2	20.3	23.4
600	1505	1610	1730	1685	2100	12.0	39.5	21.4	24.6
700	1635	1749	1880	1830	2300	11.9	40.7	22.3	25.7
800	1765	1889	2030	1980	2500	12.2	41.6	23.2	26.3
900	1895	2022	2180	2125	2700	12.1	42.5	23.9	27.1
Less than 1000	2035	2177	2340	2280	2900	12.0	42.5	23.9	27.2

- Column 1. Shipment charges established by Decision No. 78264, reflect carrier cost conditions for year 1971.
- Column 2. Column 1 plus interim surcharge authorized by Decision No. 79483, reflects carrier labor costs as of January 1, 1972.
- Column 3. CTA Petition No. 665 proposed charges, in lieu of Column 2 charges, to reflect carrier labor costs for 1972.
- Column 4. Shipment charges established by Decision No. 80235 (Petition No. 665), in lieu of Column 2 charges, to reflect carrier labor costs for 1972.
- Column 5. CTA Petition No. 636 proposed shipment charges, to reflect carrier cost of operations for 1972.
- Columns 4-1, 5-1, 5-3, and 5-4 reflect percentage relationships between Columns 4 or 5 over Columns 1, 3 and 4.

It will be noted from Table I that Petition No. 636 seeks increases in the basic Metropolitan Los Angeles Area shipment charges of approximately 30 to 46 percent (Column 5-1). It will also be observed from Table I that the proposed shipment charges exceed (1) the like charges sought by CTA in Petition No. 665 by some 14 to 27 percent; or (2) the MRT 2, Item 530 shipment charges authorized in Decision No. 80235 by about 17 to 30 percent. This rate comparison indicates that the CTA is seeking increases ranging between 17 and 30 percent to offset alleged like increases in various cost elements, other than labor and allied payroll expenses, of record in Decision No. 78264. A like rate comparison relative to the proposed Metropolitan Los Angeles Area 1,000-pounds distance class rate scales is set forth in Table II below:

TABLE II

## MRT 2-Item 550-Class 100 Rates-Metropolitan Los Angeles Area

		Minimum Weight 1000 Pounds										
: Miles :Class 100 Rates-in cents per 100 lbs.:								Percentage Increases				
;Not Over:		1	2	3	4	5	6	5-1	5-3	5-4	6-4	6-5:
5		167	179	192	124	233	340	39.5	21.4	26.6	84.8	45.9
10		171	183	197	190	238	346	39.2	20.8	25.3	82.1	45.4
15		175	187	201	194	243	350	38.9	20.9	25.3	80.4	44.0
20		179	192	206	200	248	354	38.5	20.4	24.0	77.0	42.7
25		183	196	210	204	253	356	38.3	20.5	24.0	74.5	40.7
30		188	201	216	209	259	361	37.8	19.9	23.9	72.7	39.4
35		193	207	222	213	265	364	37.3	19.4	24.4	70.9	37.4
40		198	212	228	217	271	365	36.9	18.9	24.9	68.2	34.7
45		201	215	231	221	277	368	37.8	19.9	25.3	66.5	32.9
50		204	218	235	226	283	370	38.7	20.4	25.2	63.7	30.7
60		207	221	238	231	289	376	39.6	21.4	25.1	62.8	30.1
70		211	226	243	237	294	381	39.3	21.0	24.1	60.8	29.6

Columns 1, 2, 3, 4 and 5 same as shown for Table I.

Column 6. CTA alternative rate proposal (90 percent MRT 2-statewide Any-Quantity class rates).

Columns 5-1, 5-3, 5-4, 6-4 and 6-5 reflect percentage relationship between Columns 5 or 6 over Columns 1, 3, 4 and 5.



The rate comparisons in Table II above indicate that under CTA's rate proposal the MRT 2-Metropolitan Los Angeles Area 1,000-pound class rates would be increased by approximately 39 percent over the level of said rates established by Decision No. 78264. Table II also indicates that Petition No. 636 would increase the 1,000-pound class rates over the Petition No. 665 sought and initially authorized wage offset increases in said rates by approximately 20 and 25 percent, respectively. Said increases represent the upward adjustments in rates deemed necessary by CTA to defray a like increase in various cost elements, other than labor and allied payroll expenses.

The upward adjustments proposed by CTA in the MRT-2 Metropolitan Los Angeles Area class and commodity rates applicable to shipments in lots of 5,000 pounds or more would produce comparative rate results similar to those demonstrated in Tables I and II above. The overall level of the less-truckload and truckload rates and charges proposed by the CTA in this proceeding is substantially higher than the level of the like statewide minimum rates and charges published in MRT 2 for transportation of general commodities elsewhere in California. On the other hand, the level of the Metropolitan Los Angeles Area rates found just and reasonable in Decision No. 78264 are at or below the level of the comparable statewide general commodity rates prescribed in Minimum Rate Tariff 2.

