

ORIGINAL

Decision No. 84655

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 transportation of cement and related products (commodities for which rates are provided in Minimum Rate Tariff 10).

Case No. 5440
Petition for Modification No. 95
(Filed January 20, 1975; amended January 24 and April 9, 1975)

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

Les Calkins, for Les Calkins Trucking; Ray S. Bruton and Mike Mallin, for Miles & Son's Trucking Service, Inc.; Stanley A. Ziganti, for CAP Transport, Inc.; Earl Hudson, for Hudson Trucking; Donald L. Denney, for L. R. Denney, Inc.; Kenneth Chas. Fairburn, for Fairburn Transport; Henry Fikse and John Henry Fikse, for Fikse Bros., Inc.; Al Cole, for Max Binswanger Trucking; and Frank R. Golzen, for Universal Transport System; respondents.

M. J. Nicolaus, by Elmer Steege, for Western Motor Tariff Bureau; George B. Shannon, for Southwestern Portland Cement Co.; James M. Gallagher, for The Flintkote Co., Calaveras Cement Division; Eugene R. Rhodes, for Monolith Portland Cement Company; Christopher Cutler and Jim S. McGahey, for Kaiser Cement & Gypsum Corp.; T. W. Anderson, for General Portland, Inc., California Division; William T. Barklie, for California Portland Cement Co.; E. J. Bertana, for Lone Star Industries, Inc.; and William Mitze, for Riverside Cement Co.; interested parties.

Frederick W. Foley and George L. Hunt, for the Commission staff.

O P I N I O N

Minimum Rate Tariff 10 (MRT 10) contains rates, rules, and charges governing the highway transportation of cement and related commodities, in bulk and in packages, within California. The California Trucking Association (CTA) requests that the present cement rates named in Items 205 and 210 of MRT 10 for Northern and Southern Territories be increased so as to offset increases incurred by cement carriers for labor, vehicle equipment, and certain running costs.^{1/}

Public hearing of Petition 95 was held before Examiner Gagnon at San Francisco on April 21, 1975. A cost supervisor for CTA presented cost and rate evidence in support of the sought relief. There are no protests.

The cement rates named in MRT 10 were last revised on July 1, 1974 pursuant to Decision No. 83010 dated June 18, 1974.^{2/} The decision increased the rates by 5 percent to offset fuel cost increases effective through April 1974. The level of the current cement rates also reflects cost offset increases adopted by Decision No. 82624 of March 19, 1974 (Petition 83) which reflects labor costs effective July 1, 1974, maintenance costs determined prior to 1966, and vehicle investment costs as of 1972 and earlier.

Since the cement rates were last adjusted the carriers' costs for labor, vehicle investment, and vehicle operating costs have or will materially increase. The cost supervisor presented the

^{1/} The northern and southern rate territories are described in Items 80 and 200 of the tariff.

^{2/} Due to error in printing, Decision No. 83010 in Case No. 5440 was erroneously distributed as Decision No. 83030.

results of a study he conducted pertaining to the increased costs of transporting cement for the year 1975. The cost study constitutes a further updating of the historical cost data of record underlying the existing level of MRT 10 rates, as modified by Exhibit 83-1 (Decision No. 82624) to reflect 1974 costs of operations. A comparison of the July 1974 hourly labor cost data with CTA's July 1975 projected cost data follows:

TABLE 1

<u>Costs Factors</u>	<u>Northern Territory</u>			<u>Southern Territory</u>		
	<u>July 1, 1974</u>	<u>1975</u>	<u>%</u>	<u>July 1, 1974</u>	<u>1975</u>	<u>%</u>
Base hourly wage	\$6.500	\$ 6.910*	6.31	\$5.690	\$6.200*	8.96
Holidays - funeral leave	.237	.283	19.41	.161	.175	8.70
Premium earnings	.715	.760	6.29	.569	.620	8.96
Vacation	.329	.372	13.07	.199	.218	9.55
Comp. insurance	.295	.346	17.29	.295	.353	19.66
Payroll taxes	.404	.473	17.08	.350	.410	17.14
Health, welfare, & pension	<u>.917</u>	<u>1.035</u>	12.87	<u>.577</u>	<u>.727</u>	26.00
Total direct labor	\$9.397	\$10.179	8.32	\$7.841	\$8.703	10.99

* Includes cost of living allowance of 11¢ effective July 1, 1974 and 11¢ effective July 1, 1975.

