

ORIGINAL

Decision No. S2249

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 transpor-  
tation of used household goods and  
related property.

Case No. 5330  
Petition for Modification  
No. 72  
(Filed July 23, 1973)

Knapp, Gill, Herbert & Stevens, by Warren N. Grossman,  
Attorney at Law, for California Moving & Storage  
Association, petitioner.  
James A. Nevil, for Nevil Storage Co.; Gerald Evans,  
for Lyon Moving & Storage Co.; Roeder S. Stinson,  
for Owens Bros. Transfer & Storage; and Robert C.  
Johnson, for Bekins Moving & Storage Co.;  
respondents.  
Philip B. Decker, for Public Interest Law Center;  
J. C. Kaspar, Herbert W. Hughes, and Arlo D. Poe,  
Attorney at Law, for California Trucking  
Association; and Tad Muraoka, for IBM Corporation  
and California Manufacturers Association;  
interested parties.  
Clyde T. Neary and Charles F. Gerughty, Jr., for  
the Commission staff.

O P I N I O N

The California Moving & Storage Association, Inc. seeks  
labor cost offset increases in the Territory C hourly household goods  
rates set forth in Items 330 and 350 of Minimum Rate Tariff 4-B  
(MRT 4-B).<sup>1/</sup>

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

The petition was heard before Examiner Gagnon at San Francisco on October 4, 1973 and submitted on the same date subject to the receipt of petitioner's late-filed Exhibit 4 which has been received.

The MRT 4-B Territory C hourly moving rates were last adjusted pursuant to Decision No. 80192 dated June 27, 1972 in Case No. 5330, Petition No. 59. The labor cost offset rate increases established by this decision were predicated upon labor and allied costs of household goods carriers operating within Territory C as of July 1, 1972. Since that time the household goods carriers operating in Territory C have experienced additional substantive labor cost increases effective generally as of the latter part of 1973. Studies measuring the percentage changes in the historical costs of record in Petition 59 (Decision No. 80192) were presented by petitioner and the Commission staff. The percentage increases in total costs, as developed by witnesses for petitioner and the staff are:

TABLE 1

	Petitioner Exhibits		Staff Exhibit 72-3			
	72-1 (a)	72-4 (b)	(c)	(d)	(e)	(f)
<u>Vehicle, Driver, &amp; Helper</u>						
2-axle truck	15.61	16.54	11.88	15.04	5.68	7.29
Tractor, semitrailer	14.86	15.74	11.25	14.43	5.35	6.97
<u>Vehicle &amp; Driver</u>						
2-axle truck	14.43	15.13	10.75	13.93	4.98	6.60
Tractor, semitrailer	13.24	13.93	9.85	13.04	4.54	6.17
<u>Labor</u>						
Extra helper	9.63	17.30	12.38	15.56	5.75	7.38
Packing & unpacking	13.94	19.86	14.57	17.75	7.37	8.99

## Wage Offset Methods Employed:

- (a) Wage (cost) Offset-petitioner's cost data.
- (b) Wage (cost) Offset-staff's cost data.
- (c) Direct Wage Offset-full wage increase, staff's cost data.
- (d) Wage Offset-full wage increase, staff's cost data.
- (e) Direct Wage Offset-wage increase limited to 6.2%, staff's cost data.
- (f) Wage Offset-wage increase limited to 6.2%, staff's cost data.

The results of the cost computations of petitioner and staff differ primarily because of the several labor offset methods employed for calculating increases in indirect expenses. In Exhibits 1 and 4 the witness for petitioner used the Wage (cost) Offset procedure for developing his labor cost offset study. In Exhibit 1 the witness employed petitioner's historical and updated costs of record; whereas in Exhibit 4 he used the like cost studies of the staff. The resulting percentage differentials (Table 1, Column (a) versus Column (b)) reflects more of a ploy of percentages rather than any real difference in actual labor cost increases. This, of course, highlights the inherent infirmity of the cost offset procedure as a method for adjusting rates over an extended period of time. From Table 1 it will

also be noted that the staff cost witness used several labor cost offset procedures including modifications of the so-called Wage Offset and Direct Wage Offset methods, whereby actual labor cost increases exceeding 6.2 percent were held down to the Federal Cost of Living Counsel's suggested wage guideline of 6.2 percent.<sup>2/</sup>

The staff rate witness recommends that the hourly moving rates for Territory C be increased by only the actual dollar amount of change in direct labor as determined by the staff cost witness from the staff's modified Direct Wage Offset procedure (Table 1, Column (e)). This staff labor cost offset rate proposal does not reflect or give any consideration to (1) actual increases in direct wage costs in excess of 6.2 percent, (2) increases in wage costs classified as an indirect expense in the historical cost data underlying the current Territory C hourly moving rates, (3) increases in indirect expenses other than labor, and (4) the percentage markup above updated full costs provided so that household goods carriers may have an opportunity to earn reasonable profit margins.

