

**ORIGINAL**

SEP 16 1980

Decision No. 92253

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 livestock and )  
 related items statewide as provided )  
 in Minimum Rate Tariff 3-A and the )  
 revisions or reissues thereof. )

Case No. 5433  
 Petition for Modification  
 No. 74  
 (Filed December 28, 1979;  
 amended January 31, 1980  
 and June 6, 1980)

FINAL OPINION

Minimum Rate Tariff 3-A (MRT 3-A) contains minimum rates for the statewide transportation of livestock by highway carriers. The rates and charges in the tariff were last generally adjusted March 13, 1979 by Decision No. 90072 in Case No. 5433, Petition 70.

By this petition, as amended, the California Trucking Association (CTA) seeks increases averaging approximately 16 percent in the rates and most charges in MRT 3-A to offset increases in labor, payroll taxes and expenses, equipment, and maintenance costs. Decision No. 91576 dated April 15, 1980 in this matter granted an interim 6-1/2 percent surcharge increase on the rates and most charges in the tariff to partially offset these increases pending hearing and final decision. By letter dated July 15, 1980, the California Cattle Feeders Association (CCFA), the sole protestant to any additional increase, notified the Commission in writing that it would not object to a further increase based on direct expenses.

CTA included a cost study and rate increase proposed in Exhibits D and C, respectively, to the Second Amendment to Petition 74. The Commission staff has prepared a cost study and a rate proposal which were received as Exhibits 1 and 2, respectively, on August 5, 1980.

The increases in direct costs developed by CTA and the staff in their respective cost exhibits are identical. They give recognition to the following direct cost increases which occurred between January 1, 1979 and January 1, 1980 and are not now included in the historical cost data of record:

1. An increase in the basic hourly wage of 80 cents per hour.
2. An increase in the employers' contributions to the Health and Welfare Fund of \$1.81 per man per month.
3. An increase in the employers' contributions to the Retirement Plan from 3 percent of gross earnings to 5 percent of gross earnings.
4. An increase in the taxable wages for the FICA (Social Security Tax) contribution from \$22,900 to \$25,900.
5. An increase in the equipment investment costs from \$44,850 to \$58,635.
6. An increase in the maintenance and repair cost per mile from 10.9 cents to 12.3 cents.

Both CTA and the staff also included an increase in fuel costs from 51 cents to \$1.02 per gallon, which is the March 1980 fuel level, in their cost development. MRT 3-A has heretofore been made subject to surcharge supplements to reflect increases in fuel costs. The March 1980 fuel surcharge offset was incorporated in the tariff by Decision No. 91408 dated March 4, 1980 in Case No. 5433, Petition 71 et al.

CTA and the staff agree that the rates and charges in MRT 3-A should be further adjusted above the 6-1/2 percent interim increase to fully reflect the aforementioned increases, except for fuel costs as noted, and that the increases should be stated in surcharge form for consistency with the surcharge handling of fuel

offset increases. They disagree, however, as to the offset method to be used to accomplish this. CTA based its rate proposal on the Wage Cost Offset (WCO) method, which increases indirect costs proportionately with increases in direct costs on the theory that indirect costs follow direct costs. The staff rate proposal is based on the Direct Wage Offset (DWO) method, which considers only the measurable changes in direct costs and gives no effect to possible changes that may have occurred in indirect costs.<sup>1/</sup> The additional surcharge increases above the interim amount recommended by the staff in its Exhibit 2 and by CTA in Exhibit C to the Second Amendment to its petition average approximately 5 and 9-1/2 percent, respectively. The additional revenue that would be generated for carriers subject to MRT 3-A by the staff and CTA proposals would be \$886,000 and \$1,300,000, respectively. In this regard, it has been the Commission's policy for the past several years to apply the DWO method advocated by the staff in cost-offset proceedings. Furthermore, the staff has advised that it contacted both CTA and CCFA and has been informed by each that it is agreeable to the staff rate proposal. We will adopt the staff proposal, and since there are no protests to this, a public hearing is not necessary. With the 6-1/2 percent increase heretofore granted on an interim basis plus the additional 5 percent average increase authorized herein, the final surcharge increases authorized in this proceeding average approximately 11-1/2 percent.

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<sup>1/</sup> For a discussion of the WCO and DWO procedures and the rationale for them, see In re MRT 2 (1969) 70 CPUC 277.

The increases authorized herein are within the guidelines of President Carter's Council on Wage and Price Stability. Because carriers are now experiencing the direct cost increases in issue, the order which follows will be made effective on the date it is issued, the supplement stating the surcharge increases will be made effective five days thereafter, and required tariff publications may be made on five days' notice. The current MRT 3-A surcharge supplement will be canceled, and a new surcharge supplement incorporating the additional surcharge amounts authorized herein with the current interim and fuel surcharge amounts will be issued in lieu thereof.

Findings of Fact

1. The rates in MRT 3-A were last generally adjusted by Decision No. 90072 dated March 13, 1979 in Case No. 5433, Petition 70. Additional surcharge increases have been added to the tariff by subsequent decisions to reflect increases in the cost of fuel.

