

Decision No. 84201

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 uncrated new furniture)
(commodities for which rates are)
provided in Minimum Rate Tariff)
No. 11-A).

Case No. 5603
Petition for Modification
No. 166
(Filed December 18, 1974)

Richard W. Smith, Attorney at Law, and H. W. Hughes,
for California Trucking Association, petitioner.
Sam O. Sciortino, for Lads Furniture Fast Freight;
Paul C. Driskell, for Driskell Trucking, Inc.;
William Craft, for Western Gillette, Inc.; and
Dennis Firestone, for KKW Trucking, Inc.;
respondents.

R. C. Fels, for Furniture Manufacturers Association
of California; Jan J. Peterson, for John Breuner
Co.; and R. G. Moon, for Western Motor Tariff Bureau;
interested parties.
Robert E. Walker and Clyde Neary, for the Commission
staff.

O P I N I O N

Minimum Rate Tariff 11-A (MRT 11-A) contains minimum rates and rules governing the transportation of uncrated (blanket-wrapped) new furniture between points in California.

In Petition 166, California Trucking Association (CTA) seeks surcharge increases of 4 percent for shipments subject to minimum weights of 2,000 pounds or more and 8 percent on all other shipments. The surcharge increases are sought to offset increases in those elements of carriers' operating costs that have not been the subject of offset rate procedures in the past.

Petition 166 alleges as follows: The rates and charges contained in MRT 11-A were last revised and adjusted generally by Decision No. 83051 dated June 25, 1974 in response to Petition 145 to reflect wage costs, allied payroll expenses, and fuel costs effective generally as of July 1, 1974 pending the complete revision of MRT 11-A based on a new full-scale cost and rate study being prepared by the Commission staff in OSH 151. That study is not yet complete. Since the Commission last considered the economic circumstances of motor carriers performing transportation under MRT 11-A, such circumstances have changed dramatically. The inflationary spiral so often alluded to in matters of this nature has increased severely. Increased costs considered by the Commission in recent years have been limited to labor, taxes, and fuel, in accordance with procedures adopted for reflecting such costs in the various minimum rate tariffs on a current basis. Thus, substantial cost increases in certain categories of operating expense have not been reflected in the minimum rates.

The petition states that affected shipper and carrier representatives met on December 3, and 4, 1974 to consider these increases, to evaluate experiences of the year 1974, and to project needs for 1975. The surcharge increases sought herein assertedly are the result of the concensus reached at the shipper-carrier meetings.

Petition 166 sought ex parte handling. In order to place before the Commission the facts relied upon by petitioner to support the sought surcharge increases, an affidavit of the supervisor of CTA's Southern California office was appended to the petition as Exhibit B. The data contained in Exhibit B is the same as that initially introduced by CTA in Petition 821 in Case No. 5432. Hearing in the latter proceeding was held subsequent to the filing

of Petition 166. Decision No. 83985 dated January 14, 1975 in Petition 821 relied upon data in addition to that contained in the affidavit in Exhibit B herein in determining the level of the 5 percent surcharge increase authorized in that decision.

This matter was set for hearing at the request of the Commission's Transportation Division so that the Commission would have before it the most complete cost information available.^{1/}

Public hearing was held and the matter submitted before Examiner Mallory at San Francisco on January 29, 1975. Evidence in support of the petition was presented by the aforementioned CTA representative and by two officers of highway common carriers engaged in the transportation services under the minimum rates in issue.

The CTA witness presented Exhibit 166-1, which contains calculations similar to those set forth as Tables 8, 9, and 10 in Decision No. 83985. On the basis of those calculations, the witness estimated total operating costs for the movement of blanket-wrapped furniture had increased by 6.87 percent as a result of increases in running costs (less fuel), equipment investment cost, and the non-labor portion of indirect expenses. Carrier witnesses presented testimony to support the assumptions upon which some of the calculations in Exhibit 166-1 are based.

Furniture Manufacturers Association of California and John Breuner Company support the surcharge increases sought herein. The Commission staff urges that the surcharge increase authorized herein not exceed the 5 percent surcharge authorized in Decision No. 83985.

^{1/} It appeared that the revised staff full-scale cost and rate exhibits in preparation for presentation in OSH 151 in Case No. 5603 would be completed in final form and that this proceeding could be consolidated with OSH 151. The staff exhibits, however, although nearing completion, were not available for presentation at the time of hearing.

