

ORIGINAL

Decision No. 88177 NOV 29 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation for the purpose of considering and determining minimum rates for transportation of sand, rock, gravel and related items in bulk, in dump truck equipment between points in California as provided in Minimum Rate Tariff 7-A and the revisions or reissues thereof.

Case No. 5437
Petition for Modification
No. 293
(Filed June 9, 1977)

In the Matter of the Investigation for the purpose of considering and determining minimum rates for transportation of rock, sand, gravel and related items in bulk, in dump truck equipment in Southern California as provided in Minimum Rate Tariff 17-A and Southern California Production Area and Delivery Zone Directory 1, and the revisions or reissues thereof.

Case No. 9819
Petition for Modification
No. 23
(Filed July 15, 1977;
amended September 2, 1977)

In the Matter of the Investigation for the purpose of considering and determining minimum rates for transportation of rock, sand and gravel in bulk, in dump truck equipment in Northern California as provided in Minimum Rate Tariff 20 and Northern California Production Area and Delivery Zone Directory 2, and the revisions or reissues thereof.

Case No. 9820
Petition for Modification
No. 9
(Filed July 15, 1977)

E. O. Blackman, and James D. Martens, for California Dump Truck Owners Association, petitioner.
Harry C. Phelan, for California Asphalt Plant Association; James R. Foote, for Associated Independent Owner-Operators, Inc.; Charles D. Gilbert, Herbert Hughes, and J. C. Kaspar, for California Trucking Association; T. W. Anderson, for General Portland Company, Inc.; J. S. Shafer and David J. Marchant, Attorney at Law, for California Carrier Association; and E. J. Bertana, for Lone Star Industries; interested parties.
George H. Morrison and John Lemke, for the Commission staff.

O P I N I O N

California Dump Truck Owners Association (CDTOA) seeks revisions in the minimum rates for the transportation of rock, sand, gravel, slag, earth, asphaltic concrete, and related commodities in bulk in dump truck equipment as set forth in Minimum Rate Tariffs 7-A, 17-A, and 20 (MRT 7-A, MRT 17-A, and MRT 20).^{1/} The proposed increases are required to offset

^{1/} MRT 7-A contains statewide hourly and tonnage rates for the transportation of various commodities in bulk in dump truck equipment, and limited zone rates for rock, sand, and asphaltic concrete. The rates in that tariff were last adjusted pursuant to Decision No. 86326 dated August 31, 1976 in Case No. 5437 (Petition 289).

MRT 17-A contains production area to delivery zone rates on rock, sand, gravel, slag, and asphaltic concrete applicable to transportation performed within the Los Angeles Basin area and within San Diego and Ventura Counties. The rates in MRT 17-A were last adjusted pursuant to Decision No. 86988 dated February 23, 1977 in Case No. 9819 (Petitions 9 and 16).

MRT 20 contains zone rates for the transportation of rock, sand, and gravel from production areas to delivery zones in northern California. The rates in that tariff were last adjusted pursuant to Decision No. 85482 dated February 18, 1976 in Case No. 9820 (Petition 5).

increased operating expenses, including driver's wages, payroll costs and fringe benefits, and insurance and fuel costs.

Petitioner seeks also to make changes which result in decreases in the minimum rates. Petitioner asks that the average load for five-axle equipment be increased by 2,000 pounds. Increasing the average load reduces truckload costs and resulting rates stated in cents per ton in each of the minimum rate tariffs. With respect to MRT 17-A, petitioners seek to construct zone rates for rock, sand, and gravel (RS&G) applicable within the Los Angeles Basin Area based on the most efficient unit of equipment for that transportation service, which is a unit consisting of a tractor and two bottom-dump semi-trailers (bottom-dump unit). The existing zone rates are predicated on a blend of costs based on 30 percent bottom-dump unit costs and 70 percent truck and transfer-trailer unit costs. The effect of using only bottom-dump unit costs in constructing RS&G zone rates results in substantial reductions varying with the length of haul.

Petitioner seeks to cancel the mileage-tonnage rates on fodder (animal feed) in MRT 7-A on the basis of nonuse.