2. CTA and the staff have demonstrated that since MRT 3-A was last generally adjusted, the for-hire carriers governed thereby have incurred increases in labor costs, allied payroll taxes and expenses, and vehicle costs.

3. The increased costs referred to in Finding 2 are not now reflected in the historical cost data underlying the level of rates in MRT 3-A.

4. Decision No. 91576 dated April 15, 1980 granted an interim 6-1/2 percent surcharge on the rates and most charges in MRT 3-A to partially offset the direct cost increases referred to in Finding 2 pending further Commission action on this matter.

5. CTA seeks final surcharge increases in MRT 3-A based on the WCO procedure which would average approximately 16 percent, including the 6-1/2 percent interim surcharge, to offset the increased costs in issue.

6. The staff recommends final surcharge increases in MRT 3-A based on the DWO procedure which would average 11-1/2 percent, including the 6-1/2 percent interim surcharge, to offset the increased costs in issue.

7. The staff-recommended final surcharge increases for MRT 3-A referred to in Finding 6 and set forth in Exhibit 2 have been shown to be justified and the resulting minimum rates and charges are and for the future will be just, reasonable, and nondiscriminatory for transportation governed by this tariff.

8. The latest surcharge supplement to MRT 3-A should be canceled, and a new supplement increasing the current surcharges, which include the interim 6-1/2 percent referred to in Finding 4, by the additional amounts referred to in Finding 7, which average 5 percent, should be issued in lieu thereof.

9. There are no protests to the staff proposal.

10. The increases referred to in Finding 7 are within the standard set forth in the guidelines of President Carter's Council on Wage and Price Stability.

11. A public hearing is not necessary.

#### Conclusions of Law

1. Petition 74 should be granted to the extent provided in the order which follows.

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

3. Because there is an immediate need for the sought relief, the order which follows should be made effective on the date it is signed, and it should provide that the surcharge increases should be made effective five days thereafter and that required or authorized tariff publications may be authorized to be made on five days' notice.

FINAL ORDER

IT IS ORDERED that:

1. Minimum Rate Tariff 3-A (Appendix A of Decision No. 55587, as amended) is further amended by incorporating therein, to become effective five days hereafter, Supplement 22, 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 also to Decision No. 55587, as amended, are directed to establish in their tariffs the increases necessary to conform with the further adjustments ordered by this decision.

3. 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 may be made effective five days after the date hereof, on not less than five days' notice to the Commission and to the public; such tariff publications as are authorized shall be made effective not earlier than five days after the date hereof, on not less than five days' notice to the Commission and to the public, and this authority shall expire unless exercised within sixty days after the effective date of this order.

4. 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.

5. In all other respects, Decision No. 55587, as amended, shall remain in full force and effect.

6. 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 3-A.

7. The Executive Director shall serve a copy of each of the tariff amendments on each subscriber to Minimum Rate Tariff 3-A.

The effective date of this order is the date hereof.

Dated SEP 16 1990, at San Francisco, California.

John E. Boyer  
President  
Donald P. Strayhorn  
Michael G. Howell  
Charles J. Dealy  
Donald W. Smith  
Commissioners

SURCHARGE SUPPLEMENT

SUPPLEMENT 22

(Cancels Supplement 21)

(Supplement 22 Contains All Changes)

TO

MINIMUM RATE TARIFF 3-A

NAMING

MINIMUM RATES AND RULES

FOR THE

TRANSPORTATION OF LIVESTOCK OVER THE

PUBLIC HIGHWAYS WITHIN THE

STATE OF CALIFORNIA

BY

RADIAL HIGHWAY COMMON CARRIERS

HIGHWAY CONTRACT CARRIERS

AND

LIVESTOCK CARRIERS

Decision No.

92253

EFFECTIVE

9/21/80



## APPLICATION OF SURCHARGE

Except as otherwise provided, compute the amount of charges in accordance with the rates and rules in this tariff, and increase the amount so computed as follows:

1. By twenty-one (21) percent on charges computed at rates set forth in Items 270, 272, 280 and 282 for shipments less than 75 constructive miles.
2. By twenty-one (21) percent on charges computed at rates (including minimum charge) set forth in Item 300.
3. By twenty-six (26) percent on charges computed at rates set forth in Items 270, 272, 280 and 282 for shipments of 75 constructive miles and over.
4. By thirteen and one-half (13½) percent on charges set forth in:
  - Item 110 - Accessorial charges
  - Item 170 - Split pickup
  - Item 180 - split delivery
  - Item 185 - Livestock service shipment
  - Item 200 - Stopping in transit, and
  - Item 210 (Note 3 only) - Loading and unloading

For purposes of disposing of fractions under provisions hereof, fractions of less than one-half (1/2) cent shall be dropped and fractions of one-half (1/2) cent or greater shall be increased to the next higher whole cent.

THE END

67588

o Increase, Decision No.