

Decision No. 83494

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)
into the rates, rules, regulations,)
charges, allowances and practices)
of all common carriers, highway)
carriers and city carriers relating)
to the transportation of motor)
vehicles and related items (com-)
modities for which rates are)
provided in Minimum Rate Tariff)
No. 12).

Case No. 5604
Petition for Modification
No. 47

(Filed June 12, 1974)

Richard W. Smith, Attorney at Law, and
H. Hughes, for California Trucking
Association, petitioner.
Gary E. Haas and Clyde T. Neary, for
the Commission staff.

O P I N I O N

Minimum Rate Tariff 12 (MRT 12) provides rates and rules governing the highway transportation of motor vehicles in secondary truckaway service. The charges resulting under the provisions of MRT 12 have been made subject to several surcharge increases pending completion of full-scale cost and rate studies by the Commission staff. This series of surcharge increases began with Decision No. 78905 dated July 13, 1971 which established a surcharge of 10 percent. Thereafter, the surcharge was adjusted upward on three separate occasions, the latter adjustment resulting in the current surcharge of 29 percent.^{1/} The charges resulting under the application of the 29 percent surcharge were subsequently made subject

^{1/} Decision No. 80301 dated July 25, 1972 raised the initial 10 percent surcharge to 20 percent. Decision No. 81904 issued September 25, 1973 increased the 20 percent surcharge to 23 percent which was later adjusted upward to 29 percent by Decision No. 82543 dated March 12, 1974.

to a second fuel cost offset surcharge of 3 percent by Decision No. 82862 issued May 15, 1974 in Case No. 5604 (Petition 41) et al.

In Petition 47 the California Trucking Association (CTA) seeks to have the present surcharge of 29 percent increased to 36 percent for application in conjunction with the 3 percent fuel cost offset surcharge. The CTA subsequently amended its initial rate proposal by suggesting the establishment of a single fuel-labor cost offset surcharge of 39 percent. It is contended that the sought increase is necessary in order to offset fuel and labor cost increases incurred since the rates named in MRT 12 were last generally adjusted.

Public hearing was held in this matter before Examiner Gagnon in San Francisco on July 26, 1974 at which time the matter was submitted.

The existing level of MRT 12 charges reflects labor costs in effect as of September 1, 1973. An average fuel cost of 28.7 cents per gallon effective as of February 1974 is also reflected in the MRT 12 charges through the application of the 3 percent fuel cost offset surcharge. In support of CTA's initial proposal a cost supervisor for CTA presented cost and related financial data. In Exhibit 47-1 the cost supervisor shows that the total hourly labor costs for short-line drivers increased 7.22 percent and the like hourly costs for long-line drivers increased by 7.39 percent as of September 1, 1974. The average price for fuel was shown to have

increased from 19.4 cents per gallon in October 1973 to 29.5 cents per gallon as of May 1974 which is slightly higher than the February 1974 average fuel cost of 28.7 cents per gallon currently reflected in the present fuel cost offset surcharge of 3 percent.^{2/} Upward adjustments in various payroll taxes experienced by the carriers since the MRT 12 charges were last revised were also developed by the cost supervisor.

In Exhibit 47-4 the CTA cost witness presented his analysis of the impact fuel and labor cost increases, incurred as of May and September 1974, have upon the 1973 results of operation of 14 auto truckaway transporters subject to the governing provisions of MRT 12. The results of such analysis for six of the selected carriers are separately shown because 50 percent or more of their operating revenues were earned under the provisions of MRT 12. A summary of the analysis for the six selected carriers follows:

^{2/} The increase in fuel prices experienced by the auto transporters during the period from October 1973 through May 1974 constitutes a 52.04 percent increase in fuel costs due to the present energy crisis.

