

ORIGINALDecision No. 91241 JAN 15 1980

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 trans-
portation of any and all commodities
statewide including, but not limited
to, those rates which are provided in
Minimum Rate Tariff 2 and the
revisions or reissues thereof.

And Related Matters.

Case No. 5432
Petition for Modification
No. 1034
(Filed September 29, 1978;
amended March 12, 1979
and July 31, 1979)

Case No. 5439
Petition for Modification
No. 329
Case No. 5441
Petition for Modification
No. 410

Case No. 7783
Petition for Modification
No. 160
(Filed September 29, 1978;
amended March 12, 1979
and July 31, 1979)

(See Decisions Nos. 89978 and 90224 for appearances.)

Additional Appearances

Robert M. Chapman, for Delta Lines, Inc., respondent.
V. W. Varozza, for Delta California Industries;
Tad Muraoka, for IBM Corporation; and Gordon G. Gale
for the Clorox Company and The Traffic Managers
Conference of California; interested parties.
Robert E. Walker, for the Commission staff.

FOURTH INTERIM OPINION

Minimum Rate Tariffs (MRTs) 2, 1-B, 9-B, and 19 name minimum rates for the highway transportation of general commodities statewide and within the East Bay, San Diego, and San Francisco drayage areas, respectively. MRT 15 names vehicle unit rates.

By the petitions herein and the First Amendment thereto, the California Trucking Association (CTA) seeks general cost offsetting increases in the five tariffs. The increases sought are to reflect increases in wages, fringe benefits, payroll taxes, and related expenses in all five tariffs and to reflect alleged changes in platform productivity at carrier terminals in the statewide and three drayage tariffs. The vehicle unit tariff is not concerned with platform services at carrier terminals. CTA also requests that indirect expenses be increased by the same percentage that direct expenses are increased. Interim Decisions Nos. 89978 and 90224 dated February 14 and April 24, 1979 and companion decisions granted surcharge increases in the five tariffs ranging from $7\frac{1}{2}$ to 9 percent to offset January 1, 1979 increases in payroll taxes and pension benefits and to offset the labor increases in the April 1, 1979 industry labor contract with the Teamsters Union, respectively. The increases were based on adjustment in direct costs only. In addition to these increases, the surcharges in the supplements to each of the five tariffs include all current fuel adjustments.

Additional increases are sought by CTA in the Second Amendment to the petitions to reflect the October 1, 1979 cost-of-living increase in wages provided for in the labor contract and the July 1, 1979 increase in Workers' Compensation Insurance payments by employers. Because these increases were in effect,

Decision No. 90889 dated October 10, 1979 granted permissive authority to highway common carriers to establish in their tariffs a further 3 percent interim surcharge increase in their rates predicated on the minimum rates in the five tariffs. The decision pointed out that the reason the permissive interim authority was granted to highway common carriers only is that they cannot increase their rates without authority from the Commission; whereas, permitted carriers may, on their own initiative, charge above the minimum rate level to recoup these cost increases.

A total of 11 days of public hearing were held before Administrative Law Judge Arthur M. Mooney in San Francisco between December 1978 and October 1979 on the various issues in this proceeding, and all remaining matters in the petitions and the First and Second Amendments thereto are now ready for decision. A Third Amendment to the petitions filed by CTA on November 16, 1979 seeks further offset adjustments in the rates in the five tariffs. This latter amendment will be handled separately and is not a part of this decision.

The evidence, position of the parties, and discussion relating to the remaining platform, indirect cost, and Second Amendment issues will be set forth separately. This will be followed by the findings, conclusions, and order which will relate to all of these matters.