Other changes in rules and accessorial charges are proposed, as hereinafter described.

The petitions were consolidated for hearing and a duly noticed public hearing was held before Administrative Law Judge J. W. Mallory in San Francisco on September 12 and 13, 1977. The matters were submitted on October 14, 1977 upon receipt of late-filed exhibits.

Evidence was presented by petitioner, the Commission staff, and California Carrier Association (CCA).

Cost Data

Petitioner and the staff presented revised cost data showing the effect on total operating costs of the adjustments proposed in the petitions.

The basic cost data underlying MRT 7-A, MRT 17-A, and MRT 20 reflect carrier wages, fuel, and other costs current as of March 1, 1976 or earlier. The revised cost data introduced by petitioner and the staff adjusted the cost data introduced in prior proceedings to reflect cost conditions as of July 1, 1977 with respect to MRT 7-A and MRT 17-A and June 1, 1977 with respect to MRT 20. Adjustments were made to reflect increased driver's wages, fringe benefits, and payroll expenses; gasoline and diesel fuel costs; workers compensation insurance expense; and truck liability and property damage insurance costs. The wage (cost) offset basis as described in prior proceedings was used.^{2/} Total costs are increased by an average of about 12 percent as a result of the increased labor, fringe benefit, payroll, insurance, and fuel costs measured in the cost studies of petitioner and the staff.

The underlying performance data were also adjusted by petitioner and the staff to reflect an increase of 2,000 pounds in the average load for truckload shipments. The latter change is to give effect to the 1976 amendment to the California Vehicle Code raising the maximum gross load which may be imposed on California highways from 76,800 pounds to 80,000 pounds. Petitioner and the staff assertedly analyzed the changes in actual loadings of for-hire carrier dump-truck equipment since the change in the maximum weight law and determined that,

^{2/} See Re Minimum Rate Tariff 2 (1969) 70 CPUC 277.

considering the tire and axle distances concurrently revised, average payload was increased by 2,000 pounds (one ton) for five-axle bottom-dump units. Costs were revised to reflect that additional payload. The average change in total costs per ton resulting from that productivity gain results in about a 4 percent reduction in rates.

Further adjustments in the performance data underlying the Los Angeles Basin Area RS&G costs for MRT 17-A were made to construct those costs on the use of the most efficient type of equipment for the performance of that type of service. At the present time RS&G costs are based on a melding of 70 percent costs for truck and transfer-trailer units and 30 percent costs for bottom-dump units. Truck and transfer-trailer units no longer are the predominant equipment used for RS&G transportation service in the Los Angeles Basin Area. The bottom-dump unit is the more efficient unit because it requires substantially less time to unload. The substitution of the bottom-dump unit as the standard unit to construct RS&G costs substantially reduces terminal-end-time costs (total of loading, unloading, and

standby costs). The effect on total costs of the changes which result from that productivity increase is reductions ranging from 13 to 24 percent.^{3/}

The Commission staff cost exhibits contain minor corrections of the data used in petitioner's exhibits. Petitioner adopted the staff cost Exhibits 293-12 (MRT 7-A), 293-13 (MRT 17-A), and 293-14 (MRT 20) for the purposes of its petitions herein.

CCA presented Exhibit 293-11, which contains an analysis of the actual weights of 600 shipments of RS&G and slag transported by dump truck carriers under rates set forth in MRT 17-A. All types of equipment units are reflected in the analysis, and data are not limited solely to bottom-dump equipment.

^{3/} The combined effect on total costs for representative distances for the labor and other cost increases and for productivity gains stemming from increases in average payload and exclusive use of bottom-dump equipment is as follows:

Rock, Sand, and Gravel (Los Angeles Basin Area)

	Miles Minutes	5 20	25 100	50 200
Proposed Rates		\$ 0.627	\$ 1.976	\$ 3.663
Existing Rates		0.698	1.996	3.619
Difference		\$(0.071)	\$(0.020)	\$ 0.044
% Increase		(10.17) %	(1.00) %	1.22 %

(Decrease)

The average weight of shipments included in the analysis was 25.85 tons. The average load for bottom-dump units used in Exhibit 293-13 for RS&G and slag is 27.17 tons.^{4/} CCA challenges the use of 27.17 tons as being unreasonably high in relationship to the actual average loads of 25.85 tons now being transported. CCA also points out that 27.17 tons average load for the Los Angeles Basin Area exceeds the average load of 26.3 tons for bottom-dump units set forth in staff Exhibit 293-14 applicable to production area to delivery zone movements in Northern California.