TABLE 1

Effect of Cost Increases
(Exhibit 47-4, Schedule II)

<u>Expenses</u>	<u>Percent Labor Cost to Total Expenses</u>	<u>Percent Labor Cost Increase</u>	<u>Percent Increase in Total Expenses</u>
A. <u>Labor</u>			
1. Drivers	28.97%	6.46%	1.87%
2. Supervision & Clerical	15.75	6.46	1.02
3. Mechanical & Service	5.78	6.46	.37
4. Welfare expense	4.11	14.80	.61
5. Compensation insurance	1.78	6.13	.11
6. Social Security taxes	2.88	3.77	.11
7. Total	59.35%		4.09%
B. <u>Fuel</u>			
1. Fuel expense		\$287,446	
2. Percent increase (Exhibit 1)		52.04%	
3. Amount of increase		\$149,587	
4. Percent increase in total expenses		2.57%	
C. <u>Effect of Total Cost Increase (Line A(7) plus On Total Expenses</u>		Line B(4).)	6.66%

The combined fuel and labor cost increase of 6.66 percent shown in Table 1 constitutes the basis for CTA's rate proposal.

The CTA cost supervisor also developed the composite 1973 revenues and expenses for the two groups of secondary truckaway carriers and thereafter adjusted such composite data to reflect revenues under CTA's rate proposal and expenses modified to include fuel and labor costs effective as of May and September 1, 1974. A summary of the CTA's estimates follows:

TABLE 2

Statement Showing the Estimated Impact of the September 1, 1974 Increased Expenses and CTA's Proposed Cost Offset Increase in MRT 12 Charges Upon the 1973 Results of Operations of 14 Selected Secondary Truckaway Carriers

	<u>6 Carriers</u>	<u>14 Carriers</u>
<u>A. Actual 1973</u>		
1. Revenue from MRT 12	\$5,417,298	\$ 6,895,987
2. Other revenue	221,788	145,661,481
3. Total revenue	<u>\$5,639,086</u>	<u>\$152,557,468</u>
4. Operating expenses	\$5,828,221	\$148,044,241
5. Operating ratio	103.4%	97.0%
<u>B. Adjustments</u>		
6. Labor increase	\$ 238,374	\$ 5,344,397
7. Fuel increase	149,587	2,621,280
8. Total cost increases	<u>\$ 387,961</u>	<u>\$ 7,965,677</u>
<u>C. Actual Revenues Adjusted Expenses</u>		
9. Revenue	\$5,639,086	\$152,557,468
10. Adjusted expenses	\$6,216,182	\$156,009,918
11. Operating ratio	110.2%	102.3%
<u>D. Adjusted Revenues and Expenses</u>		
12. Adjusted revenues	\$5,888,823	\$152,875,373
13. Adjusted expenses	\$6,217,264	\$156,011,295
14. Operating ratio	105.6%	102.1%

From Table 2 the conclusion may be drawn that the CTA's proposal will not have a material effect upon the overall results of operations of the carriers.

The Commission's Transportation Division staff full-scale cost and rate studies pertaining to the highway transportation of property governed by MRT 12 are expected to be completed by the end of 1974. In the interim, the staff suggests that CTA's rate proposal be adopted to the extent that the resulting consolidated fuel and labor cost offset surcharge does not exceed 38 percent. The CTA concurs in the staff's recommendation and urges its adoption.

Findings

1. By Decision No. 82543 dated March 12, 1974 the charges resulting under the rates named in MRT 12 for the highway transportation of motor vehicles in secondary truckaway service were made subject to a 29 percent surcharge to offset fuel and labor cost increases effective generally as of September 1, 1973. Decision No. 82862 dated May 15, 1974 established a second MRT 12 surcharge effective May 25, 1974 to offset an increased fuel cost of approximately 28.7 cents per gallon effective as of February 1974.
2. Since the present two cost offset surcharges were established in MRT 12, carriers subject to MRT 12 have experienced further increases in their fuel and labor costs as of May 1 and September 1, 1974.
3. Since October 1973 through May 1974 these carriers have experienced average fuel price increases ranging from 19.4 cents per gallon to 29.5 cents per gallon. This amounts to a 52.04 percent increase in fuel prices due to the existing fuel crisis.
4. The increase in fuel prices results in a 2.57 percent increase in the total 1973 operating expenses of six carriers which earn 50 percent or more of their revenues from services performed under the provisions of MRT 12.

5. Petitioner's evidence shows that the impact of the labor cost increases effective generally as of September 1, 1974 had the effect of increasing the total 1973 operating expenses of the six selected carriers by 4.09 percent.

6. The CTA seeks an increase of approximately 6.66 percent in the charges resulting under the application of the rates named in MRT 12. To accomplish this result it is proposed that, in lieu of the existing two separate surcharges of 3 percent and 29 percent, a single cost offset surcharge of 38 percent be adopted.