Platform Issue

The last complete MRT 2 platform performance study was made by CTA in the early 1960's and was received in evidence as Exhibit 233-26 in Case No. 5432 (Petition 233), et al. Decision No. 66453 (1963) 62 CPUC 14, in this matter adopted the performance data set forth in the study as the basis for calculating platform costs at carrier terminals. There have been no changes in those data since that time. The format for the study in Exhibit 233-26 was the same as that used by CTA and the staff since the 1940's. Three forms were used and a time and motion study was made. The forms consisted

of: (1) an Inbound List on which was recorded the freight bill number, weight, and number of pieces in each inbound shipment over the platform during the period studied, (2) an Outbound List on which was recorded similar information for each outbound shipment during the study period, and (3) an Ending Inventory List on which was recorded similar information for all shipments on the platform at the end of the study period. The time and motion study measured by stop watch the time required by a man to perform various handling functions for various size shipments on a platform. From the information on the three forms, the total man-hours, pounds, and pounds per hour were developed. From this, an average overall man-seconds per 100 pounds was developed. Also, a distribution curve showing platform performance in man-seconds for various shipment weights was developed from the time and motion study. Twenty-nine of a list of 201 carriers were selected as representative of the industry for the study. One hundred and twenty terminals of the 29 carriers were used, and three days were spent at each terminal. The total amount of weight over the 29 carriers' platforms during the survey period was approximately 71 million pounds.

A new platform performance study was prepared by CTA between 1970 and 1972. According to the evidence presented by CTA, (1) it selected 59 carriers for the study, and of this group it was determined that 51 were representative of carriers performing terminal platform services; (2) included in the group of 51 carriers actually studied were 13 of the 29 carriers used in the study in the 1960s; (3) the reasons none of the other 16 carriers in the prior study were used were because each of these carriers had changed its operations and now performed very limited, if any,

intrastate platform services, been purchased by another carrier, or gone out of business; (4) the same three forms listing incoming, outgoing, and ending inventory platform shipment information used for the earlier study were again used; (5) this information was gathered at 179 terminals operated by the 51 carriers, and the time period used was similar to that in the prior study; (6) over 145,000 shipments were analyzed during the survey; (7) no new time and motion study was made; (8) the distribution curve developed in the prior study was used; (9) the reason the study was not presented to the Commission in the past was because CTA was waiting for staff studies and was involved in other matters involving minimum rates and regulations; (10) CTA is now making updates of various cost components which this year is the platform component and next year will be another; and (11) CTA does not have the personnel to make a full-scale study of all cost components at one time and for this reason must use this approach.

Based on the performance data it developed in its study in the early 1970's, CTA introduced in evidence in Schedule X to its Exhibit 1 tables showing the "Development of Direct Cost for Platform Handling per Hundredweight" at the January 1, 1979 weighted labor costs for statewide and San Francisco-Los Angeles hauling and urges that they be adopted by the Commission as the basis for determining the platform cost element in the cost datum plane on which the minimum rates are based. The format for the schedules and the formula used to develop the costs are the same as those used for the prior study in the 1960's which is set forth in Exhibit 233-26. Copies of the pertinent pages of this exhibit were received in evidence as Exhibit 22 in this proceeding. A comparison of the two exhibits shows the following changes alleged by CTA over the 10-year period: (1) overall platform performance declines from 236.1 to 249.4 man-seconds per 100 pounds, a decline of 5.33 percent; (2) the cost allocations in the formula on a shipment

basis and on a weight basis changed from 9 and 91 percent, respectively, to 10 and 90 percent, respectively; and (3) the percent of the total weight across platforms surveyed and the average weight per shipment in each shipment weight group changed as shown in the following table:

Weight Group (Pounds)	Percent of Total Weight Over Platform			Average Weight per Shipment (Pounds)		
	1960	1970	% Change	1960	1970	% Change
0 - 99	6.07	3.87	-36.24	54.1	57.5	+6.28
99 - 499	28.85	26.56	- 7.94	221.1	227.4	+2.85
500 - 999	17.52	19.06	+ 8.80	686.2	686.5	+0.04
1,000 - 1,999	16.12	19.62	+21.71	1,355.0	1,364.6	+0.71
2,000 - 4,999	18.19	20.43	+12.31	2,897.5	2,908.6	+0.38
5,000 - 9,999	7.05	7.86	+11.49	6,654.3	6,501.7	-2.29
10,000 & Over	6.40	2.60	-59.38	17,764.7	18,691.8	+5.52