Rate Proposals - MRT 7-A

Petitioner and the Commission staff proposed that the hourly and distance rates in MRT 7-A be revised by utilizing the appropriate costs from Exhibit 293-12, and expanding such costs for a profit factor of 8 percent; that other rates for which no specific cost data are of record be increased by 10 percent (including profit factor); and that Antelope Valley production area to delivery zone rates be increased by 9½ percent (including profit factor). There was no objection to the MRT 7-A proposals of petitioner described above.

Petitioner also proposed the deletion of Item 350 of MRT 7-A which contains rates for silage (fodder) because of nonuse. That proposal was opposed by CTA and the staff on the basis that improper notice of the proposed cancellation was made. CTA pointed that the petition does not contain such proposal and parties were not aware that such proposal would be

^{4/} The average load of 26.17 tons for RS&G and slag was increased by 1.0 tons.

made until the hearing. The rates initially were established upon petition of the California Farm Bureau Federation, and that organization was not furnished a copy of the petition or informed of the proposal.

Rate Proposals - MRT 17-A

Petitioner and the staff proposed that the formulae from which the production area to delivery zone rates are developed be adjusted to reflect the current cost data set forth in Exhibit 293-13, and that such formulae continue to make provision for a profit factor of 8 percent.

CCA proposed that the rates in MRT 17-A for the movement of RS&G and slag within the Los Angeles Basin Area be constructed on the formulae set forth in its Exhibit 293-11 which are based on average loads of 25.85 tons, rather than the average load of 27.17 tons used in staff Exhibit 293-13.

In addition, petitioner and staff proposed methods for constructing rates from certain Orange County production areas to certain delivery zones for which traverse data are not included in the Data Bank highway traverse system.

Petitioner and CCA ask that an additive of 20 cents per ton be established when truck and transfer-trailer units are used to transport RS&G and slag within the Los Angeles Basin Area in order to compensate for the added terminal-end-time costs when such equipment is used. This type of provision is now applicable to San Diego County rates in MRT 17-A.

Petitioner and CCA proposed that accessorial charges for delay time in Item 180 be increased and made uniform for all services covered by MRT 17-A.

In the amendment to Petition 23 in Case No. 9819, petitioner proposed that the rules governing payments to subhaulers in MRT 17-A be made uniform with similar rules in MRT 7-A and MRT 20.

Rate Proposals - MRT 20

Petitioner and the staff proposed that the formula from which production area to delivery zone rates in MRT-20 are developed be revised to reflect current cost data set forth in staff Exhibit 293-14, and that such formula continue to make provision for a profit factor of 8 percent.

Petitioner also proposed to raise the additive for use of truck and transfer-trailer units from 15 to 20 cents per ton and to increase other accessorial charges by 10 percent.

Discussion - Offset Method and Profit Factor

The rates and charges in MRT 7-A, MRT 17-A, and MRT 20 are now constructed on cost data revised for labor offsets based on the wage (cost) offset basis and adjusted to provide a profit factor of 8 percent. The Commission determined in prior proceedings that such profit factor was necessary to ensure the maintenance of adequate transportation services by dump truck carriers for highway, public works, and other types of construction projects throughout the state of California.

