

Decision No. 32010

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WALKUP DRAYAGE AND WAREHOUSE COMPANY,
a corporation, for permission under
Section 10, City Carriers' Act,
(Statutes 1935 Chapter 312) to trans-
port property within the City and
County of San Francisco at rates less
than the minimum rates prescribed for
City Carriers by Decision No. 28632,
as amended, in Case No. 4084.

ORIGINAL

Application No. 22282

BY THE COMMISSION:

Wallace L. Ware and Frank B. Austin for applicant.
J. F. Vizzard for Draymen's Association of San
Francisco, protestant.
L. R. Bishop (of Bishop & Bahler) for Butler Bros.
Walter A. Rhode for the San Francisco Chamber of
Commerce, interested party.
Gerald E. Duffy and George T. Hurst for The Atchison,
Topeka & Santa Fe Railway Company, interested
party.

O P I N I O N

By this application, Walkup Drayage and Warehouse Company (hereinafter referred to as Walkup) seeks authority under Section 10 of the City Carriers' Act to transport shipments for wholesale distributors of general merchandise within the San Francisco drayage area at lesser charges than would accrue under the minimum rates established for such transportation by Decision No. 28632, as amended, in Case No. 4084. The matter was publicly heard before Examiner P. W. Davis at San Francisco.

The rate sought to be charged for the transportation involved is 9 cents per 100 pounds, minimum charge 30 cents per shipment, minimum weight 5,000 tons per calendar year. This rate produces charges substantially lower than result from application of the established minimum rates (except certain minimum rates pro-

vided for transportation of heavy shipments of low rated commodities). Moreover, the sought rate is stated in a form somewhat different from that in which the established minimum rates are generally stated, the proposal being that the rate be applied without regard to the nature of the commodities transported, to the size of the individual shipments, or to the location of the origin and destination points.¹

In support of the application George R. Anderson, vice-president of Walkup, testified that his company had been performing drayage service for Butler Brothers (a wholesaler of a varied line of general merchandise) since June 1, 1938. He asserted that this shipper had complained that the rates charged were excessive, had requested that an attempt be made to obtain authority to charge lower rates, and had threatened to discontinue the use of Walkup's service unless such authority be secured. Thereupon Walkup caused a cost analysis to be made of the operation involved and concluded therefrom that rates lower than the established minimum rates would be compensatory. Based on that conclusion, the instant application was

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The established minimum rate for "inhaul" (transportation of property received from another carrier at a depot, dock, wharf, pier or landing, originating beyond the limits of the City and County of San Francisco; also the transportation of property from public warehouses to wholesalers) is 11 cents per 100 pounds, minimum charge 55 cents per shipment, minimum weight 3,500 tons per calendar year. For wholesale parcel distribution in "city delivery" (transportation of property to retail stores or direct consumers of the property transported when the shipment originates within the City and County of San Francisco at other than a carrier's depot, dock, wharf, pier or landing) the established minimum rate is 22 cents per shipment weighing 40 pounds or less and 22 cents for each additional 40 pounds or fraction thereof. For "shipping" (transportation of property to another carrier when destined beyond the limits of the City and County of San Francisco) and for transportation other than "inhaul", "city delivery" or "shipping", class rates, ranging roughly from 90 cents per 100 pounds first class, to 7 cents per 100 pounds fourth class, depending on the weight of the shipment and the location of the points of movement, are applicable.

filed.²

According to Anderson's testimony, the transportation involved is performed in substantially the following manner:

Shipments are moved from steamer piers to Butler Brothers' warehouse at Beale and Folsom Streets; to the place of business of that company at Fremont and Howard Streets; from said warehouse to said place of business (a distance of approximately one city block); from said warehouse or place of business to retail stores in San Francisco; or from said warehouse or place of business to depots of other carriers for line-haul movements. The shipments consist of a wide variety of commodities and range in weight from a few hundred pounds to several tons, the average load assertedly being somewhere between three and ten tons. Walkup furnishes the type of equipment which will best serve the requirements of each particular movement. For light and bulky commodities large vans are used; for movements from the piers tractor and semi-trailer outfits are often employed; light delivery work is ordinarily done in smaller trucks.³

The loading and unloading facilities at the shipper's warehouse and place of business are so arranged that the truck equipment can be loaded or unloaded without delay. Property is loaded at points not to exceed 10 feet from the tailgate of the trucks and is unloaded onto the platform or onto flat boards at the tailgate with only a

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Although the application is not restricted to transportation performed for any particular shipper, the showing was confined to shipments made by Butler Brothers, it being claimed that this firm is the only one in San Francisco having tonnage of the kind and quantity necessary to satisfy the limitations attached to the sought rates.