Exhibit 24 summarizes for each of the 51 carriers surveyed the man-hours utilized in providing platform services, the pounds of freight handled, and the average pounds of freight handled per man-hour during the time period studied. The exhibit shows the following totals of this data for all of the carriers: (1) 39,313.79 man-hours, (2) 56,747,320 pounds of freight, and (3) 1,443.44 pounds of freight per man-hour. The overall average performance of 249.4 man-seconds per 100 pounds is developed from this information. Although similar time periods were purportedly used in surveying each carrier's terminal platform operations, the individual carrier data in Exhibit 24 shows substantial variations between the carriers in the amount of platform services provided and in performance ratings. In this connection 38 of the carriers, which accounted for 74.5 percent of those surveyed, each provided under 500 man-hours of platform services, and their overall performance ratings ranged from 114.5 to 612.8 man-seconds

per 100 pounds. Of these, 13 provided less than 100 man-hours of terminal services. The overall man-seconds per 100 pounds for the 13 carriers who provided 500 or more man-hours of platform services and who accounted for 25.5 percent of those surveyed ranged from 150.2 to 397.5. Of this latter group, the man-hours for five exceeded 2,000.

As pointed out above, no new time and motion study was made, and CTA used for its new study the same graph and also the same man-seconds per 100 pounds graph readings for each weight group that it had developed for the prior study. In this connection, CTA's witnesses testified that experience has shown that had a new time and motion study been made, the results for each weight group and the graph developed therefrom would have been substantially identical to those in the earlier study and that the reason for using the same graph readings in the new study was that there would have been no significant measurable differences had new graph readings been made.

For comparative purposes, the following table sets forth the differences in the total platform cost for each weight bracket using the performance and weight data developed in the study in the early 1960's and the changes developed in the study in the early 1970's at the same \$14.6744 per hour weighted labor cost shown in Exhibit 1 for the new study.

Total Platform Cost per 100 Pounds

<u>Weight Group (Pounds)</u>	<u>1960 Study</u>	<u>1970 Study</u>	<u>Percent Change</u>
0 - 99	\$2.8110	\$3.1734	+12.9
100 - 499	1.1963	1.3351	+11.6
500 - 999	.7731	.8602	+11.3
1,000 - 1,999	.5599	.6320	+12.9
2,000 - 4,999	.3765	.4268	+13.4
5,000 - 9,999	.1969	.1928	- 2.1
10,000 & Over	.0437	.0180	-58.8

According to the above comparative table, platform costs have: (1) increased generally between 11 and 13 percent in all weight groups under 5,000 pounds, (2) decreased slightly by 2.1 percent in the 5,000 to 9,999 pounds weight group, and (3) decreased dramatically by 58.8 percent in the 10,000 pounds and over category. Should the new platform data be incorporated in the cost datum plane on which the minimum rates are based as urged by CTA, the effect would, according to CTA, be an increase of approximately four percent in less-than-truckload rates and a small reduction in truckload rates. CTA's witnesses asserted that the reasons for the reduction in the higher weight groups are changes that have occurred in the amount of platforming and the average weight of shipments in these brackets.

The Traffic Managers Conference of California objected to the changes in platform productivity and costs proposed by CTA. In support of its position, a member of its Board of Directors, who is the West Coast Traffic Manager for the RCA Corporation, testified that: (1) his company operates a fleet of proprietary equipment and obtains drivers from an outside service; (2) he made a study of his company's cost of operating this equipment; and (3) he is not aware of any increases that have occurred in platform costs in connection with this operation.

The director of transportation and distribution for the California Manufacturers Association (CMA) presented the following evidence in protest to CTA's proposal: (1) According to the chief economist of the Teamsters Union, there has been an overall productivity improvement of 8 percent per man in intercity trucking over the past two years; (2) the new CTA platform study includes a number of carriers that have inefficient platform operations; (3) only those carriers whose actual performance in all phases of platform service are at or above the productivity levels previously established as standards for minimum rate purposes should be included in platform performance studies; and (4) otherwise, carriers with below standard performance would be rewarded for their inefficiency.