Under present labor agreements the base wage rate for cement drivers in the Northern Territory will increase by 30 cents per hour, plus an additional 11 cents per hour cost of living adjustment, on July 1, 1975. Employer contribution to the health and welfare fund increases by \$2.50 per man per week, as does the contribution to the pension fund. The base wage rate for drivers in the Southern Territory will increase by 40 cents per hour, plus a cost of living allowance of 11 cents per hour, as of July 1, 1975. The total employer contribution to health and welfare and pension funds amounts to \$31.70 per man per month. Table 1 shows that as of

July 1975 the cement carriers in Northern and Southern Territories will incur increases in their total hourly direct labor costs amounting to 8.32 percent and 10.99 percent, respectively. In Decision No. 82624 it is noted that labor constitutes about 50 percent of the cement carriers total cost of operations. On this basis alone, increases of approximately 4 to 5 percent in the current level of MRT 10 rates would be indicated under established cost offset procedures.

The historical cost data for equipment, taxes, license fees, and fuel, as updated by Decision No. 82624 (Petition 83) to reflect 1974 operating experiences, were brought forward by CTA to reflect 1975 level of costs. This was accomplished by using data sources and methodology similar to that employed by CTA in its Petition 83 (Decision No. 82624). A comparison of this phase of the historical cost data with the like 1975 updated cost data developed by the CTA follows:

TABLE 2

<u>Equipment</u>	<u>Total Fixed & Depr. Cost Per Year</u>		<u>Taxes And Licenses Cost Per Year</u>		<u>Weighted Average Fuel Cost Per Gallon</u>		
	<u>1974</u>	<u>1975</u>	<u>1974</u>	<u>1975</u>	<u>1973</u> (1)	<u>1974</u> (1)	<u>1975</u> (2)
2-axle tractor	\$2,340	\$2,460	\$515	\$520	\$.301	\$.440	\$.432
Trailing units:							
1-axle semitrailers							
Pneumatic	946	973	162	164			
Gravity	788	810	123	125			
Flatbed	277	280	88	88			
2-axle semitrailers							
Pneumatic	1,093	1,190	202	210			
Gravity	922	984	190	194			
Flatbed	503	407	161	154			

(1) Decision No. 83030, Table 1.

(2) Table 3 of Appendix A attached to the verified statement (Petition 95).

Table 2 shows that the weighted average fuel cost experienced by both northern and southern California cement carriers amounted to \$0.301 per gallon as of December 1973. This average fuel cost is also shown to have increased 13.9 cents to \$0.440 per gallon as of April 1974. The 13.9 cents per gallon increase in fuel costs was fully offset by a 5 percent increase in MRT 10 rates pursuant to Decision No. 83010. In this proceeding petitioner has determined that the current 1975 average fuel cost is approximately the same as that computed for April 1974. The sought cost offset adjustment in MRT 10 rates should not, therefore, include any factor for fuel cost increases.

The total adjusted cost per 100 pounds for transporting cement under the provisions of MRT 10, as determined by the CTA's cost supervisor, establishes a July 1975 datum plane for measuring the increases in the July 1974 historical costs of record. The overall average percentage increases thus determined for various lengths of haul are:

TABLE 3

<u>Type of Service</u>	<u>Bulk Cement</u>	
	(1)	(2)
Pneumatic hoppers	17.22%	20.90%
Gravity hoppers	16.16	19.43
Average	16.69	20.17
	<u>Sack Cement</u>	
Hand load & unload	15.02	19.22
Power load & unload	16.10	19.71
Average	15.56	19.47

(1) Northern Territory.