7. The proposed application of a 38 percent surcharge to charges resulting under the application of rates named in MRT 12 has been shown to be justified.

8. The increased charges resulting under the application of the 38 percent surcharge found justified herein are, and for the future will be, the just, reasonable, and nondiscriminatory charges to be observed by highway carriers engaged in the truckaway transportation of motor vehicles in secondary movement.

Conclusions

1. Minimum Rate Tariff 12 should be amended by substituting a cost offset surcharge of 38 percent as provided in the order herein in lieu of the present two separate cost offset surcharges of three percent and 29 percent.

2. Common carriers should be authorized to depart from the long--and short-haul provisions of Section 460 of the Public Utilities Code and the Commission's tariff circular requirements only to the extent necessary to publish the interim fuel cost offset surcharge required herein.

3. To the extent not granted herein the interim relief sought in the second amendment to Petition 47 should be denied.

O R D E R

IT IS ORDERED that:

1. Minimum Rate Tariff 12 (Appendix A of Decision No. 50218, as amended) is further amended by incorporating therein, to become effective October 20, 1974, Supplement 11, attached hereto and by this reference made a part hereof.
2. Common carriers subject to the Public Utilities Code, to the extent that they are subject to Decision No. 50218, as amended, are directed to establish in their tariffs the increases necessary to conform with the further adjustments ordered by this decision.
3. Common carriers maintaining rates on a level other than the minimum rates for transportation for which rates are prescribed in Minimum Rate Tariff 12 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 12 rates.
4. Common carriers maintaining rates on the same level as Minimum Rate Tariff 12 rates for the transportation of commodities and/or for transportation not subject to Minimum Rate Tariff 12 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 12 rates.
5. Common carriers maintaining rates at levels other than the minimum rates for the transportation of commodities and/or for transportation not subject to Minimum Rate Tariff 12 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 12 rates.
6. Tariff publications required or authorized to be made by common carriers as a result of this order shall be filed not earlier than the effective date of this order and may be made effective not earlier than the fifth day after the effective date of this order, on not less than five day's notice to the Commission and to the public; such tariff publications as are required shall be made effective not later than October, 20, 1974; and as to tariff publications

which are authorized but not required, the authority shall expire unless exercised within thirty days after the effective date of this order.

7. Common carriers are hereby authorized to depart from the Commission's tariff circular requirements only to the extent necessary in establishing the interim surcharge authorized by this order.

8. Common carriers, in establishing and maintaining the rates authorized by this order, are authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorizations; such outstanding authorizations are hereby modified only to the extent necessary to comply with this order; and schedules containing the rates published under this authority shall make reference to the prior orders authorizing long- and short-haul departures and to this order.

9. In all other respects, Decision No. 50218, as amended, shall remain in full force and effect.

10. To the extent not granted herein the interim sought in the second amendment to Petition 47 in Case No. 5604 is denied.

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

Dated at San Francisco, California, this 24th day of SEPTEMBER, 1974.

Veran L. Stinson
President
William J. Lyons Jr.

Commissioners

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

I abstain
J. M. Moran Jr., Commissioner

SPECIAL INCREASE SUPPLEMENT

SUPPLEMENT 11

(Cancels Supplements 8 and 10)
(Supplement 11 Contains All Changes)

TO

MINIMUM RATE TARIFF 12

NAMING

MINIMUM RATES AND RULES

FOR THE

TRANSPORTATION OF MOTOR VEHICLES

(As Described Herein)

IN SECONDARY MOVEMENT

BY

TRUCKAWAY SERVICE

OVER THE PUBLIC HIGHWAYS WITHIN THE

STATE OF CALIFORNIA

BY

RADIAL HIGHWAY COMMON CARRIERS

AND

HIGHWAY CONTRACT CARRIERS

◊ APPLICATION OF SURCHARGE

Compute the amount of charges in accordance with the provisions of this tariff, including any surcharges applicable thereto under other supplements to this tariff, and increase the resulting total amount by thirty-eight (38) percent, fractions of less than one-half cent shall be dropped and fractions of one-half cent or greater shall be increased to the next higher whole cent.

◊ Increase, Decision No. **83494**

EFFECTIVE