The CTA witness suggests petitioner's rate proposal be implemented by one of several procedures, a summary of which is hereinafter set forth:

1. Employ the results of CTA's efforts to update the Commission staff productivity and cost data of record in Decision No. 78264 as a completely new and independent full-scale CTA cost study. In light of such full-scale cost estimates, develop a totally new rate proposal. This course of action would, in effect, relitigate the Commission's Decision No. 78264 in Case No. 6322 and is not recommended by CTA (RT 237).

2. The second procedure suggested for giving effect to CTA's rate proposal is the so-called datum plane procedure for adjusting rates. The CTA witness explained this could be accomplished by one of the following two methods:

- (a) Cost Offset: Under this method the percentage increases by which the CTA's recalculation of the Commission staff cost study to reflect 1972 carrier cost conditions exceed the afore-said Commission staff cost study of record in Decision No. 73264 would be determined. The resulting percentage increases in total cost experiences would then be utilized as the datum plane for increasing the particular Metropolitan Los Angeles Area rates involved.
- (b) Rate Offset: Under this procedure the cost offset datum plane would be distributed through the rate structure according to (1) the same methods used in constructing the basic rate structure; or (2) other rate formulae deemed appropriate in the circumstances.

The cost offset procedure while initially not favorably considered by CTA's witness, (RT 238) was nevertheless subsequently employed by him (Exhibit 25). Adoption of this procedure results in a CTA cost offset datum plane which produces a level of rates (Tables I and II hereof) for the Metropolitan Los Angeles Area that is significantly higher than the level of statewide MRT 2 rates prescribed for the same transportation from and to said area or between points not located therein (RT 237-238). The scope of application of the cost offset procedure employed by the CTA is totally outside the Commission's qualified acceptance of such procedure for constructing minimum rates as expressed in Decision No. 76353 (70 Cal. P.U.C. 277).

The first rate offset method was initially recommended by CTA's witness (RT 239) and during the course of the proceeding supplemental Commission staff traffic flow data (Exhibits 22 and 23) were made available to petitioner so that CTA's cost datum plane could be reflected into the 52-zone area rates in a manner assertedly

similar to that employed by the staff in constructing the rates adopted by Decision No. 78264. This procedure was later abandoned by petitioner in favor of the cost offset method (Exhibit 25).

On the last day of hearing, CTA's witness submitted a second rate offset method for Commission consideration (RT 733-735). Under this procedure petitioner would hold the 1972 statewide MRT 2 rates established by Decision No. 80235 as the maximum level of rates for the Metropolitan Los Angeles Area. To accomplish this result the CTA witness recommended the following procedure:

1. Metropolitan Los Angeles Area class and commodity rates, subject to minimum weight brackets of 5,000 pounds or more would be increased only up to the level of the MRT 2 statewide rates authorized pursuant to Decision No. 80235.
2. Metropolitan Los Angeles Area 1,000-pound class rates (MRT 2-Item 550) would be adjusted to 90 percent of the MRT 2 Any-Quantity distance class rates authorized in Decision No. 80235.
3. Metropolitan Los Angeles Area shipment charges for lots weighing less than 1,000 pounds would be elevated to the level of the MRT 2, Item 150 minimum charges, as adjusted by Decision No. 80235 for lots weighing 500 pounds or less; and for lots weighing over 500 pounds but less than 1,000 pounds, charges would be related to the otherwise governing 1,000-pound rate scale as increased in paragraph 2 above.

A comparative summary of the increases resulting under this latter proposal of CTA is set forth in Columns 6, 6-4 and 6-5 of Table II hereof. It will be seen that CTA would increase the Metropolitan Los Angeles Area 1,000-pound rates as authorized in Decision No. 80235 and proposed in Exhibit 25 herein by approximately 61 to 85 percent and 30 to 46 percent, respectively. Metropolitan Los Angeles Area 5,000-pounds or more rate scales would be held down to the level of the MRT 2 statewide rates authorized in Decision No. 80235. The CTA witness explained that to the extent CTA's overall

proposed cost offset increase would not be reflected in the MRT 2 statewide rates adopted for application within the Metropolitan Los Angeles Area, said amount of increase would be reflected in rates established solely for application within the 58-zone area. Such cross-subsidization of the CTA's 1972 highway carrier cost estimates is, according to CTA's witness, similar to the method employed by the Commission in Decision No. 78264.

This latter rate proposal is offered by CTA for Commission consideration should it desire to maintain the MRT 2 statewide level of rates as maximum for the Metropolitan Los Angeles Area while at the same time reflecting 1972 carrier cost estimates within the 58-zone area. It is also responsive to Commission staff objections to the publication of Metropolitan Los Angeles Area rates that produce numerous so-called "long- and short-haul violations".