(2) Southern Territory.

Under established cost offset procedures the average percentage increases in total cement costs noted in Table 3 would constitute the basis for the sought adjustment in MRT 10 cement rates. However, the percentage increases in the total cement costs which have been summarized in Table 3 are substantially higher than the proposed increases in rates. It is explained that this is brought about by the elimination of any consideration for fuel cost increases reflected in CTA's total cost projections noted in Table 3 but previously offset by the adjustment in rates pursuant to Decision No. 63010. Secondly, since it is urged that CTA's rate proposal be made effective prior to the cost increases effective on July 1, 1975, the proposed level of rates is less than would otherwise result under the full impact of such labor cost increases. Thirdly, the cost supervisor explains that "discussion with shipper interests as to cost changes, cost flow-through, marketing patterns, and timing of rate changes dictated that the relief sought be held to an absolute minimum and that one increase be sought to avoid costly paperwork in adjusting the pricing structure of the various mills."

Under CTA's rate proposal the rates named in Items 205 and 210 of MRT 10 for bulk cement would be increased as follows:

TABLE 4
Amount of Proposed Increases in Bulk Cement Rates
 (In cents per 100 pounds)

Mileage		Rates					
Over	But Not Over	Northern Territory			Southern Territory		
		Present	Proposed	%	Present	Proposed	%
5	10	12-3/4	13 1/2	7.8	9	9 1/2	2.8
20	25	14 1/2	15	3.4	11	11 1/2	2.3
45	50	20	20 1/2	2.5	16 1/2	18 1/2	12.3
95	100	29 1/2	31-3/4	8.5	24	26	8.3
145	150	38	42	10.5	32	36	12.5
190	200	45	49 1/2	10.0	40	44 1/2	11.3
240	250	52 1/2	57 1/2	10.1	47-3/4	52-3/4	10.5
290	300	58 1/2	64	9.4	54 1/2	59 1/2	9.7
380	400	72	79 1/2	10.4	66-3/4	74	10.9
400	500	84-3/4	94 1/2	11.5	80	89 1/2	11.9

It is estimated that the present cement rates for Northern and Southern Territories will be increased generally by 9 and 10 percent, respectively, should the CTA's rate proposal be adopted. From the Commission's Data Bank reports for 1973, the staff has determined that annual adjusted revenues earned under MRT 10 for the year 1974 amounted to approximately \$26,354,000. On this basis, an overall average increase of 9½ percent in MRT 10 rates would produce about \$2,500,000 in additional cost offset revenues. The CTA's cost data and rate proposal were discussed with various representatives of the cement industry. The cost supervisor is of the opinion that CTA's rate proposal reflects the best efforts of all parties concerned to maintain a healthy transportation structure for the distribution of cement in California.

Findings

1. The minimum cement rates named in MRT 10 were last revised by Decision No. 82624 dated March 19, 1974 (Petition 83) and by Decision No. 83010 dated June 18, 1974 (Petition 89). The rates established by Decision No. 82624 reflect labor costs effective July 1, 1974, maintenance costs determined prior to 1966, and vehicle investment costs as of 1972 and earlier. The last adjustment in MRT 10 rates on July 1, 1974 pursuant to Decision No. 83010 resulted in a 5 percent increase in rates to offset increased fuel costs effective through April 1974.

2. Under existing labor agreements the wage costs and other allied payroll expenses of the cement carriers operating under the provisions of MRT 10 will increase substantially on July 1, 1975. Petitioner has demonstrated that carriers operating in Northern and Southern Territories will experience increases in their total direct labor costs amounting to 8.32 percent and 10.99 percent, respectively.

3. Decision No. 82624 states that labor costs constitute about 50 percent of the cement carriers' total operating expenses. On this basis, a 4 to 5 percent increase in MRT 10 rates would be justified under established procedures to offset the July 1, 1975 direct labor costs.

4. Petitioner's study of the cost of transporting cement for the year 1975 shows substantive increases in the historical fixed equipment and running costs underlying the existing level of MRT 10 rates.