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Applicant operates approximately 500 pieces of truck equipment (including the equipment operated in the East Bay drayage area by Merchants Express Company, an affiliated carrier). More than 200 pieces of this equipment are devoted to work in San Francisco. The equipment includes practically all types of rolling stock, except that necessary for rigging work or heavy lift jobs.

preliminary check of the contents of the load being made.⁴ The property moving from the warehouse to the place of business (which assertedly constitutes a large part of the total traffic) is checked, weighed and placed in a position to permit immediate loading, before a call for truck equipment is placed. When tractor and semi-trailer equipment is used the driver merely spots the semi-trailer and leaves immediately with the tractor for the next job. Applicant keeps an employee at Butler Brothers' place of business, his duty being to check merchandise, assist in loading, unloading and dispatching, and to see that delays are avoided.⁵

Walkup is not required to advance any freight moneys, the steamship charges for movement beyond the piers being handed to its driver in the form of a check at the time the truck is loaded.

According to Anderson, Walkup's ability to furnish equipment to fit the needs of each particular job, as well as the concentration of movements within a relatively small area, permit the obtaining of an unusually high load factor. The convenience of the loading and unloading facilities and the proximity of Butler Brothers' warehouse to the place of business of that company permit the obtaining of a maximum use factor. The saving in accounting expenses resulting from the manner in which steamer charges are paid by the shipper and which would result from the use of a flat rate such as

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Prior to June 1, 1938, the shipper's receiving clerk had followed a practice of checking each shipment as it came from the truck. However, when Walkup took over the drayage contract, or just prior thereto, this practice was changed so that the shipper's receiving clerk would merely tally the packages on arrival and make his complete inventory of the load later, the result being a time saving of from one to five hours per trip.

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This employee also assists in handling shipments being picked up by Walkup for movements via the Pacific Motor Transport Company, the Merchants Express, or via the "trap-van" of the Southern Pacific Company, none of which movements are involved here.

that here sought would, this witness asserted, aggregate a considerable sum.

Anderson conceded on cross-examination that the transportation conditions described existed independently of the carrier employed and that other draymen having adequate facilities could operate and perform the service as economically and efficiently as could Walkup. He admitted that many of the economies relied upon were made possible only through the close cooperation of the shipper and that there was no assurance that such cooperation would continue to be given.⁶ This witness stated further on cross-examination that the basis of rates here sought was different from that filed for interstate movements, the reason given being that the Interstate Commerce Commission will not accept publications naming "house" rates (rates applying on all property handled by a given type of dealer).

S. W. Williams, applicant's controller and secretary-treasurer, presented a cost study purporting to show that the sought rate would be compensatory, considering Butler Brothers' traffic in the aggregate. This cost study was designed in the following manner:

The amount of the truck operating expenses (exclusive of drivers' wages) experienced by Walkup on its entire fleet during the period January 1 to July 31, 1938, was drawn from applicant's books, as was the amount of the wages paid drivers during the same period. It was found that the truck operating expenses amounted to 75.05 per cent of the drivers' wages. Supervision and administration expenses for the six months' period mentioned were also drawn from applicant's books and were found to amount to 24.52 per cent of the direct operating costs (truck expenses, drivers' and helpers' wages, and payroll

⁶ Anderson expressed the opinion in this connection that such co-operation would not be withdrawn, inasmuch as the resulting economies reacted to the benefit of the shippers as well as the carrier when reflected in the rate level.

taxes). In addition, the amount paid drivers during the period was divided by the total hours worked, as shown by time reports, and an average hourly wage of \$1.064 was obtained.

In order to apply the foregoing figures to the transportation performed for Butler Brothers, time records were kept for that particular operation during the months of June and July, 1938. Computations were made from the time the truck was dispatched to Butler Brothers to the time it was made empty. It was found that during July, 352.25 hours, and during August 390.28 hours, were worked. From these time figures, the average costs were allocated to Butler Brothers' operation, using the same average cost for drivers and the same relationships between drivers' costs, direct costs and overhead expenses as were found to have been experienced on the entire fleet. All shipments moving during the June and July periods were then re-rated under the basis here sought and it was developed that revenue would have exceeded the estimated expense by approximately 10 per cent.