The National Small Shipments Traffic Conference (SSC) and the Drug and Toilet Preparation Traffic Conference (DTPC) also protested CTA's new platform study. The SSC is comprised of 291 companies in 22 industries, and the DTPC has 110 members which include most of the largest manufacturers of drugs, medicines, and toilet preparations in the United States. Members of both conferences ship a substantial amount of small shipments in California; and it is with this size shipment that they are primarily concerned. Following is a summary of the evidence presented on their behalf by the traffic manager of Johnson and Johnson and by a transportation cost consultant: (1) Although CTA alleges there has been a decrease in platform productivity with no known increases in productivity in other areas to offset this, the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor in its Index of Output per Employee in Intercity Trucking for the years 1964-1975 indicates a 1.4 percent annual productivity gain; (2) the Commission should adopt the BLS index; (3) because of the substantial differences in the carrier groups studied by CTA in its old and new studies, it was predictable that the productivity data would change; (4) CTA did not limit the new study to reasonably efficient carriers; (5) this is evidenced by the substantial variation in output per man-hour for the 51 carriers studied; (6) the

difference in output between the high and low carriers was approximately 500 percent; (7) one of the carriers in the study accounted for 13 percent of all the freight and 21 percent of all the hours in the study, and its platform productivity was 397 man-seconds per 100 pounds; (8) by eliminating this one carrier from the study, the result of the productivity for the other 50 carriers is 227 man-seconds per 100 pounds which is better than the 236.1 man-seconds per 100 pounds in CTA's 1960 study; (9) since CTA's new study was not based on reasonably efficient carriers, it should not be accepted by the Commission; (10) the minimum rate structure is based on a comprehensive study of all aspects of motor freight transportation, including platform, pickup and delivery, billing and collecting, and linehaul, and it is inappropriate to restudy only one factor and then attempt to use it for an upward adjustment of the entire rate structure; and (11) the evidence does not warrant any adjustment in rates based on CTA's new platform study, and should the Commission conclude otherwise, any increase authorized in connection therewith should be substantially less than that sought by CTA.

The Commission staff recommended that the Commission not adopt the new CTA platform study. It pointed out that: (1) The study is now eight to nine years old; (2) it is apparent that there have been changes in platform productivity since that time; and (3) if any platform productivity changes are to be considered, they should be based on a current up-to-date study.

We concur with the protestants and the staff that the new platform study should not be adopted as a basis for any adjustments in minimum rates. Obviously, CTA's study of platform productivity and weight distribution in the early 1970's is more recent than its study in the early 1960's on which the platform component of the cost datum plane is based. However, the data gathered by CTA in the early 1970's is now almost 10 years old. If changes in productivity occurred during the 10-year period between 1960 and 1970 as alleged by CTA, it is reasonable to assume that there have been further changes since then. However, without a current or relatively current platform study, it is not possible to measure platform productivity as it exists today. There is no reasonable basis on this record to support a conclusion that platform productivity today is the same as it was in the early 1970's or that it is less efficient than it was in the early 1960's.

Indirect Costs

It is CTA's position that in cost offset proceedings to reflect increases in wages or any other direct cost element, indirect expenses should be increased by the same amount the cost datum plane is increased. For the past several years, it has been Commission policy not to adjust indirect expenses in such offset proceedings. Basically, direct costs include those items of expense which are treated directly in the cost development such as labor costs, vehicle fixed and depreciation costs, vehicle running costs, and pickup and delivery costs. Indirect expenses include all elements of expense in a cost presentation which are neither treated

directly nor developed as a percentage of gross revenue and include such items as legal and auditing fees, communication expenses, rents, and property taxes, and they are generally treated cumulatively in a full-scale cost presentation as a ratio or percentage of the total direct cost. Gross revenue expenses have been developed as a percentage of gross revenue and include Transportation Rate Fund fees, Uniform Business License fees, and vehicle and cargo insurance fees.

Over the past years, three methods have been developed for handling indirect expenses in cost offset proceedings. The three methods are set forth in Decision No. 76353 (1969) 70 CPUC 277, and are described on pages 280 and 281 thereof as follows:

- "1. Wage (Cost) Offset: Indirect expense ratios established in the original full-scale cost study are applied to the up-dated direct costs determined for the wage offset adjustment. This method assumes that indirect expense items have, or will, increase proportionately with direct costs.
- "2. Wage Offset: The percentage increase in direct labor is multiplied by the percentage of salaries and wages included in the indirect expenses of the original full-scale cost study and the resulting factor is applied to the dollar amount of indirect expenses included in the original cost presentation. This method assumes that only those expenses included in the indirect expense ratios related to salaries and wages will increase proportionately with the increases in direct labor costs.
- "3. Direct Wage Offset: Indirect expenses are held constant and no allowance for changes in indirects is made in the cost offset adjustment in rates."