The use of the wage (cost) offset formula in these proceedings is reasonable for the reasons that the basic cost studies underlying the production area to delivery zone rates in MRT 17-A and MRT 20 are being revised to reflect the productivity gains from weight law changes, and because the basic cost data underlying MRT 17-A and MRT 20 (including highway traverse data) are of relatively recent origin or recently have been revised

to reflect current conditions.^{5/} The distance and hourly rates in MRT 7-A are closely related to the rates in MRT 17-A and MRT 20. A uniform method should be used to construct rates in all three tariffs in order to maintain those complex rate relationships. Moreover, indirect expenses provided in underlying

5/ Major decisions updating and restructuring dump truck rates for MRT 17-A since 1970:

- May 12, 1970 Decision No. 77204 completely changed rates and rules for rock, sand, and gravel in San Diego County, based on comprehensive cost and rate studies. Utilized least-cost formula for first time in MRT 17. Established new system of production areas and delivery zones. Canceled old zone rates in MRT 17.
- October 11, 1972 Decision No. 80578 established MRT 17-A, canceling MRT 17. Many zone rates in southern California revised based on updated costs. Zone rates no longer used were canceled.
- April 17, 1973 Decision No. 81298 added new portion of Moorpark Freeway, Ventura County, to traverse network. Resulted in reductions in numerous zone rates in the vicinity.
- August 29, 1974 Decision No. 83377 restructured zone rate formulae for rock, sand, gravel, asphaltic concrete, and slag throughout the 7-county area of the tariff, based upon substantial changes in the applicable cost formulae.
- March 2, 1976 Decision No. 85515 adopted least-cost formula to apply throughout southern California. Least-cost formula replaced generally less efficient least-time formula. All zone rates in MRT 17-A are now developed by the least-cost formula. Additionally revised rates are decomposed granite based on elements that affect costs of transporting asphaltic concrete. Also revised other zone rates based on updated costs.
- February 23, 1977 Decision No. 86988 substantially revised traverse network underlying zone rates by including 200 miles of new freeway segments. Shorter running times reduced many rates. Many zone rates no longer used were canceled.

MRT 20 was initially established on October 1, 1973 by Decision No. 81799 dated August 28, 1973 in Case 5437 (OSH 226).

cost data are generally 10 percent of direct expenses, which is a substantially lower factor than used in cost studies in general commodity minimum rate proceeding. ✓

In light of all of the factors described above, we find that the establishment of revised rates in MRT 7-A, MRT 17-A, and MRT 20 based on current cost data constructed on the wage (cost) offset and expanded for a profit factor of 8 percent, as used in recent prior proceedings involving those tariffs, will continue to be appropriate and will result in just, reasonable, and nondiscriminatory minimum rates for the transportation services covered by those tariffs.

Discussion - Average Load

The proposals of petitioner and the staff were not opposed except with respect to the increase in average load for transportation of RS&G and slag within the Los Angeles Basin Area under rates in MRT 17-A, and with respect to the cancellation of mileage-tonnage rates on silage (fodder) in MRT 7-A.

CCA has shown that the proposed increase in average load to 27.17 tons for transportation of RS&G in bottom-dump units in the Los Angeles Basin Area exceeds the more recently developed average load of 26.3 tons (including the 1-ton increase proposed herein) applicable in the area covered by MRT 20. CCA's actual average load figure of 25.85 tons is not comparable because it includes equipment units other than bottom-dump units. After consideration, we find that an increase in average load of 1,000 pounds (0.5 tons) for bottom-dump units transporting RS&G and slag within the Los Angeles Basin Area reasonably will give effect to increased payloads stemming from the recent change in the maximum gross weight permitted on highways within this state, without exceeding the amounts that actually can be transported in bottom-dump units now generally in use. The following tabulation, (which may be compared with Footnote 3) shows the effective amounts of

increase or decrease in minimum rates for representative lengths of haul resulting from rates which we find reasonable as a result of adopting an average load of 26.67 tons for bottom-dump units operated in the Los Angeles Basin Area:

TABLE I
Percentage Change In
Los Angeles Basin Zone Rates

Rock, Sand, and Gravel

	Miles Minutes	5 20	25 100	50 200
Adopted Rates		\$ 0.638	\$ 2.013	\$ 3.731
Existing Rates		<u>0.698</u>	<u>1.996</u>	<u>3.619</u>
Difference		\$(0.060)	\$ 0.017	\$ 0.112
% Increase or Decrease		(8.60)%	0.85%	3.09%

Slag

Adopted Rates	\$ 0.638	\$ 2.013	\$ 3.731
Existing Rates	<u>0.761</u>	<u>2.095</u>	<u>3.763</u>
Difference	\$(0.123)	\$(0.087)	\$(0.032)
% Increase or Decrease	(16.16)%	(3.91)%	(0.85)%

(Decrease)

Discussion - Cancellation of Silage Rates

Adequate notification was not provided that silage (fodder) mileage rates in MRT 7-A were proposed to be canceled. Therefore, petitioner's proposal will not be adopted.