5. Petitioner's cost data for 1975 indicate increases ranging from 15 percent to 20 percent in the total costs for transporting cement under the current level of MRT 10 rates. Such projected increases in total costs are overstated to the extent they reflect increases in fuel costs previously offset by a 5 percent increase in MRT 10 rates.

6. Under petitioner's cost offset rate proposal the distance cement rates named in MRT 10 would be increased by varying amounts ranging from 2 percent to 12 percent. The overall average increase amounts to approximately 9½ percent.

7. The percentage increases in the total adjusted costs for transporting cement under the provisions of MRT 10 are higher than the related cost offset rate increases proposed by petitioner.

8. The sought cost offset increase in MRT 10 rates is less than the related increase in the total adjusted costs for transporting cement under MRT 10 due to (1) petitioner's elimination of any prior consideration for fuel cost increases, (2) petitioner's request that its rate proposal be made effective prior to July 1975, and (3) the competitive factors surrounding the marketing and distribution of cement within California.

9. Petitioner's proposed specific rate increases have been shown to be justified. The proposed overall average increase of $9\frac{1}{2}$ percent in rates will generate approximately \$2,500,000 in additional revenues.

10. The increased rates found justified herein constitute the just, reasonable, and nondiscriminatory minimum rates for the transportation of cement and related commodities by highway carriers.

Conclusions

1. Petition for Modification No. 95, as amended, in Case No. 5440 should be granted and MRT 10 revised accordingly.

2. The revision of MRT 10 rates should be made effective July 1, 1975 to facilitate the pricing and marketing of cement by the various cement mills.

3. Common carriers should be authorized to depart from the long- and short-haul provisions of Section 461.5 of the Public Utilities Code to the extent necessary to effectuate the tariff changes ordered herein.

New Regulatory Program

The Commission intends that the rates established pursuant to this order will expire in 150 days. The Commission intends to implement a new regulatory program within the 150-day period, which will require the filing of tariffs by all highway permit carriers.

The new regulatory program will be incorporated in supplemental orders in these proceedings which will be issued within 30 days. In the event hearing is required, it is contemplated that such hearings will be held, and a final decision will be issued within a 90-day period. In the event a final decision is not issued within that period, the Commission contemplates freezing the minimum rates at the end of the 150-day period at the levels established prior to those resulting from the order herein.

O R D E R

IT IS ORDERED that:


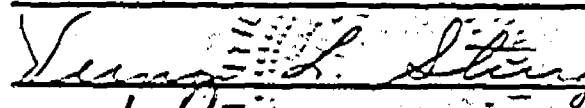
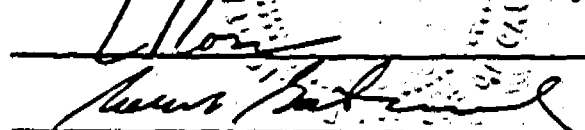
1. Minimum Rate Tariff 10 (Appendix A to Decision No. 44633, as amended) is further amended by incorporating therein, to become effective July 19, 1975, Eleventh Revised Page 12-A and Ninth Revised Page 12-B, attached hereto and by this reference made a part hereof.
2. Common carriers subject to the Public Utilities Act, to the extent that they are subject to Decision No. 44633, as amended, are hereby directed to establish in their tariffs the increases necessary to conform with the further adjustments ordered herein.
3. Common carriers maintaining rates on a level other than the minimum rates for transportation for which rates are prescribed in Minimum Rate Tariff 10 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 10 rates.
4. Common carriers maintaining rates on the same level as Minimum Rate Tariff 10 rates for the transportation of commodities and/or for transportation not subject to Minimum Rate Tariff 10 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 10 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 10 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 10 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 July 19, 1975, 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 July 19, 1975; and as to tariff publications which are authorized but not required, the authority shall expire unless exercised within sixty days after the effective date of this order.

7. 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.

