

Decision No. 84197

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 and highway
carriers relating to the transpor-
tation 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 15.)

Case No. 7783
Petition for Modification
No. 109
(Filed November 13, 1974)

Richard W. Smith, Attorney at Law, and H. W. Hughes,
for California Trucking Association,
petitioner.

C. E. Goacher, for Di Salvo Trucking Co.,
respondent.

Karl L. Mallard, for C&H Sugar, protestant.

Robert A. Kormel, for Pacific Gas and Electric
Company; Asa Button, for Amstar Corp.,
Spreckels Sugar Division; J. J. Butcher
for California Manufacturers Association;
John M. Cunningham, for Bethlehem Steel
Corp.; Howard W. Haage, for National Can
Corp.; and Gordon G. Gale, for The Clorox
Company, interested parties.

Robert E. Walker, for the Commission staff.

O P I N I O N

Minimum Rate Tariff 15 (MRT 15) contains minimum yearly, monthly, weekly, and hourly vehicle unit rates for the transportation of property by highway carriers. Item 100 of MRT 15 sets forth rules governing the collection of charges and extension of credit. Pursuant to the requirements of Item 100, carriers must present a freight bill within seven days after the calendar date each month, corresponding to the date when service commenced, for transportation

service under a yearly unit vehicle rate agreement and seven days after the thirty-first day following commencement of service under a monthly vehicle unit rate agreement. Carriers may extend credit not to exceed seven days following presentation of the freight bill.

The charges for transportation services under MRT 15 consist of the base vehicle unit rates to which mileage and applicable accessorial charges are added for each unit of equipment subject to the agreement.

By this petition California Trucking Association (CTA) seeks to add the following to Item 100:

- (f) Within seven days after the start of transportation under the Monthly or Yearly rates (see Note), the carrier shall bill and collect a prepayment equal to the base vehicle unit rate payable under provisions of Section 2 or 3 herein. Such prepayment shall be deducted:
 - (a) In connection with monthly rates, from the total charges accumulated during the billing period; provided, however, that in the event the written agreement provides for continuous monthly service on the same basis and with the same unit of carrier's equipment, such prepayment shall be deducted from the total transportation charges accumulated during the final billing period under such agreement.
 - (b) In connection with yearly rates, from the total charges accumulated during the final billing period.

Note: In connection with transportation which commenced prior to (the effective date of this tariff change) the prepayment shall be collected within seven days after commencement of the next billing period under applicable written agreements.

Public hearings were held before Examiner Tanner at San Francisco on January 13 and 22, 1975. The matter was submitted for decision on the latter date.

Petitioner's Presentation

The supervisor of CTA's Division of Transportation Economics Rate Section, presented oral and documentary evidence in support of the petition. The witness testified that under the present tariff rules, payment for service performed pursuant to yearly or monthly vehicle unit rate agreements, can be delayed for up to 45 days after service commences. He explained that pending receipt of payment, carriers must pay for virtually every major expense item connected with the performance of the service. In order to meet such payments it is necessary to borrow capital and pay interest thereon. The witness explained that during periods of high interest rates, such as the economy is currently experiencing, such interest expenses can be crippling. The witness made it clear, that while prepayment of the initial base vehicle unit rate is proposed, the CTA's objective is to alleviate the financial burden associated with the commencement of services under a vehicle unit rate agreement, therefore, no objection to reasonable alternatives to the CTA's proposal will be raised. He indicated that weekly payment would be acceptable.

Exhibit 3 contains a model which graphically illustrates the effect of prepayment measured against expenses incurred in performing the service. The model was based on the assumptions that of the total monthly charge billed:

- a. The base vehicle unit rate accounts for 50 percent.
- b. The mileage charges equal 25 percent.
- c. Accessorial services represent the remaining 25 percent.

