

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 7, 1989

TO ALL HIGHWAY COMMON AND CONTRACT CARRIERS:

SUBJECT: Commission ordered changes in motor carrier rates subject to General Order (GO) 147-A and establishment of the current labor ratio for dedicated contracts.

(THE ATTACHED RESOLUTION REQUIRES HIGHWAY COMMON AND CONTRACT)
 (CARRIERS SUBJECT TO GO 147-A TO CHANGE CERTAIN RATES NO)
 (LATER THAN NOVEMBER 20, 1989 OR MAKE THE NECESSARY FILING)
 (TO AVOID THESE CHANGES BY OCTOBER 20, 1989. HIGHWAY)
 (COMMON CARRIERS WHO FAIL TO COMPLY WITH THIS ORDER BY)
 (NOVEMBER 20, 1989 SHALL BE FINED \$750, AND IN THE)
 (EVENT OF FURTHER NONCOMPLIANCE, SHALL HAVE THEIR COMMON)
 (CARRIER AUTHORITY SUSPENDED. HIGHWAY CONTRACT CARRIERS WHO)
 (FAIL TO COMPLY WITH THIS ORDER BY NOVEMBER 20, 1989 SHALL)
 (BE FINED \$750, AND IN THE EVENT OF FURTHER NONCOMPLIANCE,)
 (SHALL HAVE ALL AFFECTED CONTRACTS CANCELLED. A NEW LABOR)
 (RATIO FOR DEDICATED CONTRACTS IS ESTABLISHED BY THIS)
 (RESOLUTION. PLEASE READ THIS INFORMATION CAREFULLY.)

Effective September 7, 1989, the Commission adopted Resolution TS-684, which requires the following:

1. Common and contract carriers are ordered to increase by 2.90% those base rates for transportation which is not subject to minimum weight of 10,000 pounds or more or which is not subject to a minimum volume of 1,440 cubic feet or more.
2. Common carriers are ordered to decrease by 1.60% those base rates 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. Contract carriers filing dedicated contracts pursuant to Rule 7.2 of GO 147-A on or after September 7, 1989 must demonstrate that their ratio of the sum of profit and labor to their total operating expense is not less than 46.73 %.

A copy of Resolution TS-684 is attached. If you have any questions on TFCI tariff filing, please call one of the following numbers:

(415) 557-0148

(415) 557-3621

Very truly yours,

William R. Schulte
 William R. Schulte, Director
 Transportation Division

Attachment

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R E S O L U T I O N

RESOLUTION IMPLEMENTING THE ANNUAL
TRUCK FREIGHT COST INDEX AND
ADOPTING THE LABOR RATIO

General Order (GO) 147-A in Decision (D.) 86-12-102 directs that all common and contract carriers subject to this order shall adjust their base rates in accordance with the most recently adopted Truck Freight Cost Index (TFCI). GO 147-A further specifies that any carrier electing not to increase or decrease rates, as mandated, shall either file a cost justification as provided in Rule 7.1 not more than 30 days after the effective date of this Resolution, or to the extent permitted by Rule 7.3, apply the rate window option.

Index calculations are to be made in July of each year, with quarterly updates published for informational purposes only throughout the year. A two-part profitability test for dedicated contracts was also established in D. 86-12-102. One part of the test requires that contract carriers' ratio of profit and labor to all operating expenses be not less than the current TFCI truckload labor ratio calculated in the July index. The methodology for calculating the index is specified in Appendix E to D.86-12-102.

The TFCI was designed as a system to track cost changes for motor carriers of truckload (TL) and less-than-truckload (LTL) general freight, for which proportionate rate changes are to be directed. Cost changes exceeding 1% (plus or minus) result in a mandatory rate change. However, a cost change of less than 1% does not require a rate change. This allows carriers to decide whether the costs of administering such a small rate change are greater than the benefits.

The information necessary to calculate the TFCI and the labor ratio is presented in the attached Appendix A.