No factual evidence was presented in justification for the establishment of a 1,000-pound scale of class rates for the Metropolitan Los Angeles Area based on 90 percent of the MRT 2 statewide Any-Quantity class rates. Moreover, other than the oral testimony of CTA's witness, the Commission has no proof that this latter rate proposal will, in fact, accomplish what it purports to do and nothing more.

The petitioner contends that the rate increase sought on behalf of the highway carriers operating within the 58-zone area is absolutely essential to their economic survival. This contention was not supported by any carrier revenue or other financial data pertaining to the highway carriers involved. Moreover, no carrier, assertedly about to expire under the present Metropolitan Los Angeles Area minimum rates, came forward to present its "plight" in justification for the emergency relief sought on his behalf.

CTA Cost Data

The MRT 2-Metropolitan Los Angeles Area rates which became effective on April 24, 1971, are predicated upon Commission staff cost and rate economic studies of record<sup>7/</sup> in Decision No. 78264. The staff cost estimates reflect the performance (productivity) of for-hire motor carriers and, except for labor, their resulting cost of operations for services performed within the Los Angeles 58-zone area during the period 1964-1966. Labor cost increments included in the basic staff studies were updated so as to reflect the carriers' wage costs and allied payroll expenses as of January 1, 1971.

The CTA being dissatisfied with the level of rates established for the Los Angeles 58-zone area in general and the staff cost data of record in Decision No. 78264 supporting said minimum rates in particular, initiated independent cost and rate economic studies for Commission consideration (Petition No. 636, as amended). It was determined that the CTA cost study would be supplemental to and not independent of the costs of record in Decision No. 78264. The staff cost formulae for the accumulation, collation and distribution for rate making was, therefore, observed by the CTA to the extent possible. The CTA's field studies and investigation into the highway transportation of property within the Metropolitan Los Angeles Area were conducted during 1970-1971.

The CTA cost data thus obtained included highway carrier performance (productivity) information and incremental operating costs for 1970-1971, adjusted to reflect the carriers' 1972 wage costs and allied payroll expenses. The CTA's updated supplemental cost data were then integrated into the like 1964-1966 Commission staff incremental costs of record (Exhibit 86) in Decision No. 78264, as adjusted to reflect the carriers' 1971 labor costs. The resulting CTA modified staff cost study for 1972 highway carrier operations was then compared with the staff's 1971 cost study of record. The percentage increases thus obtained formulated the datum plane for CTA's requested increase in MRT 2-Metropolitan Los Angeles Area rates (Exhibit 25).

---

<sup>7/</sup> Staff Exhibits 86 and 117.

The CTA witness places considerable emphasis upon the fact that, as to both scope and quantum of data, its cost and field studies exceed the like efforts of the Commission staff. From this premise the CTA witness draws the conclusion that petitioner's cost evidence is more representative of the actual circumstances surrounding the current highway transportation within the Los Angeles 58-zone area than the like Commission staff cost study. Since the 1972 labor cost factors were fully considered in Decision No. 80235 (Petition No. 665), no further consideration of the same cost factors in CTA's supplemental cost study presented in this proceeding is required. In addition, since the CTA's cost witness employed the indirect expense ratios previously found reasonable in Decision No. 78264, further consideration herein relative to such cost indices are also unnecessary.

The 1970-1971 supplementary cost data employed by the CTA to update the Commission staff 1964-1966 incremental costs are first summarized in a series of CTA Exhibits Nos. 1 through 10. Thereafter, said incremental costs are integrated (Exhibits Nos. 19 and 24) into the staff's full scale cost study of record. The CTA's incremental cost (other than labor) exhibits may be separated into the following two cost categories:

Group A: Cost Factors

- Exhibit No. 1 - Gross Receipts Expense.
- Exhibit No. 3 - Equipment-Fixed and Depreciation Costs.
- Exhibit No. 4 - Running Expense.

Group B: Performance Data (Productivity)

- Exhibit No. 5 - Pickup and Delivery - Standby Performance.
- Exhibit No. 6 - Pickup and Delivery - Enroute Performance.
- Exhibit No. 7 - Distribution of Shipments.
- Exhibit No. 8 - Equipment-Weighting.
- Exhibit No. 9 - Terminal Platform Performance.
- Exhibit No. 35- Overall Pickup and Delivery Performance.

The CTA's 1970-1971 Group A cost factors noted above are generally higher overall than the like 1964-1966 cost factors underlying the present level of MRT 2-Metropolitan Los Angeles Area rates. The increases shown by CTA in such cost factors do not purport to

support either the need for an emergency interim rate adjustment, pending completion of full scale staff cost and rate studies, nor justify increases in rates of some 17 to 30 percent as an offset for costs other than labor. As explained by the CTA's cost witness (RT 82-83) the thrust of its sought rate relief is directed at the current economic productivity experience of the highway carriers operating within the Metropolitan Los Angeles Area.

