

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Resolution TS-679
Transportation Division
Page 1 of 5

R E S O L U T I O NRESOLUTION IMPLEMENTING THE ANNUAL TRUCK FREIGHT
COST INDEX AND ADOPTING THE LABOR RATIO

Decision (D.) 86-12-102 adopted General Order (GO) 147-A to become effective March 1, 1987. This general order specifies that all common and contract carriers who are subject to GO 147-A shall adjust their "base rates" and "provisionally grandfathered rates" in accordance with the Truck Freight Cost Index (TFCI). GO 147-A further specifies that any carrier electing not to increase its base or provisionally grandfathered rates with the increase in the TFCI shall file cost justification as provided in Rule 7.1 of GO 147-A not more than 30 days after the TFCI increase. Any carrier electing not to increase its rates with the TFCI may apply the rate window in lieu of cost justification to the extent permitted by Rule 7.3 of GO 147-A.

The methodology for calculation of the index is provided in Appendix E to D.86-12-102. Appendix E states that only index changes of 1% or greater will result in mandatory changes to carriers' base and provisionally grandfathered rates. Contract carriers are not required to obtain authorization pursuant to a Commission finding that rates increased on a permissive basis are justified. D.86-12-102 anticipated application of the index on or around July 1, 1987.

D.86-12-102 also established a two-part profitability test for dedicated contracts. The test includes a comparison of the labor

ratio (the percentage of labor to all truckload TFCI cost elements) to the percentage that a carrier's profit plus labor expense is of all its operating expenses. D.86-12-102 provided that the labor ratio would be adopted and published by the Commission concurrently with each annual TFCI adjustment.

The information necessary to calculate the TFCI and the labor ratio is presented below:

INDEX CALCULATION

(For cost changes December 1985 to May 1987)

EXPENSE CATEGORY	((CURRENT-BASE)/BASE)*100=%CHANGE	PERCENTAGE		TFCI COST	
		SHARES	SHARES	CHANGES	CHANGES
		LTL	TL	LTL	TL
Fuel	(413.4 - 671.7) / 671.7 = -38.45%	6.07%	9.40%	-2.33%	-3.61%
Maintenance	(367.9 - 355.8) / 355.8 = 3.40%	7.12%	10.39%	0.24%	0.35%
Tires	(236.9 - 243.2) / 243.2 = -2.59%	1.28%	2.46%	-0.03%	-0.06%
Fixed Truck	(2499.2 - 2241.5) / 2241.5 = 11.50%	6.29%	8.71%	0.72%	1.00%
Overhead	(307.3 - 310.2) / 310.2 = -0.93%	17.58%	12.23%	-0.16%	-0.11%
Labor					
TL **	(16.3929-15.5512)/15.5512= 5.41%	---	50.40%	---	2.72%
LTL	(18.3975-17.6564)/17.6564= 4.20%	55.72%	---	2.34%	---
Insurance	(77,595-72,470) / 72,470 = 7.07%	5.94%	6.41%	0.42%	0.45%
TOTAL TFCI CHANGE PER LESS-TRUCKLOAD FREIGHT (rounded)				= 1.20%	
TOTAL TFCI CHANGE PER TRUCKLOAD FREIGHT (rounded)				= .70%	

**Labor Ratio as determined by Annual Reports = 50.40%

The combined impact of the labor, fuel and oil, maintenance, tires, vehicle fixed, insurance, and overhead categories results in an increase of .70% for transportation subject to a minimum weight of 10,000 pounds or more, or to a minimum volume of 1,440 cubic feet or more, and an increase of 1.20% for transportation not subject to these minimums. The labor ratio is 50.40%.

The effective date of this order should be July 1, 1987 so that the index changes will coincide with the implementation of the rate window.

Findings of Fact:

1. The TFCI applies to those carriers and to that transportation subject to GO 147-A.
2. Increases in carrier rates due to increases in the TFCI track annual changes in operational costs of motor carriers, comport with findings in Decision 86-04-045, and are justified.
3. Rate filings may be made by surcharge supplement.
4. The labor ratio applies to carriers filing dedicated contracts in accordance with Rule 7.2(a) of GO 147-A.

Conclusions of Law:

1. Common and contract carriers should be ordered to increase by 1.2% those base rates and provisionally grandfathered rates subject to GO 147-A that are for any transportation which is not subject to a minimum weight of 10,000 pounds or more, or to a minimum volume of 1,440 cubic feet or more.
2. Common carriers should be authorized to increase by 0.7% those base rates and provisionally grandfathered rates subject to Go 147-A that are for transportation which is subject to a minimum weight of 10,000 pounds or more, or to a minimum volume of 1,440 cubic feet or more.
3. The labor ratio of 50.4% should be adopted.

IT IS ORDERED that:

1. Common and contract carriers are ordered to increase by 1.2% those base rates and provisionally grandfathered rates subject to GO 147-A that are for all transportation which is not subject to a minimum weight of 10,000 pounds or more, or to a minimum volume of 1,440 cubic feet or more.
2. Common carriers are hereby authorized to increase by 0.7% those base rates and provisionally grandfathered rates subject to GO 147-A that are for transportation which is subject to a minimum weight of 10,000 pounds or more, or to a minimum volume of 1,440 cubic feet or more.
3. Tariff publications required or authorized to be made by common carriers as a result of this order may be made effective on or after the effective date of this order, on not less than one days' notice to the Commission and the public, and shall be effective not later than 60 days after the effective date of this order.
4. Amendments to contracts and/or contract rate schedules, authorized to be filed as a result of this order, may be made effective on or after the effective date of this order, on not less than one days' notice to the Commission and the public. Authority to file contract and/or contract rate schedule amendments pursuant to this order shall expire 60 days after the effective date of this order.
5. Any rate established between July 1, 1987 and August 30, 1987 which is based upon a rate required to be increased as a result of this order shall reflect the same adjustments within the same time period required of the rate it is based upon.
6. Common carriers increasing rates in accordance with this order are authorized to depart from the provisions of Public Utilities Code Section 461.5 to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorizations. Such outstanding authorizations are modified only to the extent necessary to allow such rate filings.

7. The ratio of labor to all cost elements referred to in Rule 7.2 (a) of G.O. 147-A to be used for dedicated contracts effective on or after July 1, 1987 is 50.4%.
8. The Executive Director shall serve a copy of this resolution on all highway common and contract carriers subject to General Order 147-A.

This resolution is effective July 1, 1987.

I hereby certify that the foregoing Resolution was duly introduced, passed and adopted at a regular meeting of the Public Utilities Commission of the State of California, held on JUN 24 1987.
The following Commissioners approved it.



Executive Director

STANLEY W. HULETT
President
FREDERICK R. DUDA
JOHN B. OHANIAN
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.

Commissioner G. Mitchell Wilk, being necessarily absent, did not participate.