

Decision No. 31800

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of John J. Williams doing business
as Williams Transfer Co. for permis- } Application No. 22562
sion to charge less than minimum }
rates on freight. }

(Appearances)

F. W. Turcotte, for applicant

Wm. C. Klebenow, for Motor Truck Association of
Southern California, interested party

H. J. Bischoff, for Southern California Freight Lines,
interested party

BY THE COMMISSION:

O P I N I O N

By this application John J. Williams, a highway contract carrier and city carrier doing business as Williams Transfer Co., seeks authority under Section 10 of the City Carriers' Act and Section 11 of the Highway Carriers' Act to transport property within the Los Angeles drayage area as defined in Decision No. 31473 of November 25, 1938, in Case No. 4121, under contract with McKesson & Robbins, Inc., at rates and charges less than those heretofore established as minimum in and by said decision. The matter was assigned to Commissioner Craemer and evidence in his behalf was taken by Examiner Bryant at a public hearing held at Los Angeles on February 17, 1939.

McKesson & Robbins, Inc. (hereinafter called the shipper), a corporation engaged in the wholesale drug and liquor business, now owns and operates its own fleet of 17 trucks in Southern California; and performs all of its own transportation within the Los Angeles drayage area.

Under the proposal here, this proprietary operation will be discontinued and applicant will set apart 13 trucks and one motorcycle with sidecar for the exclusive use of the shipper within the Los Angeles drayage area. The 14 vehicles will be operated directly between the shipper's place of business (200 South Los Angeles Street, Los Angeles) and the places of business of the various consignors or consignees within the drayage area, and none of the freight will move through applicant's terminal; the operation of the trucks and the drivers thereof will be under the control of the shipper, and the drivers will receive all of their instructions from the shipper. Applicant is to furnish all drivers and place them under bond for faithful performance of their duties, keep the vehicles in good operating condition and appearance, and pay all of the operating expenses.

For this transportation service applicant proposes to charge \$250.00 per month for each of 10 one and one-half ton trucks, \$300.00 per month for each of three two-ton trucks, and \$210.00 per month for the motorcycle with sidecar, aggregating \$3,610.00 per month for the 14 units of equipment. These rates are based upon each vehicle and driver working a maximum of 48 hours each week, and upon the fleet of 14 units being operated a maximum aggregate mileage of 18,200 miles per calendar month. For transportation performed in excess of these limits the shipper is to pay an additional amount of \$1.00 per hour and five cents per mile, respectively. These rates and charges are somewhat less than the monthly vehicle unit rates established as minimum by Decision No. 31473, supra, although exact comparison may not be made as the established rates vary according to the weight of the property transported rather than according to the capacity of

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of the vehicle.

The operating manager of McKesson & Robbins, Inc., appeared as a witness in applicant's behalf and introduced a statement of the costs actually experienced by the shipper during the year 1938 in the operation of 14 trucks in like transportation.² The statement, which makes provision for interest on investment at 6 per cent, depreciation, licenses and taxes, running expenses, storage, drivers' wages, fidelity bond, compensation insurance and old age and unemployment taxes, indicates that the vehicles were operated a total of 197,064 miles during the year, at a total cost of \$41,722.36,³ or an average of \$3,475.02 per month or .21 cents per mile. In explanation of this exhibit the witness stated that during the year 1938, depreciation at 25 per cent per annum had been taken on the original cost of the vehicles; that all gasoline had been purchased at 16 cents per gallon; that oil and grease had been bought at prevailing retail prices, without discount; and that drivers had been paid at the rate of 72½ cents per hour. He said that insurance had

¹ The established minimum vehicle unit rates are as follows:

<u>Weight Transported</u> <u>(In Pounds)</u>	<u>Monthly</u> <u>Rate</u>	<u>Mileage</u> <u>Rate</u>
2,500 or less	\$ 270	5 cents
Over 2,500 but not over 5,000 . .	295	6 cents
Over 5,000 but not over 8,000 . .	325	7 cents
Over 8,000 but not over 12,000 . .	385	10 cents
Over 12,000 but not over 20,000 . .	425	15 cents
Over 20,000	530	20 cents

When the weight of the property transported varies, the established rates are computed on the basis of the greatest weight carried at any one time. The mileage rate is added for each mile in excess of 50 miles per day.

² The witness assumed that these 14 vehicles were comparable to the 13 trucks and one motorcycle unit which applicant intends to place in this service.