8. In all other respects Decision No. 44633, as amended, shall remain in full force and effect.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 8th
day of JULY, 1975.


President


Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

SECTION 2--RATES IN CENTS PER 100 POUNDS								ITEM
NORTHERN TERRITORY RATES								
MILES		RATES		MILES		RATES		
Over	But Not Over	(1) Bulk	(2) Sack	Over	But Not Over	(1) Bulk	(2) Sack	
0	3	11½	13½	145	150	42	44	
3	5	12½	14½	150	160	43½	45½	
5	10	13½	15½	160	170	45	47	
10	15	13½	15½	170	180	46½	48½	
15	20	14½	16½	180	190	48	50	
20	25	15	17	190	200	49½	51½	
25	30	16½	18½	200	210	51½	53½	
30	35	16½	18½	210	220	52½	54½	
35	40	18	19½	220	230	54	56	
40	45	19½	21	230	240	55½	57½	
45	50	20½	22½	240	250	57½	59½	
50	55	22½	24½	250	260	58½	60½	
55	60	25½	27½	260	270	59½	61½	
60	65	26	28	270	280	61½	63½	
65	70	26½	28½	280	290	63	63½	
70	75	27½	29½	290	300	64	64	
75	80	28½	30½	300	320	68½	68½	0205
80	85	29½	31½	320	340	71½	71½	
85	90	30½	32½	340	360	73½	73½	
90	95	31	33	360	380	76½	76½	
95	100	31½	33½	380	400	79½	79½	
100	105	33½	35½	400	420	83½	83½	
105	110	34½	36½	420	440	86½	86½	
110	115	35	37	440	460	89½	89½	
115	120	36	38	460	480	91½	91½	
120	125	38	40	480	500	94½	94½	
125	130	38½	40½	500	---	(Add to the rate for 500 miles, 6 cents per 100 pounds for each 25 miles or fraction thereof.)		
130	135	39½	41½					
135	140	40½	42½					
140	145	41	43					
(1) Rates apply on shipments in bulk. (2) Rates apply on shipments in packages.								
♦ Increase, Decision No. 84655								
EFFECTIVE								
ISSUED BY THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA, SAN FRANCISCO, CALIFORNIA.								
Correction								

MINIMUM RATE TARIFF 10

NINTH REVISED PAGE.....12-B

CANCELS

EIGHTH REVISED PAGE....12-B

SECTION 2--RATES IN CENTS PER 100 POUNDS				ITEM
SOUTHERN TERRITORY RATES				
MILES		RATES		
Over	But Not Over	(1) Bulk	(2) Sack	
0	3	8½	10	
3	5	8½	10½	
5	10	9½	10½	
10	15	9½	11½	
15	20	10½	12½	
20	25	11½	12½	
25	30	11½	13½	
30	35	12½	14	
35	40	13½	17	
40	45	16½	18	
45	50	18½	19½	
50	60	19½	21	
60	70	21	23	
70	80	22½	24½	
80	90	24½	25½	
90	100	26	27	
100	110	27½	28½	
110	120	28½	30	
120	130	32	33	
130	140	33½	34½	0210
140	150	36	36½	
150	160	37½	38½	
160	170	39½	40½	
170	180	41½	41½	
180	190	43	43	
190	200	44½	44½	
200	220	47	47	
220	240	50½	50½	
240	260	52½	52½	
260	280	56½	56½	
280	300	59½	59½	
300	320	63½	63½	
320	340	65½	65½	
340	360	68½	68½	
360	380	71½	71½	
380	400	74	74	
400	420	78½	78½	
420	440	81	81	
440	460	84	84	
460	480	86½	86½	
480	500	89½	89½	
500	---			
(Add to the rate for 500 miles 6 cents per 100 pounds for each 25 miles or fraction thereof)				
(1) Rates apply on shipments in bulk.				
(2) Rates apply on shipments in packages.				
o Increase, Decision No. 84655				
EFFECTIVE				
ISSUED BY THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA, SAN FRANCISCO, CALIFORNIA.				
Correction				