Discussion

Petitioner relies on substantially the same evidence as was adduced by it in Petition 821 in Case No. 5432.^{2/} In the decision in that proceeding, the Commission found that total operating costs of general commodity carriers subject to Minimum Rate Tariff 2 (MRT 2) had increased by 4.79 percent as a result of the impact of inflation on those elements of carriers' operating costs which heretofore have not been the subject of offset rates procedures. CTA seeks authority herein to offset the increases in the same elements of carriers' operating costs that were considered in Petition 821. Decision No. 83985 in that proceeding states as follows:

"CTA requests that the rate increase herein be granted immediately in the form of a surcharge inasmuch as the revenue increase resulting therefrom is urgently needed to offset the rapid rise in the costs in question which have occurred in the current inflationary period.

"It will be reasonable to limit the increase authorized herein to the cost changes which have been encountered in the recent inflationary period. Similarly, it will be reasonable for the purposes of this proceeding to use indices which are as closely related to the types of cost changes being measured as is possible to determine from the record.

"With the foregoing in mind, changes in running costs should be measured for the period 1973 to date, and the 'parts' component of running costs should be based on the index set forth in Table 7 for the period January 1973 through October 1974."

^{2/} The methods of setting highway carrier rates and rationale for and types of offset rate procedures are explained more fully in Decision No. 83985.

While CTA's witness developed his estimate of the increases in total costs for new furniture transportation in the same format as that used in Decision No. 83985, he did not limit his calculations to the time span referred to in the above quotation from that decision. The witness developed the changes in mechanic's wages and parts over the period 1967 to 1974, a period substantially in excess of the time span adopted for the purposes of Decision No. 83985. The record does not contain an estimate of the percentage increases in those costs for the most recent two-year period. It is conclusive from the evidence adduced in Petition 821 that the increase for the two-year period would be less than for the longer period used in CTA's exhibit. It is the testimony of petitioner's witness that the inflationary costs attempted to be measured in Exhibit 166-1 are the same for carriers engaged in hauling blanket-wrapped new furniture and those engaged in transporting general commodities. In view of the foregoing, the surcharge increase authorized herein should not exceed that found reasonable for transportation subject to MRT 2.

Carrier witnesses testified that a lower surcharge increase was sought for volume shipments than for smaller shipments so that further diversion of volume shipments to proprietary carriage would not occur, and because revenues from volume shipments have made up deficits from smaller shipments in the past. The carriers believe a maximum surcharge increase of four percent on volume shipments would assist in retaining their current level of volume shipments.

In the circumstances, a five percent surcharge on shipments less than 2,000 pounds and a four percent surcharge on shipments subject to a minimum weight of 2,000 pounds or more will be reasonable and should be authorized.

Findings

1. Petitioner, California Trucking Association, seeks the establishment of a surcharge increase of eight percent in the charges for shipments less than 2,000 pounds and four percent for shipments subject to minimum weights of 2,000 pounds for transportation of uncrated new furniture under provisions of MRT 11-A.

2. The purpose of the proposed surcharge increase is to offset the increases incurred in the recent period of rapid inflation in those elements of operating costs which historically have not been subject to offset procedures under criteria described in Re Minimum Rate Tariff 2 (1969) 70 CPUC 277, as amended for changes in fuel costs in Decision No. 82905 dated May 29, 1974 in Case No. 5432 (Petition 780).

3. The cost elements referred to in the preceding finding are (a) running costs (less fuel) (maintenance and tire costs), (b) fixed equipment costs (depreciation), and (c) indirect expenses (other than labor).

4. Offset procedures have not been established with respect to the cost elements described above because in periods of normal prices such costs ordinarily do not increase rapidly and because of the difficulty in measuring changes in such costs.

5. In the current inflationary period there has been a rapid increase in all elements of carriers' operating costs, including those elements of cost which historically have been held constant in offset rate proceedings.

6. Increases in minimum rates are necessary in order to offset the increases experienced by highway carriers involving running costs (less fuel), equipment costs, and indirect expenses (other than labor), if such minimum rates are to be maintained at just and reasonable levels.

7. Petitioner has relied upon evidence adduced in Petition 821 in Case No. 5432, and the findings in Decision No. 83985 in that proceeding to support the relief sought herein.