Findings

1. The minimum rates in MRT 7-A, MRT 17-A, and MRT 20 were last adjusted by Decisions Nos. 86326, 86988, and 85482, respectively.

2. Since the rates in MRT 7-A, MRT 17-A, and MRT 20 were last adjusted, the costs of performing services under those tariffs have increased.

3. Cost studies submitted by CDTOA and the staff adjust the cost data of record in prior proceedings to reflect the wage and fringe benefit costs, allied payroll expenses and taxes, liability insurance, and fuel costs generally in effect on July 1, 1977. The offset method employed by CDTOA and the staff is the wage (cost) offset described in Re Minimum Rate Tariff 2 (1969)70 CPUC 277.

4. The wage (cost) offset method and use of a profit factor of 8 percent in the development of the revised minimum rates adopted herein result in just, reasonable, and nondiscriminatory minimum rates.

5. Petitioner and the staff propose that the tonnage-mileage costs based on the use of five-axle dump truck equipment also be revised by increasing average loads by 2,000 pounds (one ton) to give effect to the increased maximum weight permitted under revised state weight laws. That proposal is reasonable, except that an increase of 1,000 pounds (0.5 tons) will be reasonable in connection with costs for bottom-dump equipment underlying the rates for transportation of RS&G and slag between Los Angeles Basin Area points in MRT 17-A. ✓

6. The construction of rates for the transportation of RS&G between points in the Los Angeles Basin Area in MRT 17-A based solely on the costs for five-axle bottom equipment gives effect to the use of the most efficient type of equipment and will be reasonable for the future.

7. The proposed cancellation of rates in Item 350 for silage as proposed by petitioner should not be adopted because of inadequate notice. Rates in that item should not be increased.

8. In other respects, the proposals of the staff set forth in Exhibit 293-15 with respect to MRT 7-A will result in

just, reasonable, and nondiscriminatory minimum rates for the transportation services covered by that tariff and the increases resulting from the establishment of such rates are justified.

9. The rate formulae set forth in Appendix A reflect the costs found reasonable with respect to transportation covered by MRT 17-A, and the rate formulae set forth in Appendix B reflect the costs found reasonable with respect to transportation covered by MRT 20. The application of those formulae to the time and distance traverse networks heretofore adopted by the Commission will provide just, reasonable, and nondiscriminatory minimum rates for the transportation governed by MRT 17-A and MRT 20, and the increases resulting therefrom are justified.

10. The rates in MRT 17-A not developed on the formulae set forth in Appendix A and the charges and rules in that tariff should be amended as proposed by petitioner in its Exhibit 293-7 paragraphs 5, 6, 7, and 8 and in Exhibit 293-10 (late-filed) and in CCA's Exhibit 293-16 (late-filed). Increases resulting therefrom are justified.

11. The charges and rules set forth in MRT 20 should be amended as proposed by petitioner in its Exhibit 293-9 (paragraphs 2 through 5). Increases resulting therefrom are justified.

12. A decrease of approximately 4 percent in operating costs results from the increase in average load for five-axle equipment.

13. An average increase of operating costs of approximately 12 percent results from the increased wage, fringe benefits, payroll, insurance, and fuel expenses measured in the cost studies of record.

14. Petitioner estimates that:

- (a) An average increase in rates in MRT 7-A of $9\frac{1}{2}$ percent will result from its proposals, and that annual revenues of carriers subject to that tariff will be increased by approximately \$10,120,000,

- (b) An average increase in rates in MRT 17-A of 6.9 percent will result from its proposals, and that annual revenues of carriers subject to that tariff will be increased by approximately \$1,818,000, and,
- (c) An average increase of 6 percent in the rates in MRT 20 will result from its proposals, and that annual revenues of carriers subject to that tariff will be increased by approximately \$670,000.