Initially both CTA and the staff utilized the first offset method. In 1963, the staff adopted the second method for its presentation in cost offset proceedings and CTA has continued

to advocate the first method. Subsequently, the Commission, as indicated above, adopted the third method and has continued to utilize it. This is the method now recommended by the staff. Gross revenue expenses are adjusted in all three methods.

It is the staff recommendation that the Commission continue to base wage and other direct cost increase adjustments on the Direct Wage Offset method, which, as stated, holds indirect costs constant. In support of this position, the staff witnesses testified that: (1) while there have apparently been some cost increases in various items included in indirect expenses, it is assumed that such increases are largely offset by increased productivity and savings in other areas such as fuel savings resulting from the use of wind deflectors on trucks and lighter weight equipment, more efficient power loading and unloading, radial tires, and other technological improvements; (2) the facts and circumstances herein do not warrant a change in the Commission policy of applying the Direct Wage Offset method; and (3) until such time that a full study has been made to develop indirect expenses, no adjustment should be made in indirect costs in the datum plane.

Based on the record before us, we are of the opinion that our policy of applying the Direct Wage Offset method to wage and other direct cost offsets in minimum rates should be continued. We recognize that we are in a period of inflation and that there have undoubtedly been increases in the cost of many items included in indirect expenses. CTA's exhibits show this to be true for certain wages, various office equipment and supplies, and rents and construction costs in certain areas. The various price indices presented by CTA also show this to be a fact. However, other than the assertion by CTA that carriers cannot continue to absorb increases in indirect expenses and provide adequate service, there is nothing in the record that would establish with any degree of certainty the economic impact that any such increases that may be occurring are having on the trucking industry.

Minimum rates are based on extensive full-scale highway carrier performance, cost, and rate-economic studies. Because of the time and cost involved, such studies are normally developed at intervals of 10 or more years. In the interim, periodic and substantive increases in wages and other direct costs are reflected in the minimum rates by offset adjustments. Such adjustments measure, with a reasonable degree of accuracy, the rate differential necessary to offset changes which have occurred in certain direct cost items of the original basic full-scale cost study. However, the accuracy of cost offsets are highest when conducted within the proximity of the original cost and rate presentations. As time passes and the original cost and rate studies have been updated over the years by successive cost adjustments, the accuracy of each subsequent offset adjustment becomes less certain, and new full-scale cost and rate presentations become more and more necessary to thoroughly evaluate the reasonableness of existing minimum rates. This is the situation here. Full-scale cost and rate studies have not been made for MRT 2 or the other four tariffs in issue for a number of years, and they have been subject to a number of offset adjustments. In such circumstances, if costs are to be continued to be adjusted without the benefit of new full-scale studies, the cost offset adjustments should be limited to known, measureable cost changes only as provided in the Direct Wage Offset method.

Second Amendment

As stated above, CTA in its second amendment to the petitions herein seeks further surcharge increases in the five tariffs in issue to offset the October 1, 1979 cost-of-living adjustments (COLA) provided for in the collective bargaining agreement with the Teamsters Union, the July 1, 1979 change in the Workers' Compensation Insurance contribution by employers from \$10.54 to \$10.78 per \$100, and the increase in Social Security payments by employers resulting from the COLA.

Article 23 of the current Teamsters' collective bargaining agreement which became effective April 1, 1979 provides as follows: (1) The COLAs are based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (All Items), Revised Edition (CPI) of the BLS; (2) the base index figure for determining the amount of a COLA is the figure of 204.7 for January 1979; (3) adjustments are to be made on October 1, 1979, April 1 and October 1, 1980, April 1, 1981, and April 1, 1982 based on the differences between the indices for January 1979, July 1979, January 1980, July 1980, January 1981, and January 1982, respectively; (4) for every increase in the index of .3, wages shall be increased by one cent per hour or .25 mill per mile; and (5) each time a new COLA is determined on the January 1979 base index figure, it will replace the COLA then in effect.

Based on the above formula, the COLA which became effective October 1, 1979 is 49 cents per hour or 12.25 mills per mile. (The July 1979 index is 219.4, and the difference between this and the base January 1979 index of 204.7 is 14.7.)