The performance (productivity) data, as used in the cost studies underlying the Commission's minimum rate structure, constitute the units of effort resulting from the highway carriers' employment of their facilities, equipment and manpower. When the cost of attaining said level of productivity is divided by the related units of productivity, the resulting incremental cost of performance may then be given expression in the corresponding minimum rate structure. Even from the above oversimplification of the highway carrier's performance-cost-rate relationship, it can be readily seen that carrier performance (productivity) plays a singularly major role in establishing the level of the incremental costs estimates for highway carrier operations. Any gain or loss in carrier performance will have a directly opposite effect upon the level of incremental costs for such performance even though no change has occurred in the actual level of costs for the facility equipment or manpower employed.

The CTA's 1970-1971 performance (productivity) studies involved field investigations of the same highway carrier operations as reflected in the Commission staff 1964-1966 productivity studies.<sup>8/</sup> The CTA study covered two days' operations for each carrier observed

---

<sup>8/</sup> The staff studies and field investigations covered the operations of 22 highway carriers; whereas the CTA's studies included 19 of said carriers. Two carriers involved only temperature control which is not involved herein and a third carrier was assertedly out of business.

throughout the 1970-1971 period and accounts for all the freight handled, all of the hours expended and all of the miles involved in the various Los Angeles terminal operations. The CTA's 1970-1971 performance study was conducted on a much broader scale than the staff's like 1964-1966 performance study.<sup>9/</sup> The CTA witness concludes, therefore, that his updated study reflects the current operating characteristics and conditions of the highway carriers involved more accurately or realistically than the historical staff performance data.

A thorough analysis of the various phases of CTA's overall study of the highway carrier operations within the Los Angeles 53-zone area clearly shows the basis for the trucking associations firm conviction that said carriers are in an overall economic productivity loss trend. For example, in Exhibit 5 the staff's 1964-1966 loading or unloading "pounds per man-hour" standby performance factor of record (Exhibit 26) in Decision No. 78264 is compared with the like 1970-1971 CTA standby performance. A summary of said data is hereinafter set forth in Table III:

---

9/ A comparative summary of the scope of the Commission staff and CTA's Pickup and Delivery Study (Exhibit 35) is as follows:

	<u>STAFF</u>	<u>CTA</u>
Number of Trips	213	460
Number of Stops	2,777	5,020
Number of Shipments	4,061	7,231
Weight	2,197,007	3,642,571
Miles	14,356	25,473
Hours - Enroute	615.7	1,459.4
Hours - Total	1,351.7	2,898.8



TABLE III

## Summary of Pickup and Delivery Standby Performance

Weight :		Load/Unload Pounds Per Man-Hour								
Group :		Column 1			Column 2			Column 3		
Not Over:		A	B	-%	A	B	-%	A	B	-%
24		600	320	46.7	640	270	57.8	-	-	-
49		1270	720	43.4	1250	520	53.6	-	-	-
74		1860	1040	44.0	1260	950	42.9	-	-	-
99		2400	1410	41.2	2430	1460	39.9	-	-	-
249		3450	2170	37.1	3430	1890	44.9	-	-	-
499		4980	3240	35.0	5050	3270	35.2	-	-	-
999		6100	4000	34.4	6230	3930	36.9	9200	-	-
1999		7150	5280	26.2	7180	4580	36.2	9400	-	-
4999		8450	6200	19.5	8380	5450	35.0	10200	5340	47.6
9999		9570	9080	5.1	9560	8150	14.7	10500	5140	51.0
19999		-	-	-	9800	10490	47.0	-	-	-

Column: 1. 2-Axle Truck, Multi-Stop Service.  
 2. Tractor Semitrailer, Multi-Stop Service.  
 3. Tractor Semitrailer, Single Stop Service.

(A). Staff Standby Performance (Exhibit 26) of record in Decision No. 73264.

(B). Petitioner's Standby Performance - 1970-1971.

(-%). Percent decrease in performance except as otherwise shown.

From Table III above it will be observed that CTA's pickup and delivery standby performance is shown to have decreased some 34 to 58 percent by 1970-1971 in the less than 1,000 pounds shipment weight groups. Such deterioration in the highway carriers' productivity has a material effect upon the incremental costs for such service as can readily be seen from the following examples:

Shipment Weight Group 0-24 Pounds

Standby Cost Per Hour = Loading/Unloading Cost  
Pounds Per Man-Hour                      Per 100 Pounds

Example 1: Staff Exhibit 36 (Table 6) of record  
in Decision No. 72264  
(2-Axle Truck in Multi-Stop Service)

(Driver \$5.226 plus Vehicle \$0.595 = \$5.821)  
600 pounds per man-hour (1964-1966) = \$0.97

Example 2: Same as above except apply petitioner's  
performance data (Exhibit 5)

(Driver \$5.226 plus Vehicle \$0.595 = \$5.821)  
320 pounds per man-hour (1970-1971) = \$1.82

From the above computations it will be noted that the historical loading or unloading cost per 100 pounds is increased 87.6 percent solely by the 1970-1971 productivity loss of 46.7 percent (Table III) as determined by CTA. The basis for the substantial increase in MPT 2-Metropolitan Los Angeles Area rates sought by petitioner as a cost offset for factors other than labor is also readily apparent from the above examples.