The staff rate witness explained that his recommended scale of rates provides for average increases amounting to 5.5 percent over the current level of hourly moving rates for Territory C and reflects the Federal Cost of Living Council's suggested guidelines with respect to increased wages. The staff rate witness also contends that his rate proposal is responsive to and in conformity with the Commission's Resolution No. A-4157 dated August 21, 1973, pertinent portions of which state:

"BE IT RESOLVED: That Rule 23.1 of the Commission's Rules of Practice and Procedure is hereby rescinded effective August 22, 1973; and

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<sup>2/</sup> A detailed explanation of the several established labor cost offset methods is set forth in Decision No. 76353 (1969) 70 CPUC 277.

"BE IT FURTHER RESOLVED: That this Commission, in administering its responsibilities and duties in the establishment of just and reasonable rates and charges of public utilities and related transportation businesses, shall adhere to the spirit and goals of the Economic Stabilization Program in maintaining rate increases at the lowest level consistent with its Constitutional and statutory mandate."

The petitioner's two alternative labor cost offset rate proposals, developed under the so-called Wage (Cost) Offset method, reflect (1) the full impact of labor cost increases; (2) indirect expenses, including labor cost elements, increased by established indirect expense ratios; and (3) the percentage allowances above total increased costs to afford carriers the opportunity to experience reasonable profit margins. The specific hourly moving rates for Territory C proposed by petitioner and the staff are:

TABLE 2  
MRT 4-B Territory C Hourly Household Goods Rates  
(In Cents Per Hour)

Unit of Equipment	(a)	(b)	(c)	(d)	(e)	(f)
With driver	1495	1505	1440	1480	1370	1390
With driver & helper	2640	2606	2545	2610	2410	2445
<u>Labor</u>						
Extra helper	760	815	780	800	735	745
Packing & unpacking	1160	1225	1165	1195	1095	1110

Petitioner's Rate Proposals:

- Column (a) Wage (Cost) Offset-petitioner's cost data.
- Column (b) Wage (Cost) Offset-staff's cost data.

Staff Rate Proposals: (Staff cost data)

- Column (c) Direct Wage Offset-full wage increase allowed.
- Column (d) Wage Offset-full wage increase allowed.
- Column (e) Direct Wage Offset-wage increase held to 6.2%.
- Column (f) Wage Offset-wage increase held to 6.2%.

The alternative labor cost offset methods employed by petitioner result in the highest hourly moving rates recommended for Territory C (Columns (a) and (b)). Under the staff's recommended labor cost offset procedure (Column (e)) the lowest hourly moving rates would be obtained. The staff rate witness explained that the hourly moving rates he developed under the several other labor cost offset procedures (Table 2, Columns (c), (d), and (f)) are for information purposes only.

The full teamster contract wage increases involved in this proceeding were permitted to become effective by the Federal Cost of Living Council even though such increases exceeded their suggested guideline for increases in wages and so-called fringe benefits of 6.2 percent per year. The staff rate witness was unable to furnish any good reasons why similar consideration by this Commission would be inconsistent with its Resolution No. A-4157 previously referred to herein. In Decision No. 80192 the Commission stated:

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

The Column D hourly rates set forth in Table 1 of Decision No. 80192 and adopted by the order therein as the minimum hourly household goods rates for Territory C reflect only the actual dollar amount of change in direct and indirect labor as determined under the so-called Wage Offset procedure. The same method was employed by the staff rate witness in this proceeding for information purposes only and the resulting Territory C hourly rates are set forth in Column (d) of Table 2 herein. No evidence was presented in this proceeding which would move the Commission to adopt a labor cost offset method different from the Wage Offset procedure found appropriate in the immediate prior labor cost offset proceeding (Decision No. 80192) involving the MRT 4-B Territory C hourly moving rates.