³ The averages are as shown in the exhibit, being a total of the separate averages for each item of expense.

been purchased at a favorable rate due to McKesson & Robbins' nationwide organization, but that it had been ascertained and agreed that this favorable rate could and would be extended to applicant in connection with the 14 vehicles to be devoted exclusively to this service. He explained that he had omitted from the exhibit the cost of supervision and routing of the trucks, as under the proposed contract the shipper would continue to perform these services at its own expense.

This witness stated that although transportation under the proposed contract would cost his company not less than \$3,610 per month, as compared with an average cost during 1938 for the proprietary operation of \$3,475.02, McKesson & Robbins was willing to assume this additional expense. He said that he believed a for-hire carrier could perform the trucking services more efficiently than could his company, which was not primarily engaged in the transportation business. He explained also that his company wished to avoid the possibility of labor disputes which might arise as a result of the present arrangement under which the truck drivers are members of a labor union other than that to which all other employees of his company belong.

Applicant, testifying in his own behalf, stated that he had made a study of the probable cost of operating the vehicles involved in this service, and was positive that it could be done profitably at the proposed rates. He explained that he owns and operates 67 pieces of equipment, and said that he could and would effect many savings over the costs experienced by the shipper. As examples of such savings, he cited his gasoline cost of 12-1/4 cents per gallon compared with the shipper's 16 cents, and his drivers'

wages of approximately 70 cents per hour compared with the shipper's 72½ cents. He said that his tires, lubricants and other supplies were purchased in quantity at substantial discounts, that his present terminal could accommodate, without added storage expense, the additional vehicles necessary to perform this service and that the additional equipment would not add to his actual overhead expenses. Although he did not testify as to his present overhead, he was certain that the rates proposed would return a profit after all expenses had been accounted for, including a proper proportion of the overhead expenses.

No one protested the granting of this application.

This is an operation which differs in many essential respects from the normal drayage service for which the rates and charges provided by Decision No. 31472, supra, were primarily established. Here a large fleet of vehicles is to be assigned exclusively to a single shipper, and the shipper will agree to employ all of the vehicles over a definite period of time. The carrier will be relieved from certain of the expenses of routing and supervision which in this case the shipper will assume for its own account. The record is convincing that the proposed rates will be compensatory, and as a matter of fact it is not certain that they will return to the carrier materially less revenue than would strict application of the established minimum rates, (the exact amount of the reduction being dependent upon the weight of the shipments transported on each vehicle at one time). It may be pointed out, moreover, that the granting of this application will not deprive any other carrier of tonnage, but will instead bring into the field of for-hire transportation a volume of traffic which is now being transported entirely by proprietary vehicles.

Upon consideration of all of the facts of record the Commission is of the opinion and finds that the proposed rates are reasonable for the specialized transportation service here involved. For the purpose of applying such rates applicant will be relieved of the necessity of observing the rules and regulations established by Decision No. 31473, supra, but will be expected and required to maintain adequate records, and to retain and preserve such records for a period of not less than three years, in order that it may be ascertained that proper additional charges have been assessed and collected for transportation performed by a single vehicle unit after forty-eight hours use in any one week, and for transportation in excess of 18,200 aggregate miles per calendar month.

The findings herein are based upon existing conditions, and the authority will therefore be made effective for a temporary period expiring October 27, 1940, unless sooner cancelled, changed or extended by appropriate order of the Commission.

O R D E R

This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that applicant, John J. Williams, doing business as Williams Transfer Co., be and he is hereby authorized to transport property for McKesson & Robbins, Inc., within the Los Angeles drayage area, as described in Decision No. 31473 of November 25, 1938, in Case No. 4121, at rates and charges less than those heretofore established as minimum in and by said decision, but not less than those set forth in the application herein and referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that applicant be and he is

hereby relieved of the necessity of observing the rules and regulations established by said Decision No. 31473, but that applicant be and he is hereby ordered and directed to maintain records from which it may be ascertained whether or not charges have been properly assessed and collected in accordance with the authority herein granted.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire October 27, 1940, unless sooner changed, cancelled or extended by appropriate order of the Commission.

This order shall become effective on the date hereof.

Dated at San Francisco, California, this 27th day of February, 1939.

Ralph W. Smith
Grant E. Brown
Ray L. Rice
H. B. Baker
Justin D. Cameron

Commissioners