Both CTA and the staff agree as to the amount of the increases that have occurred in wages, Workers' Compensation, and Social Security and that the minimum rates in the five tariffs should be adjusted to reflect these increases. They differ, however, as to the offset method to be used to accomplish this. By the Wage Cost Offset procedure advocated by CTA the resulting increases in MRT 2 average $3\frac{1}{2}$ percent for rates subject to minimum weights of 5,000 pounds or more and 4 percent for all other rates and charges, and by the

Direct Wage Offset approach advocated by the staff, the rate increases for these brackets are 3 percent and 3½ percent, respectively. The witness for CTA testified that the cost studies that underlie the three drayage tariffs were made by the staff and that he, in calculating the increases for these tariffs, used the same average increases he had calculated for MRT 2. The staff, on the other hand, based its recommended increases for the drayage tariffs on the underlying datum plane cost studies for these tariffs. The increases proposed by the staff in the various items in MRT 15 average less than those recommended by CTA.

We concur with CTA and the staff that the minimum rates in the five MRTs should be adjusted to reflect the increases in wages and related expense referred to above. As heretofore stated, it is our policy to apply the Direct Wage Offset method in adjusting rates. We will, therefore, adopt the staff recommended surcharge increases which are based on this method. The current surcharge supplements to each of the tariffs will be canceled, and new supplements incorporating the current surcharges and those authorized herein will be issued in their place. The percentage increases authorized for the five tariffs are as follows: (1) 3 to 3½ for MRT 2; (2) 4½ to 5½ for MRTs 1-B and 9-B; (3) 5 for MRT 19; and (4) an average of 6 for MRT 15. The reason the increases are higher for the drayage and vehicle unit rate tariffs than for MRT 2 is that they are more labor sensitive. The estimated new revenue by tariff and the total thereof that will result from the increases authorized herein are as follows:

<u>Tariff</u>	<u>Estimated New Revenue</u>
MRT 2	\$29,206,899
MRT 1-B	186,855
MRT 9-B	179,833
MRT 19	154,858
MRT 15	<u>4,092,519</u>
Total	\$33,820,964

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The rate increases proposed herein are within the guideline tests of the President's Council on Wage and Price Stability for the second program year which commenced on October 1, 1979. In this connection, the staff pointed out that the Council has furnished the Commission with an opinion that the profit margin exception test rather than the general price deceleration standard may be fairly applied when rate increase petitions on an industry-wide basis are being considered by the Commission. We agree with the staff that the increases it recommends herein, and which we have adopted, would have no upward effect on the profit margin of the respondent carriers.

One last matter requiring comment is the question of exceptional need test set out in Decision No. 90663 dated August 14, 1979 in Case No. 5432, Pet. 884, et al. The decision enunciated our program regarding the establishment of a system of carrier-made rates in lieu of a minimum rate program and stated that the five MRTs herein "will not be further adjusted by the Commission prior to their cancellation and the establishment of the transition tariffs except in the event exceptional need arises." The "exceptional-need" test was adopted to span the transition period in our reregulation program under which carrier-made rates would gradually replace the minimum rates. That program has been temporarily delayed. Therefore, we will increase the minimum rates for all classes of carriers in order that the substantive increases in operating costs incurred by all carriers will be reflected in the minimum rates. We expect that our reregulation program will move forward promptly. Therefore, the "exceptional-need" test is lifted only for this phase of these proceedings.

The permissive authority granted to highway common carriers by Decision No. 90889 to increase their rates predicated on the minimum rates in MRTs 2, 1-B, 9-B, 15, and 19 by applying a three percent interim surcharge will be canceled, and they will be subject to the rate increases ordered herein. Because the increased costs in issue are now in effect, the order which follows will be made effective on the date it is issued, and it will provide that the supplements to the MRTs be effective 18 days thereafter and that required or authorized tariff publications may be made on five days' notice. ✓

Findings of Fact

1. The rates and charges in MRTs 2, 1-B, 9-B, 15, and 19 were last generally adjusted by surcharge supplements to each tariff by Decision No. 90224 dated April 24, 1979 to reflect increases in wages and related costs. Additional surcharge increases have been added by supplements to the tariffs by subsequent decisions to reflect increases in the cost of fuel.