The cost levels used were those for a 2-axle diesel tractor with two standard van-type trailers and converter dolly. These costs were developed in Exhibit 11, Petition 84, and Exhibit 1, Petition 108, in these proceedings.

The model indicates that under the present tariff rules, the carrier expense begins on the first day, and payment occurs about the thirtieth day. Under CTA's proposal, payment is received on or about the tenth day which offsets a portion of the initial cost of providing the service. After the end of the first billing period, payment is received for the full service which continues to the end of the agreement period.

According to the CTA witness, many carriers purchase equipment when operations under MRT 15 are undertaken, which adds considerably to the financial burden incurred in performing these services. In further support of the proposal, the witness cited Minimum Rate Tariff 6-B (MRT 6-B) which provides in Items 510 and 520:

"Within seven days after the start of transportation hereunder, carrier shall bill and collect a prepayment of \$4,800.00. Such prepayment shall be deducted from the total transportation charges accumulated during such tender provided, however, that if the same shipper elects to use the same unit of carrier's equipment for a subsequent monthly tender beginning within 24 hours, such prepayment shall not be deducted and shall be considered the required prepayment for said subsequent tender."

Interested Parties' and Protestant's Presentation

The director for Transportation and Distribution, California Manufacturers Association (CMA), testified that he had conducted a telephone survey of six shippers who were utilizing carrier services under MRT 15. He stated that information developed by his investigation indicated that new equipment was not usually required to commence MRT 15 operations; that no dissatisfaction with the present tariff provision on the part of carriers performing this service, had come to

the attention of the shippers interviewed. He pointed out that should circumstances require it, there are no existing rules which would prevent a shipper and carrier from agreeing on billing periods less than those specified by the tariff. It was his understanding that this was the case in a number of instances. The director was of the opinion that the prepayment proposal of CTA would cause a number of new problems. He indicated that an increase in the billing frequency would probably be less disturbing than the CTA's prepayment proposal.

The supervisor of Transportation Rates of California and Hawaiian Sugar Company (C&H) testified that several carriers operating under vehicle unit rate agreements with C&H have expressed no dissatisfaction with the monthly payment arrangement. He was of the opinion that prepayment would complicate accounting procedures and require reprogramming of computer processes. He suggested that because the cost of investment in working capital is part of a trucker's cost of doing business, that should prepayment become a requisite, it should carry a discount of two percent or more. The witness recommended that the petition be denied.

A transportation analyst for the Pacific Gas and Electric Company (PG&E) stated that his company presently has 11 agreements with carriers under the yearly vehicle unit rates. PG&E has recognized the problems carriers have in advancing funds to meet current expenses. This problem has been rectified by permitting carriers to bill PG&E on a weekly basis. The monthly charges are prorated by dividing the monthly rate by the number of working days. The weekly bill is then equal to the amount so determined multiplied by the number of days in the week for which service was performed. This billing procedure has been beneficial to both PG&E and the carriers.

PG&E opposed CTA's prepayment proposal because of the accounting problems which would result. As an alternate to the CTA's proposal, PG&E offered Exhibit 5 which set forth specific tariff terms requiring a freight bill to be presented on the fifth day after the seventh, fourteenth, twenty-first, and the last day of the month. The amount to be charged would be determined by appropriately prorating the monthly charges named in MRT 15.

Commission Staff's Presentation

An associate transportation engineer testified that he had contacted the ten largest carriers reporting revenue earned under MRT 15 for the calendar year 1973 and three others reporting 100 percent of their revenue was derived from MRT 15 during the same period. His purpose was to gather sufficient information to permit a reasonable analysis of the cost data used by the CTA in developing Exhibit 3.

The engineer testified that he found payment of wages usually occurred six to seven days after the end of the pay period. Expenses associated with running costs normally are billed for and paid after 25 to 30 days. Fuel purchased away from home terminals is usually handled by credit card, thus delaying the cost. It was the witness's conclusion that no more than 50 percent of the running costs were prepaid.