The pickup and delivery enroute performance study (Exhibit 6) shows that the carriers' productivity in this area to be both higher and lower than the historical enroute performance data set forth in Exhibit 36 of record. The degree of change demonstrated by CTA in its Exhibit 6 is not as great or dramatic as that determined for standby operations in pickup and delivery service. In connection with the CTA's overall 1970-1971 terminal platform performance study, it has been determined that the staff's historical 1964-1966 platform performance (Exhibit 86) of 1450 pounds per man-hour has decreased to 1275 pounds per man-hour or a net productivity loss of approximately 12 percent. In explaining the platform productivity loss the CTA's witness states (PT 91):

"This is the one trend that is just absolutely consistent...with the figures that have been obtained over the years by ourselves and by members of the Commission staff.

"I was involved in the update of the old Tariff 5 case in 1951, at which time we had in the back of our minds 2,000 pounds, a ton, per man-hour. And since then...each year the productivity on the platforms, no matter whose studies, it is a decline from the previous period.

"This study is absolutely consistent with what we have been finding as far as the impact of the passage of time on productivity, on platform docks through the State and for that matter throughout the country."

On rebuttal the petitioner's witness again sums up his views and findings (RT 722) in connection with Exhibit 35, in part, as follows:

"... I respectfully present to the Commission Exhibit 35 to show that in connection with the overall pickup and delivery performance... that based upon a more current study, made... in a manner comparable to...the staff study... in 1965, that we find that the productivity has not increased in not even a single one of the factors that are involved in this study, and that in the major and important factors there has been a decline of significance and importance, and it is that decline in productivity which is measured through the various devices of cost formula which we have accepted in this proceeding and which in part reflects...the basis for the increased costs ...found to be existing and will exist as of July 1, 1972, as compared to the earlier study made during the 1960's." (Emphasis supplied.)

It will be noted that the continuous decline in highway carrier productivity, referred to by CTA in this proceeding, occurs during a period when California was experiencing dramatic industrial and commercial growth. It is also well known that the transportation mode which is the largest recipient of the tremendous additional volume of California intrastate traffic generated by said economic

growth is the highway carrier. So, in effect, we have a situation wherein the California trucking industry is directing large sums of capital to expand plant capacity in order to transport a historic increase in traffic while at the same time contending its expanded capacity is being operated at an increasing rate of inefficiency (productivity loss). To compound this economic dilemma one step further, if the higher incremental costs of operations (due to productivity losses) are reflected as increases in the level of minimum rates, under existing cost-rate methodology, the percentage mark up in such rates above said increased fully distributed costs likewise increases the carriers' margin for potential profit.<sup>10/</sup>

Performance (Productivity) Standards

Section 726 of the Public Utilities Code provides, in part, as follows:

"In any rate proceeding where more than one type or class of carrier, ...is involved, the Commission shall consider all such types or classes of carriers and...fix as minimum rates applicable to all such types or classes of carriers the lowest of the lawful rates so determined for any such type or class of carrier..."

---

<sup>10/</sup> In Decision No. 80235 (Pet. 665) the Commission, in commenting on the Federal Government's Price Commission criteria for reflecting productivity gains in allowable costs relative to highway carrier operations subject to Minimum Rate Tariff 2, stated, in part, as follows:

"...Tables 2 and 4 [CTA's Analysis of Highway Carrier Productivity]...show a fluctuation from year-to-year, without continuous improvement. However, the data clearly show that productivity as measured by these factors, was improved in 1971 over prior years and that an overall productivity gain of approximately one percent was achieved in the period 1969 to 1971..."

The Commission's procedure for establishing minimum rates in accordance with the statutory mandate set forth in Section 726 of the Code was fully articulated by the Commission in Decision No. 46912 (51 Cal. P.U.C. 586). In affirming said decision the Court in California Manufacturers Association v. Public Utilities Commission (1954) 42 Cal. 2d. 530, at 535 and 536, affirmed the Commission's procedures for fixing minimum rates and described such rate making efforts as follows:

" . . . In fixing the lowest lawful rate for any given service the Commission determines the most efficient way of rendering such service that is used by any of the various types of highway carriers involved. It then considers the cost of providing such service and the value of the equipment required to determine the lowest lawful rate. It does not, however, determine separately the costs and value of equipment of highway common carriers, radial common carriers, and contract carriers...