Williams stated on cross-examination that neither interest payments, return on investment or income tax payments had been included in his estimated costs, contending that these items should properly be deducted from profits. He admitted, also, that his estimates did not take into consideration any lost time drivers might incur, claiming that Walkup's drivers were engaged in productive operations 99 per cent of the time.

S. A. Haag, merchandise manager of Butler Brothers, testified that his company had been dissatisfied for some time with the rates being charged for the traffic here involved and, in April 1938, had invited Walkup to conduct a survey with the view of seeking authority to perform the transportation at lower rates.⁷ Walkup

⁷ At that time, another drayman, whose name does not appear in the record, was handling Butler Brothers' traffic.

accepted this invitation and Butler Brothers' business was diverted to it on June 1, 1938.

Haag stated that his company is the only wholesaler in San Francisco able to supply retailers with complete stocks of goods, its principal customers being independent retailers who compete with chain variety stores and the commodities sold being ordinarily of low value. Consequently, he contended, low rates are essential. This witness claimed that Butler Brothers enjoys substantially lower rates for comparable transportation services in the territory adjacent to its places of business in Chicago and St. Louis and was determined to effect a reduction in its drayage costs in San Francisco. He asserted that if this application were denied, the only alternative for his company would be to purchase trucks and perform its own transportation and that serious consideration to so do would be given.

Haag admitted that the general level of wages paid in San Francisco was higher than that paid in Chicago and St. Louis. Moreover, he conceded that he had made no investigation and did not know whether or not proprietary operations would be more economical than operations under the established minimum rates.

Draymen's Association of San Francisco protested the granting of this application. It did not offer evidence in its own behalf but its representative cross-examined applicant's witnesses at some length.⁸

The record leaves little doubt but that the operation here

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This Association's representative also called upon applicant to furnish the work sheets upon which the cost study was based as well as certain data respecting the work performed by drivers during the portions of the day in which they were not engaged in handling Butler Brothers' traffic. Upon the furnishing of these work sheets and this information, he filed written comments thereon pointing out various particulars wherein he considered the cost showing to be inadequate or defective. A reply to these comments was filed by applicant.

involved has certain inherent economies not found in ordinary drayage operations. Not only does the heavy volume of movement and the convenience of the loading and unloading facilities promote full and efficient use of the carrier's equipment but, also, the shipper's employees perform services which under ordinary circumstances the carrier would be called upon to perform itself.

Although it is apparent that rates lower than the established minimum rates will be justified in connection with Butler Brothers' traffic, applicant's cost study cannot be accepted as an absolute criterion of what rates are necessary to a compensatory operation. In view of the fact that all expenses have been expanded on a percentage basis from estimated drivers' wages, any slight underestimate of the wage figure will be magnified in the result. That an underestimate of at least one item has actually been made is manifest when it is noted that no allowance whatever has been made for wages paid to drivers while not engaged in productive work. Considering also that the percentage relationships used are those found to exist on a fleet consisting of more than 200 pieces of truck equipment of varying sizes and for a seven months' period during only two months of which Walkup was performing the transportation for Butler Brothers, such relationships would not necessarily be representative of those existing in the Butler Brothers' operation. Manifestly, a difference in the relationships between drivers' wages, truck expenses and overhead expenses would have a substantial effect on the final cost estimates.

Upon careful consideration of all of the evidence of record, we are of the opinion that the rate sought has not been shown to be reasonable for the service involved, but that a rate of 10 cents per 100 pounds, minimum charge 30 cents per shipment, minimum weight 5,000 tons per calendar year, should be authorized. This rate gives

as great recognition as can be accorded on this record to the operating economies shown, and should remove the possibility of this traffic being diverted to proprietary carriage.

This authority is based on existing conditions and will, therefore, be limited to a period of one year, unless sooner changed, cancelled or extended by appropriate order of the Commission.

O R D E R

A public hearing having been held in the above entitled application, full consideration of the matters and things involved having been had, and the Commission being fully advised,

IT IS HEREBY ORDERED that Walkup Drayage and Warehouse Company be and it is hereby authorized to transport property for Butler Brothers, within the City and County of San Francisco, at a rate less than the minimum rates established for such transportation by Decision No. 28632, as amended, in Case No. 4084, but not less than 10 cents per 100 pounds, minimum charge 30 cents per shipment, minimum weight 5,000 tons per calendar year.

The authority herein granted shall expire one (1) year from the effective date hereof, unless sooner changed, cancelled or extended by appropriate order of the Commission.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 16th day of May, 1939.

Raymond J. Quinn
Frank R. Quinn
Ray R. Quinn
H. Quinn
Justus J. Quinn
Commissioners.