The staff took no position on either the CTA proposal or the alternate offered by PG&E, except to recommend that if the prepayment proposal was to be adopted, the prepayment should not exceed 50 percent of the base vehicle unit rate.

Discussion

The cost of investment in working capital is unquestionably part of the cost of doing business. The cost estimates upon which minimum rates are based, however, contain no provision for working capital. It may well be that the current cost of money is such that

this element of cost may be a significant factor in providing yearly and monthly vehicle unit service under MRT 15. The record in this matter is clear that a 30-plus day delay in receiving compensation for services performed is a burden which may result in added costs to carriers operating under yearly or monthly vehicle unit rates. The record, however, is void of evidence which might indicate the magnitude of this cost burden.

The proposal advanced by the petitioner does not solve the problem, but, rather shifts it from the carrier to the shipper. The true value of a transportation service must be measured by the effect on the beneficiary. The movement of an element of cost from carrier to shipper may have no effect on the total value of the service, but it could disturb the relationship between the shipper and the provider of the service. It would appear that a means of reducing total cost would be the only way this problem can be finally solved.

The PG&E proposal to increase the frequency of billing to a weekly cycle is an approach which could result in a reduction of costs relating to the maintenance of working capital. The tariff adjustments proposed by PG&E require prorating the monthly and yearly base vehicle unit rate. The wisdom of establishing a tariff rule so conditioned is questionable. If weekly billing is to be adopted, the rates and charges in MRT 15 should be restated to be compatible with the billing cycle. The record in this matter is not adequate for such an undertaking.

The prepayment provision in MRT 6-B, which was cited by CTA, was added to that tariff by Decision No. 76725 dated January 27, 1970 (70 CPUC 644). That decision was issued without hearing and contains no comment regarding the prepayment rule. There was nothing offered in this proceeding indicating that the circumstances which led petitioner to suggest similar rules governing yearly and monthly

vehicle unit rates are the same as the circumstances affecting the volume tender rates in MRT 6-B.

Findings

1. Receipt of payment more than 30 days after commencement of service under yearly or monthly vehicle unit rate agreements results in a financial burden on carriers providing such service.
2. Prepayment of the initial base vehicle unit charge would alleviate the financial burden described in Finding 1.
3. Petitioner has not shown that delays in receipt of payment for services rendered, such as that described in Finding 1, do in fact exist for most carriers operating under Minimum Rate Tariff 15.
4. A carrier is not obligated to pay each element of expense in connection with the performance of vehicle unit rate service at the same time.
5. The uncertainties described in Findings 3 and 4 make it impossible to determine the magnitude of the financial burden described in Finding 1.
6. An increase in the frequency of billing and collection of charges would alleviate the financial burden described in Finding 1.
7. Increasing the frequency of billing and collection of charges for yearly and monthly vehicle unit services would be an acceptable method of resolving the financial difficulties resulting from excessive delays in receipt of payment for service performed.
8. Minimum Rate Tariff 15 provides minimum rates for base vehicle unit rates for service performed under yearly or monthly vehicle unit rate agreements in monthly increments.
9. Tariff rules governing billing and collection of charges cycles for transportation services based on time periods should be equal to the period for which the rate or charge applies.

10. The record in this proceeding does not provide an adequate basis for the redesign of the rates and charges applicable to services subject to yearly or monthly vehicle unit rate agreement to conform to an increase in the frequency of the billing and collection of charges cycle.

11. Petitioner's proposal that within seven days after the start of transportation under the monthly or yearly rates, carriers shall bill and collect a prepayment equal to the applicable base vehicle unit rate has not been shown to be justified.

The Commission concludes that Petition for Modification No. 109 in Case No. 7783 should be denied.

O R D E R

IT IS ORDERED that Petition for Modification No. 109 in Case No. 7783 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 MARCH, 1975.

William L. Johnson
President
William Johnson
Edward Ross
Commissioners