Conclusions

1. Petition 293 in Case 5437, Petition 23 in Case 9819, and Petition 9 in Case 9820 should be granted to the extent provided in the following order.

2. Minimum Rate Tariffs 7-A, 17-A, and 20 should be amended by separate orders to be issued by the Executive Director of the Commission as hereinafter provided.

C R D E R

IT IS ORDERED that:

1. The revisions of Minimum Rate Tariffs 7-A, 17-A, and 20 adopted herein, as specifically described in Findings 7 through 11 of the preceding opinion, shall become effective thirty-nine days after the effective date of this order.

2. The tariff revisions referred to in the preceding ordering paragraph shall be distributed by separate orders issued by the Executive Director of the Commission in accordance with procedures hereinbefore adopted for the promulgation of similar routine orders of the Commission.

3. The orders referred to in the preceding ordering paragraph shall be served upon the parties to the consolidated proceeding herein and upon all holders of Minimum Rate Tariffs 7-A, 17-A, and 20.

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

Dated at San Francisco, California, this 29th day of NOVEMBER, 1977.

Substantive
Chair J. Delnick

Robert Bateman

President
William J. Quinn

James J. Strydom

Michael J. Gault

Commissioners

APPENDIX A

Rate per Ton Formulae for the Computation
Of Zone Rates, Minimum Rate Tariff 17-A

1. From production areas in Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties to delivery zones other than those in San Diego County.

Asphaltic Concrete:

$$\frac{(O.W. \text{ Miles} \times \$0.0274) + (96\% \text{ R.T. Min.} \times \$0.02177) + \$0.635}{0.9197}$$

Rock, Sand, Gravel:

$$\frac{(O.W. \text{ Miles} \times \$0.0172) + (\text{R.T. Min.} \times \$0.01150) + \$0.271}{0.9197}$$

Slag:

$$\frac{(O.W. \text{ Miles} \times \$0.0172) + (\text{R.T. Min.} \times \$0.01150) + \$0.271}{0.9197}$$

Decomposed Granite:

$$\frac{(O.W. \text{ Miles} \times \$0.0274) + (\text{R.T. Min.} \times \$0.02177) + \$0.358}{0.9197}$$

2. From Production areas in Orange County to delivery zones in San Diego County.

(Asphaltic concrete, rock, sand, and gravel)

- a. Subtract from the present zone rates the current rates from corresponding Orange County production areas to Orange County Delivery Zone 30118.
- b. Increase the resulting differences in rates for (1) asphaltic concrete by 8 percent and (2) rock, sand, and gravel by 7 percent.
- c. Increase the rates which are used as subtrahends in paragraph (a) to correspond to the increased rates which are developed pursuant to the above cost and rate formulae for transportation from the same Orange County production areas to Orange County Delivery Zone 30118.
- d. Add to the increased rate differentials developed in paragraph (b) the corresponding rates developed in paragraph (c).

3. From production areas in San Diego County to delivery zones in San Diego and Orange Counties.

Rock, Sand, Gravel:

$$\frac{(O.W. \text{ Miles} \times \$0.0208) + (\text{R.T. Min.} \times \$0.01257) + \$0.2366}{0.9197}$$

O.W. = One way

R.T. = Round Trip

Appendix B

Rate per Ton Formulae for the Computation
Of Zone Rates, Minimum Rate Tariff 20

From all production areas to all delivery zones:

$$\frac{(\text{O.W. Miles} \times \$0.01939) + (\text{R.T. Min.} \times \$0.01271) + \$0.22765}{0.9197}$$

O.W. = One Way

R.T. = Round Trip

Production Areas 43-B and 43-C, Minimum Rate Tariff 20

Rates from Production Areas 43-B and 43-C should be equalized to arrive at the same rate for both Production Areas to maintain the competitive equality established in Decision No. 87101 dated March 15, 1977 in Case No. 9820, Petition 6.