2. A COLA provided for in the trucking industry contract with the Teamsters became effective on October 1, 1979, Workers' Compensation Insurance payments increased from \$10.54 to \$10.78 per \$100 on July 1, 1979, and as a result of the COLA, Social Security payments by employers increased.

3. The increases in labor and related costs referred to in Finding 2 are not now reflected in the historical cost data underlying the level of rates in the five tariffs.

4. CTA requests interim offset increases in the five tariffs to reflect increases it alleges have occurred in carrier platform and indirect costs and also the increased labor and related costs referred to in Finding 2.

5. The platform cost component of the cost datum plane for MRT 2 is based on a study made in the early 1960's by CTA. According to a platform study made by CTA in the early 1970's, there has been a decline in platform productivity and a change in the average weight of shipments and total weight across platforms in various weight groups from the earlier study. If the data developed in the later study were to be substituted in the datum plane for that in the earlier study, the minimum rates in the lower rate brackets would be increased by amounts up to four percent and truckload rates would be reduced slightly.

6. There is no basis on this record on which to determine with any degree of certainty whether platform productivity today is

the same as it was nine or so years ago when CTA made its study in the early 1970's or whether it is in fact less than it was in the early 1960's when the study now used for the platform component of the datum plane was made.

7. While it is apparent that we are in a period of rising costs, the precise, measurable effect this has had on the indirect expenses of highway carriers has not been established on this record and is unknown. The Direct Wage Offset procedure is the proper offset method to use in this proceeding.

8. The request by CTA to adjust the minimum rates in the five tariffs in issue to reflect the increases it alleges have occurred in carrier platform and indirect costs has not been justified.

9. The request by CTA for interim authority to offset the increased labor and related costs referred to in Finding 2 is reasonable.

10. The surcharge increases for MRTs 2, 1-B, 9-B, 15, and 19 recommended by the staff and set forth in its Exhibit A-11 are reasonable and justified and should be adopted on an interim basis pending the final decision in this matter.

11. The interim increases referred to in Finding 10 are within the guidelines of President Carter's Council on Wage and Price Stability.

12. The interim increases referred to in Finding 10 are based on exceptional need at this time.

13. The interim authority granted to highway common carriers by Decision No. 90889 to increase their rates predicated on MRTs 2, 1-B, 9-B, 15, and 19 by applying a three percent interim surcharge should be canceled.

Conclusions of Law

1. The request by the CTA for further interim cost offset increases in MRTs 2, 1-B, 9-B, 15, and 19 pending further hearing and final decision in its Petitions for Modification Nos. 1034, 329, 410, and 160 in Cases Nos. 5432, 5439, 5441, and 7783, respectively, as amended, should be granted to the extent set forth in the following order and in all other respects should be denied.

2. The interim cost offset increases ordered or authorized herein should be put into effect through the application of surcharges.

3. The increases in labor and related costs incurred by carriers subject to the MRTs involved are now in effect. Accordingly, the order herein should be made effective on the date of signature, and the surcharge increases to the five tariffs should be made effective on ~~January 19~~^{February 2}, 1980.

4. For purposes of tariff distribution, the immediate surcharge amendments to MRT 2 will be provided in the ensuing order and the like tariff amendments to MRTs 1-B, 9-B, 15, and 19 will be made by supplemental orders.

5. The interim authority granted to common carriers by Decision No. 90889 should be canceled.

FOURTH INTERIM ORDER

IT IS ORDERED that:

1. Minimum Rate Tariff 2 (Appendix D to Decision No. 31606, as amended) is further amended by incorporating therein, to become effective ~~January 19~~^{February 2}, 1980, Supplement 151, attached hereto and by this reference made a part hereof. 154

2. Common carriers subject to the Public Utilities Act, to the extent that they are subject also to Decision No. 31606, 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 2 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 2 rates.

4. Common carriers maintaining rates on the same level as Minimum Rate Tariff 2 rates for the transportation of commodities and/or for transportation not subject to Minimum Rate Tariff 2 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 2 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 2 are authorized to increase such rates by the same amounts authorized by this decision for Minimum Rate Tariff 2 rates.