8. The evidence adduced by petitioner in this proceeding fails to give recognition to the same two-year time span which was adopted in Decision No. 83985 as the period of rapid inflation during which cost changes in issue should be measured.

9. The evidence in the prior surcharge proceeding indicates that if the same two-year period had been used herein, the percentage increases in costs measured in petitioner's Exhibit 166-1 would be less. The record does not contain the data to show the precise level of cost changes in a comparable two-year period to that used in Decision No. 83985.

10. The surcharge increase authorized herein should be no greater than the five percent surcharge found reasonable in Decision No. 83985.

11. Volume incentive rates were recently established in MRT 11-A which increased the amount of truckload traffic handled by carriers. Carriers desire to limit the surcharge increase on volume traffic to four percent in order to retain volume traffic.

12. An interim surcharge increase of five percent on shipments less than 2,000 pounds and four percent for shipments subject to minimum weights of 2,000 pounds or more will be reasonable and is justified. The gross revenue effect is an increase of approximately \$577,000 for traffic subject to minimum rates and \$368,000 for exempt traffic.

13. To the extent that the provisions of MRT 11-A have been found heretofore to constitute reasonable minimum rates and rules for common carriers as defined in the Public Utilities Act, said provisions as hereinafter adjusted, are, and will be, reasonable minimum rate provisions for said common carriers. To the extent

that the existing rates and charges of said common carriers for the transportation involved are less in volume or effect than the minimum rates and charges herein designated as reasonable for such carriers, to that same extent the rates and charges of said carriers are hereby found to be, now and for the future, unreasonable, insufficient, and not justified by the actual rates of competing carriers or the costs of other means of transportation.

14. Where common carriers have been heretofore authorized to depart from the so-called long- and short-haul prohibition of former Article XII, Section 21 of the Constitution, and Section 460 of the Public Utilities Code, such outstanding authorities should be modified, as requested by petitioner, to depart from Section 461.5 of the Public Utilities Code.

Conclusions

1. Petition 166 in Case No. 5603 should be granted to the extent indicated in the above findings, and MRT 11-A should be amended accordingly.

2. Common carriers should be authorized to depart from the long- and short-haul provisions of Section 461.5 of the Public Utilities Code and the Commission's tariff circular requirements only to the extent necessary to publish the offset surcharge ordered herein.

O R D E R

IT IS ORDERED that:

1. Minimum Rate Tariff 11-A (Appendix A of Decision No. 50114, as amended) is further amended by incorporating therein to become effective April 5, 1975, Supplement 16, 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 to Decision No. 50114, 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 11-A are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 11-A rates.

4. Common carriers maintaining rates on the same level as Minimum Rate Tariff 11-A rates for the transportation of commodities and/or for transportation not subject to Minimum Rate Tariff 11-A are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 11-A 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 11-A are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 11-A 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 days' notice to the Commission and to the public; such tariff publications as are required shall be made effective not later than April 5, 1975; 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 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 461.5 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. 50114, as amended, shall remain in full force and effect.

10. To the extent not granted herein, Petition 166, as amended, in Case No. 5603 is denied.

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

Dated at San Francisco, California, this 18th
day of MARCH, 1975.

William L. Steiner
President
William J. Lyons
Stanley
Leonard R. R.
Commissioners

SPECIAL INCREASE SUPPLEMENT

SUPPLEMENT 16

(Cancels Supplement 15)

(Supplement 16 Contains All Changes)

TO

MINIMUM RATE TARIFF 11-A

NAMING

MINIMUM RATES AND RULES

FOR THE

TRANSPORTATION OF UNCRATED NEW FURNITURE

OVER THE

PUBLIC HIGHWAYS WITHIN THE

STATE OF CALIFORNIA

BY

RADIAL HIGHWAY COMMON CARRIERS

AND

HIGHWAY CONTRACT CARRIERS

APPLICATION OF SURCHARGE

(See Page 2 of this Supplement)

Decision No:

84201

EFFECTIVE

Issued by the
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
State Building, Civic Center
San Francisco, California 94102

APPLICATION OF SURCHARGE

Except as otherwise provided, 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:

- (a) Four (4) percent on all shipments subject to minimum weights of two thousand (2,000) pounds, or more; and by
- (b) Five (5) percent on all other shipments.

For purposes of disposing of fractions under provisions hereof, 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.

THE END