"In rate making it is settled that the Commission need not accept cost figures that are unjustifiably high because of inefficient methods of operation. (Pacific Tel. & Tel. Co. v. Public Utilities Com., 34 Cal. 2d. 822, 826, and cases cited.) Accordingly, in fixing the lawful rate for any type of service by any type of carrier, the Commission is entitled to consider the cost of providing the service efficiently, and Section 726 expressly authorizes it to consider the available data from all types of carriers to determine what the cost of the most efficient service is."

The methods employed by the Commission staff and the California Trucking Association in the gathering, collating and subsequent utilization of highway carrier performance (productivity) data for the determination of incremental costs of transportations in the fixing of minimum rates are quite similar. The major difference between the staff and the CTA in the conduct of their respective performance studies is primarily one of emphasis. The Commission staff endeavors to obtain average actual productivity results from a

group of highway carriers whose operations are, in the judgment of the staff, deemed to be representative and reasonably efficient. The CTA, on the other hand, stresses the concept that its productivity studies reflect the actual operating results of said group of highway carriers. The CTA in this particular proceeding contends that the results of its highway carrier performance studies reflect the actual operating conditions and characteristics of the carriers more accurately than the like staff effort because, in addition to being more current, the CTA's studies are drawn from a considerably larger sample.

The Commission staff and the CTA productivity studies have one trait in common in that, to varying degrees, they both are designed to reflect the actual performance of the highway carriers selected as representative. Standing alone, however, this common trait is also their most singular infirmity. What is obviously lacking in the performance studies of both the staff and CTA is a predetermined standard of highway carrier performance (productivity) against which the actual performance of the carriers can be compared prior to inclusion in the contemplated performance studies for minimum rate purposes. Such standard of performance should be based on "...the most efficient way of rendering such service that is used by any of the various types of highway carriers involved". In addition, the levels of productivity (actual or constructed) for such efficient service should be so established as to be reasonably attainable by the so-called representative highway carriers. Only those carriers whose various phases of actual performance are at or above the productivity levels previously established as standard for minimum rate purposes should be included in the performance studies.

The for-hire trucking industry in California has experienced great technological improvements in its mode of operations over the past few decades. It has long ago attained that degree of maturity and sophistication whereby the establishment of industry standards of

efficient performance (productivity) is not only feasible but mandatory if the Court approved Commission procedure for fixing minimum rates is to be fully implemented. In the absence of such a standard of performance it cannot be stated with any degree of certainty that the actual performance data of record is, in fact, a reflection of "...the most efficient way of rendering the service..." In any event the Commission is obviously in no position to adjudicate the merits of a sought interim emergency increase of some 17 to 30 percent in its MRT 2-Metropolitan Los Angeles Area rates as compensation for alleged highway carrier "productivity losses" when it cannot be first determined whether such losses are below, at or above an acceptable standard of efficiency for fixing or adjusting established minimum rates. In this connection it should be clearly understood that highway carriers whose productivity experience is somewhat less than that established as standard for minimum rate purposes are free to charge and/or seek appropriate Commission authority to assess rates higher than the otherwise applicable minimum rates. Under the circumstances, the Commission is compelled to deny the relief sought in Petition No. 636, as amended, without prejudice to any parallel labor cost offset increase sought by CTA in its Petition No. 665 and ultimately authorized upon further consideration of Decision No. 80235.

Findings and Conclusions

The Commission finds that:

1. The minimum rates governing the highway transportation of property by for-hire highway carriers between points within the Metropolitan Los Angeles Area were established in Minimum Rate Tariff 2 by Decision No. 78264, dated February 2, 1971, in Case No. 6322 (OSH Decision No. 74991) et al. The minimum rates thus established became effective as of April 24, 1971, pursuant to Decision No. 78472, dated March 23, 1971, in Case No. 6322.

2. The minimum rates established by Decision No. 78462 for the Metropolitan Los Angeles Area reflect the results of highway carrier performance (productivity) and operating cost studies conducted by the Commission staff during the period 1964-1966, adjusted to reflect labor costs and allied payroll expenses for the year 1971.

3. By Decision No. 79483, dated December 14, 1971, in Case No. 5432 (Petition for Modification No. 665) the rates and charges named in Minimum Rate Tariff 2, including the recently established rates for the Metropolitan Los Angeles 58-zone area, were made subject to an interim surcharge averaging 5-1/2 percent. Said surcharge increase was authorized as a cost offset for like increases in highway carrier labor costs and allied payroll expenses effective generally as of January 1, 1972.

4. By Petition for Modification No. 636, as amended, the California Trucking Association now seeks increases in the Metropolitan Los Angeles Area rates named in Minimum Rate Tariff 2 by approximately 26 to 48 percent. Said increases are proposed in lieu of the existing average 5-1/2 percent surcharge and are predicated upon petitioner's updating of the Commission staff performance (productivity) and cost studies of record in Decision No. 78264 to reflect highway carrier performance and costs of operations for the period 1970-1971, adjusted to include labor costs and allied payroll expenses for the year 1972.