6. Any provisions currently maintained in common carrier tariffs which are more restrictive than, or which produce charges greater than, those contained in Minimum Rate Tariff 2 are authorized to be maintained in connection with the increased rates and charges directed to be established by Ordering Paragraph 2 hereof.

7. Common carriers maintaining rates not otherwise specifically referred to in other ordering paragraphs of this decision are authorized to increase such rates by 3 percent.

8. Tariff publications required 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 made effective ^{Feb 2} ~~January 19~~, 1980, on not less than five days' notice to the Commission and to the public; as to tariff publications as are authorized, but not required, the authority shall expire unless exercised within sixty days after the effective date of this order. K12

9. 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.

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

11. In all other respects, Decision No. 31606, as amended, shall remain in full force and effect.

12. To the extent not granted herein, the request for further interim relief by the California Trucking Association in its Petitions for Modification Nos. 1034, 329, 410, and 160 in Cases Nos. 5432, 5439, 5441, and 7783, respectively, and the First and Second Amendments thereto, is denied.

13. The authority granted to highway common carriers by Decision No. 90889 to increase their rates predicated on Minimum Rate Tariffs 2, 1-B, 9-B, 15, and 19 by applying a three percent interim surcharge supplement increase is canceled.

14. The Executive Director shall serve a copy of this decision on every common carrier, or such carriers' authorized tariff publishing agents, performing transportation services subject to Minimum Rate Tariff 2.

15. The Executive Director shall serve a copy of each of the tariff amendments on each subscriber to Minimum Rate Tariff 2.

The effective date of this order is the date hereof.

Dated JAN 15 1920, at San Francisco, California.

John E. Bryan President
Vernon L. Stinson
Arthur W. Howell
Charles T. ...
Lawrence W. ... Commissioners

SURCHARGE SUPPLEMENT

SUPPLEMENT 151

(Cancels Supplement 150)

(Supplements 73, 77, 87, 124, 127, 139
and 151 Contain All Changes)

TO

MINIMUM RATE TARIFF 2

NAMING

MINIMUM RATES AND RULES

FOR THE

TRANSPORTATION OF PROPERTY OVER THE

PUBLIC HIGHWAYS WITHIN THE

STATE OF CALIFORNIA.

BY

RADIAL HIGHWAY COMMON CARRIERS

HIGHWAY CONTRACT CARRIERS

AGRICULTURAL CARRIERS

CEMENT CONTRACT CARRIERS

DUMP TRUCK CARRIERS

AND

HOUSEHOLD GOODS CARRIERS

Decision No.

91241

EFFECTIVE

2/2/50

11220

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, and increase the amount so computed as follows:

1. By thirteen and one-half (13½) percent on charges computed at rates provided in Items 640, 643, 646;
2. By two and three-quarters (2¾) percent on charges computed at rates provided in Item 721;
3. Except as provided in paragraphs 1 and 2, by fifteen and one-quarter (15¼) percent on charges computed at rates subject to minimum weights of 5,000 pounds or more;
4. By eleven and one-quarter (11¼) percent on rates in Item 631 and Note 10 of Item 633;
5. By fourteen (14) percent on all other rates and charges.

For purposes of disposing of fractions under provisions hereof, fractions of less than one-half (½) cent shall be dropped, and fractions of one-half (½) cent or greater shall be increased to the next higher whole cent.

6. The surcharges herein shall not apply to:
 1. Supplement 139;
 2. Item 110 - Deductions;
 3. Item 124 - Charges for Escort Service Stated in Cents per Mile in Paragraph (2), and Charges in Paragraphs (b) and (c);
 4. Item 128 - Charges for Permit Shipments;
 5. Item 141 - Storage and Reloading Charges;
 6. Item 143 - Demurrage Charge;
 7. Item 145 - Accessorial Charges in Subparagraph (b);
 8. Item 147 - Advertising on Equipment;
 9. Item 181-1 - Special C.O.D. Service;
 10. Item 182 - Collect on Delivery (C.O.D.) Shipments;
 11. Items 185-1 through 187-3 - Temperature Control Service;
 12. Items 200 through 230 - (Railhead-to-railhead Charges Only).
 13. Item 267 - Pallet Exchange Provisions.

THE END

Increase)
 Addition) Decision No.
 No Change)

91241