Findings of Fact

1. The TFCI applies to those carriers and to that transportation subject to GO 147-A.
2. Increases and decreases in carrier rates based on current TFCI changes in operational costs are consistent with the findings in D.86-04-045 and are justified.
3. Rate filings for common and contract carriers for any transportation which is not subject to a minimum weight of 10,000 pounds or more or which is not subject to a minimum volume of 1,440 cubic feet or more, may be made by a surcharge supplement or by increasing the individual rates and charges by the amounts specified in the index.
4. Rate filings for common carriers for any transportation which is subject to a minimum weight of 10,000 pounds or more or which is subject to a minimum volume of 1,440 cubic feet or more, may be made by a supplement or by decreasing rates and charges by the amounts specified in the index.
5. 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 2.90% those base 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 ordered to decrease by 1.60% those base rates subject to GO 147-A that are for transportation which is subject to a minimum weight of 10,000 pounds or more or a minimum volume of 1,440 cubic feet or more.
3. The labor ratio of 46.73 should be adopted for the labor cost requirement in dedicated contracts.
4. This order should be effective five days after the date signed.

IT IS ORDERED that:

1. Common and contract carriers are ordered to increase by 2.90% those base rates for transportation which is not subject to a minimum weight of 10,000 pounds or more or which is not subject to a minimum volume of 1,440 cubic feet or more.

2. Common carriers are ordered to decrease by 1.60% those base rates for transportation which is subject to a minimum weight of 10,000 pounds or more or a minimum volume of 1,440 cubic feet or more.
3. Tariff publications required 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 day's 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 ordered 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 day's notice to the Commission and the public, and shall be effective not later than 60 days after the effective date of this order.
5. Any rate established between September 7, 1989 and November 20, 1989 which is based on a rate required to be increased or decreased as a result of this order shall reflect the same adjustment within the same time period as those required of the rate upon which it is based.
6. Common carriers failing to comply with this order by November 20, 1989 shall be subject to a fine of \$750, and in the event of further noncompliance, shall have their common carrier authority suspended.
7. Contract carriers failing to comply with this order by November 20, 1989 shall be subject to a fine of \$750, and in the event of further noncompliance, shall have all affected contracts cancelled.
8. Common carriers increasing or decreasing 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 to the extent necessary to allow such rate filings.
9. The ratio of labor to all truckload cost elements to be used for dedicated contracts which are effective on or after September 7, 1989 is 46.73%.
10. The Executive Director shall serve a copy of this Resolution on all highway common and contract carriers subject to GO 147-A.

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This Resolution is effective five days after today.

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 September 7, 1989. The following Commissioners approved it.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners



WESLEY FRANKLIN
Acting Executive Director

APPENDIX A

1989/90 TFCI INDEX

COLUMN	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Price Indices			Cost Weights		% Change x Cost Weights	
EXPENSE		CURRENT (1989)	BASE (1986)	%CHANGE	LTL	TL	LTL COST (%)CHANGE	TL COST (%)CHANGE
FUEL		489.1	671.7	-27.18%	5.91%	9.76%	-1.61%	-2.65%
MAINT		375.4	355.8	5.51%	5.19%	9.24%	0.29%	0.51%
TIRES		266.6	243.2	9.62%	0.99%	2.00%	0.10%	0.19%
FIXED		2657.8	2241.5	18.57%	6.32%	7.99%	1.17%	1.48%
OVERHEAD		334.5	310.2	7.83%	25.03%	17.85%	1.96%	1.40%
LABOR								
TL		15.7613	15.5512	1.35%		46.73%		0.63%
LTL		19.3775	17.6564	9.75%	51.98%		5.07%	
*INSURANCE		64708	72470	-10.71%	4.58%	6.44%	-0.49%	-0.69%
					% Cost change for INDEX (1986-89)		6.49%	0.87%
							6.50%	0.90%
					% Cost change for '86-88		3.60%	2.50%
					% Cost change for '88-89		2.90%	-1.60%

JUNE 1989 PPI DATA

Fuel (four months rolling average, March, 1989 through June, 1989)

Maintenance

Tires

Fixed (seven years rolling average + June, 1989)

Overhead

LABOR

From Staff's 1989 Prevailing Wage Report.

INSURANCE DATA

Assigned risk rates for liability effective July 1, 1989.

WEIGHTS COMPONENTS

Based on 1988 Class I and II annual reports.

* Due to Proposition 103 (Insurance roll-back law), the insurance companies are prohibited from sharing information for setting rates as stated in the Anti-trust provision of Prop. 103. Therefore, we are unable to get the most recent insurance quotation. The insurance element used in the calculation remains unchanged.