5. In Petition for Modification No. 665, as amended, the California Trucking Association sought increases in Minimum Rate Tariff 2 rates and charges (including those named for Metropolitan Los Angeles Area) to offset like increases in the highway carriers' labor costs and allied payroll expenses for the year 1972. Said increases are proposed in lieu of the current applicable surcharges which average about 5-1/2 percent.

6. By Decision No. 80235, dated July 11, 1972, in Case No. 5432 (Petition for Modification No. 665) the Commission authorized a labor cost offset increase in the rates and charges named in Minimum



Rate Tariff 2 (including those applicable to shipments within the Metropolitan Los Angeles Area) thereby reflecting in said rates the like increases in highway carriers' labor costs and allied payroll expenses for the year 1972.

7. The increases in Minimum Rate Tariff 2 rates and charges authorized by Decision No. 80235 became effective August 25, 1972, pursuant to Commission's Order Denying Rehearing in Decision No. 80387, dated August 15, 1972, in Case No. 5432.

8. The 1972 labor cost offset increase in the Minimum Rate Tariff 2-Metropolitan Los Angeles Area rates and charges sought in Petition No. 665, as amended, was also included as part of the overall cost offset increase in said rates requested in Petition No. 636, as amended.

9. The 1972 labor cost offset increase in Minimum Rate Tariff 2-Metropolitan Los Angeles Area rates and charges having been fully considered by the Commission in Decision No. 80235 and subsequent orders relative thereto, no further consideration of that portion of petitioner's overall relief sought in this proceeding relating to the same 1972 labor costs offset increase in rates is required or necessary for the final disposition of Petition No. 636, as amended.

10. The petitioner's 1970-1971 cost evidence indicates increases have occurred in the equipment, running and gross receipts cost factors of record in Decision No. 78264 since such factors were initially developed by the Commission staff. Petitioner's cost evidence also shows that the increase in these cost factors had only a relatively minor influence in the determination of the actual rate increase ultimately sought by petitioner.

11. Except for giving recognition to the 1972 labor cost increases, the extensive cost offset increase sought by petitioner in the Minimum Rate Tariff 2 rates for the Los Angeles 58-zone area stems primarily from the trucking association's contention that the underlying Commission staff cost data of record supporting said rates have substantially increased due to continuing productivity losses experienced by the highway carriers over the past several years.

12. Pending completion of Commission staff full-scale statewide performance (productivity), cost and rate studies, petitioner contends that its sought cost-offset increase in the current Los Angeles 58-zone area rates is essential to the economic survival of the highway carriers involved.

13. No financial data were presented in evidence by petitioner or otherwise interested respondent highway carriers to support the allegation that highway carriers were experiencing great financial difficulties under the existing level of Minimum Rate Tariff 2 rates for the Metropolitan Los Angeles Area.

14. The petitioner's utilization of the so-called cost offset (datum plane) procedure for increasing minimum rates to reflect like increases in supporting cost factors, other than labor and allied payroll expenses, is not considered to be consistent with the Commission's qualified acceptance of such procedure for adjusting its minimum rates (Decision No. 76353, 70 Cal. P.U.C. 277).

15. The most influential factor, other than actual operating costs, in determining the level of incremental costs for transportation to be reflected in the Commission's minimum rate structure is highway carrier performance (productivity) data.

16. The petitioner contends that California highway carriers have been consistently experiencing a productivity loss trend over the past several years. The petitioner's 1970-1971 update of the Commission staff's 1964-1966 performance (productivity) data of record in Decision No. 78264 indicates that the highway carriers involved have experienced substantial productivity losses as of 1970-1971.

17. The California Trucking Association contends that the highway carrier productivity losses within the Metropolitan Los Angeles Area must be given immediate recognition through appropriate and substantial cost offset increases in the minimum rates governing the traffic involved.

18. The Commission's procedure for fixing minimum rates in conformity with the statutory mandate set forth in Section 726 of the Public Utilities Code was fully articulated by the Commission in Decision No. 46912 (51 Cal. P.U.C. 586); said procedure was subsequently approved by the Court in California Manufacturers Association vs. Public Utilities Commission (42 Cal. 2d. 530).

19. If the Court approved Commission procedure for fixing minimum rates is to be fully implemented, actual highway carrier performance (productivity) gains and/or losses must first be evaluated in the light of a predetermined standard of reasonably efficient highway carrier performance (productivity) before such actual highway carrier experience is employed in the development of cost data to support proposed changes in the Commission's existing minimum rate structure. Actual highway carrier performance that is below the predetermined standard therefor should be excluded from the contemplated performance studies for fixing minimum rates.

20. Petitioner's evidence does not show whether its 1970-1971 study of the actual productivity experience of highway carriers operating within the Metropolitan Los Angeles Area was evaluated against any factual standard of reasonably efficient highway carrier performance (productivity) prior to using such actual data in the determination of the minimum rate relief sought herein. Under these circumstances, a finding cannot be made that petitioner's updated performance study reflects only reasonable efficient operations of highway carriers, deemed essential for the fixing of minimum rates.