Findings and Conclusions

1. The minimum household goods Territory C hourly rates named in Minimum Rate Tariff 4-B were last adjusted by Decision No. 80192 dated June 27, 1972 in Case No. 5330. By said decision the Territory C hourly rates were adjusted upward so as to reflect the household goods carriers' labor costs and allied payroll expenses in effect generally as of July 1, 1972.

2. Since July 1, 1972 the prevailing costs of household goods carriers operating in Territory C have or will be further substantially increased due to increases in the carriers' wage costs and allied payroll expenses effective generally as of December 31, 1973. Such labor cost increases have not been reflected in the current level of hourly rates for Territory C.

3. In recognition of the objectives of the Federal Cost of Living Council and this Commission's Resolution No. 4157 dated August 21, 1973, the Wage Offset method described in Decision No. 76353 (1969) 70 CPUC 277 constitutes a reasonable and appropriate labor cost offset procedure as employed by the Commission's Transportation Division staff.

4. The updated cost data set forth in the Commission staff Exhibit 3 (Part One) reasonably measures the impact of the increased costs occurring since the Minimum Rate Tariff 4-B Territory C hourly rates were last adjusted.

5. The gross revenue expenses set forth in staff Exhibit 3 (Part One) reflect the repeal of the Board of Equalization tax effective June 30, 1973.

6. The Wage Offset increase in Minimum Rate Tariff 4-B Territory C hourly rates set forth in Column (d), Table 2 of the opinion herein appropriately reflects the impact of the labor cost increases shown to be justified in this proceeding and will result in just, reasonable, and nondiscriminatory minimum rates for the services to which they apply.

The Commission concludes that Petition No. 72 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 January 18, 1974, Twentieth Revised Page 28 and Nineteenth 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 adjustments ordered herein.



3. Tariff publications required to be made by common carriers as a result of the order herein shall be filed not earlier than the effective date of this order and shall be made effective not earlier than January 18, 1974, 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.

5. To the extent not authorized herein Petition No. 72 is denied.

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

Dated at San Francisco, California, this 18th day of DECEMBER, 1973.

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President  
*William Lyndon Jr.*  
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*[Signature]*  
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*[Signature]*  
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

SECTION 3--RATES (Continued)				ITEM
RATES IN CENTS PER HOUR (1) (2) (Applies for Distances of 50 Constructive Miles or Less)				8330
Unit of Equipment:	TERRITORY (3)			
	A	B	OC	
	(a) with driver----- (b) with driver and 1 helper----- Additional helpers, per man----- Minimum charge--the charge for one hour.	1670 3000 1065	1410 2450 735	
(1) See Item 70 for application of rates. (2) See Item 95 for computation of time. (3) See Item 210 for territorial descriptions.				
DISTANCE RATES IN CENTS PER PIECE (1) (2) (Applies to Shipments of Not More Than 5 Pieces for Distances of 50 Miles or Less)				340
FIRST PIECE			Each Additional 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.				
♂ Change ) ♂ Increase ) Decision No. 82249				
EFFECTIVE				
Correction ISSUED BY THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA, SAN FRANCISCO, CALIFORNIA.				

SECTION 3--RATES (Concluded)			ITEM
<p>ACCESSORIAL RATES</p> <p>Rates in Cents per Man per Hour (1) (2) (3)</p>			
<p>Packing )</p> <p>Unpacking)</p> <p>Minimum Charge--the charge for one hour.</p>	TERRITORY (4)		
	A	B	OC
	1330	1095	1195
			350
<p>(1) See Item 70 for application of rates.</p> <p>(2) See Item 95 for computation of time.</p> <p>(3) Rates do not include cost of materials. (See Item 360)</p> <p>(4) See Item 210 for description of territories.</p>			
<p>RATES AND CHARGES FOR PICKING UP OR DELIVERING SHIPPING CONTAINERS AND PACKING MATERIALS</p> <p>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)</p> <p>Each container, set up----- 170 cents</p> <p>Each bundle of containers, folded flat-- 170 cents</p> <p>Minimum charge, per delivery----- 790 cents</p> <p>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 charges for at not less than the actual original cost to the carrier of such materials, F.O.B. carrier's place of business.</p> <p>(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).</p> <p>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.</p> <p>NOTE 2.--No charge will be assessed for wardrobes on shipments transported at the rates provided in Item 330.</p>			360
<p>Change )</p> <p>Increase ) Decision No. <b>82249</b></p>			
EFFECTIVE			
<p>Correction</p> <p>ISSUED BY THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA, SAN FRANCISCO, CALIFORNIA.</p>			