21. Except as otherwise provided in Finding 9 hereof, petitioner's further sought cost offset increases in Minimum Rate Tariff 2 rates and charges applicable to the Metropolitan Los Angeles Area have not been shown to be justified.

22. The sought rate increase, together with the evidence submitted in support thereof, fails to comply with the provisions of Rule 23.1 of the Commission's Rules of Procedure concerning compliance with the Federal Economic Stabilization Act of 1970, as amended.

Under the circumstances, the Commission concludes that Petition No. 636, as amended, should be denied as urged by the Commission Transportation Division staff and supporting protestants.

O R D E R

IT IS ORDERED that the California Trucking Association's Petition for Modification No. 636, as amended, be, and it is hereby, denied.

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

Dated at San Francisco, California, this 21st day of NOVEMBER, 1972.

Vernon L. Steyer  
President  
William H. Brown  
William H. Brown  
William H. Brown  
William H. Brown  
Commissioners

APPENDIX A  
Page 1 of 2

LIST OF APPEARANCES

Petitioner: Arlo D. Poe and R. W. Smith, Attorneys at Law,  
J. C. Kaspar and H. F. Kollmyer, for California Trucking  
Association.

Respondents: Otto G. Broyles, for Anaheim Truck & Transfer Co.;  
J. O. Ernst, for Dependable Motor Trucking; D. A. Miller, for  
Huskie Freightways, Inc.; Howard Abeling, for Brake Delivery  
Service; Alan J. Kerner, for Kerner Trucking Service, Inc.;  
W. S. Rozay, for Rozay's Transfer; C. M. Alexander, for  
G. I. Trucking Co.; Anthony J. Konicki, for Pacific Motor  
Trucking Company; Warren Goodman, for Ventura Transfer Co.;  
Al Goodman, for Williams Transportation; Roger L. Ramsey,  
Attorney at Law, for United Parcel Service; and C. R. Hoagland,  
for Redway Truck & Warehouse Company.

Protestants: Jess J. Butcher and A. L. Libra, Attorney at Law,  
for California Manufacturers Association; D. H. Marken, for  
Traffic Managers Conference of California; Vaughan, Paul &  
Lyons, by John G. Lyons, Attorney at Law, for California  
Fertilizer Association; Earl W. Gerloff, for Humble Oil &  
Refining Co.; J. D. Kain, for Shell Oil Company; and A. David  
Felando and Roy Gardner, for Mattel, Inc.

Interested Parties: Robert Sergeant, for Lamp & Shade Institute  
of America; R. C. Fels, for California Lamp & Shade Association  
and Furniture Manufacturers Association of California; Don B.  
Shields and Milton W. Flack, Attorney at Law, for Highway  
Carriers Association; Charles H. Caterino, for The Flintkote Co.;  
Raymond D. Vinick, for Camners League of California and Hunt-  
Wesson Foods, Inc.; William D. Grindrod, for Norris Industries;  
James Quintrall, for Los Angeles Warehousemen's Association;  
Roger E. Marken, for Traffic Associates; R. Canham, by  
A. A. Wright, for Standard Oil Company of California; Harold  
Sumerfield and William A. Watkins, for Bethlehem Steel Corp.;  
C. Fred Imhof, for Industrial Asphalt, Inc.; Don C. Newkirk,  
for Highway Carriers Association; William D. Mayer, for Camners  
League of California; Robert D. Stout, for Swift Edible Oil  
Company-Division of Swift & Company; M. J. Nicolaus, R. G. Moon  
and Jerry Kerns, for Western Motor Tariff Bureau, Inc.;  
Thomas I. Kiyohara, for Craig Corporation; John D. Maharg by  
Ronald L. Schneider, Attorney at Law, for Los Angeles County;  
Verne K. Wochnick and Kenneth C. Delaney, for Los Angeles Area  
Chamber of Commerce; Robert L. Krevtz, for National Gypsum  
Company; C. D. Gilbert and D. R. Rauche, for Standard Brands,  
Inc.; Frank Reyher, for Alpha Beta Markets; Gerald M. Keyes,

APPENDIX A  
Page 2 of 2

Interested Parties (Contd.): for Bristol Meyers Company;  
M. J. Coleman, for Firestone Tire & Rubber Company; Calvin G. Chew, for Shell Oil Company; Morton S. Colgrove, Attorney at Law, for Marcal Paper Mills, Inc. and Northwest Paper Company; Ronald P. McCloskey, for Monsanto Company; C. T. Gratiot and R. M. Zaller, for Continental Can Company; James S. Blaine, for Leslie Salt Company; Raymond W. Scott, for Revere Copper & Brass, Inc.; and James F. O'Neill, for The Andrew Jergens Company.

Commission Staff: Norman Haley and Ronald I. Hollis.