

Decision No. 32272

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
M. S. DODD and THE DODD WAREHOUSES)
for permission under Section 10,)
City Carriers' Act (Statutes 1935,)
Chapter 312) to transport 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. 22401

BY THE COMMISSION:

George P. Whaley, for applicant.
J. E. Vizzard, for Draymen's Association of
San Francisco.

O P I N I O N

M. S. Dodd, an individual engaged in the business of transporting property as a city carrier within San Francisco, seeks authority to transport soap, soap products, cooking fats and lard substitutes for the Procter & Gamble Distributing Company at rates less than the minimum rates established for such transportation by Decision No. 28632, as amended, in Case No. 4084. The matter was publicly heard in San Francisco before Examiner Broz.

The traffic here involved consists of shipments originating at applicant's warehouse, located at 190 Lombard Street, San Francisco, and destined to retail grocers in the same city.¹ The present minimum rates for this local distribution are set forth in the form of class rates which vary with the weight of the shipments and the zones

1

Applicant is also engaged in the warehouse business in San Francisco and acts as agent for Procter & Gamble Company whose products are manufactured in Long Beach and move to San Francisco by for-hire truck.

within which they are transported. Applicant proposes to establish, in lieu thereof, a rate of 14 cents,² subject to a minimum charge of 50 cents per shipment and to a guaranteed minimum of 3,000 tons per year, to apply regardless of the size of shipment or the zone within which the movements occur.

It was contended by applicant (1) that the present drayage rates for the transportation of the commodities here involved exceed the rates applicable to the transportation of other similar commodities for wholesale grocers, (2) that the present rates exceed the cost of performing the service, (3) that if this authority be granted, applicant will be given additional tonnage and the present cost of performing the service will be reduced thereby, (4) that the class rate method of stating rates is complex in nature and difficult to apply on the traffic here involved, and (5) that Procter & Gamble will resort to proprietary trucking operation if the relief here sought is not granted.

In support of the first contention it was shown that during a four-month period from July to October 1938, 702 tons of the commodities here involved were transported by applicant and that the revenue received therefrom under the established minimum rates amounted to \$2,767.51 or \$3.94 per ton. This figure was contrasted with revenue of \$1,629.10 which would have accrued under a rate of 11 cents applicable to the transportation of groceries for wholesale grocers within San Francisco. It was also shown that if the proposed rate of 14 cents were applied to this traffic it would have yielded gross revenue of \$2,341.71 or \$3.34 per ton.³

² Unless otherwise stated, rates are in cents per 100 pounds.

³ The 11 cent rate is subject to a minimum annual tonnage requirement of 4,800 tons. Applicant did not observe this minimum in making the contrast. Neither did applicant observe the proposed minimum tonnage requirement of 3,000 tons in comparing revenue under the 14 cent rate.

In support of the claim that the present rates exceed the cost of rendering the service, applicant compared the daily revenue which it was estimated would be received under the proposed rates with the daily revenue which would accrue on hourly rates applicable for transportation of property within San Francisco under certain unusual circumstances.⁴ Based on a 5 to 7½ ton truck ordinarily used to transport traffic of this volume, the hourly rate of \$3.85 per hour would produce a daily revenue of \$30.80 for 8 hours' operation, as compared with daily revenue of \$31.05 per truck which it was estimated applicant would receive under the proposed basis.⁵

Present operating costs per unit of equipment would be reduced, it was asserted, by reason of an increase of 3 tons per day in applicant's tonnage. The added traffic represents the difference between the guaranteed minimum of 3,000 tons or more per year and the annual average of 2,100 tons now transported. This now traffic, the witness stated, will not require the purchase of additional equipment but will be transported in the trucks now used by the applicant.

Another witness for applicant stated that, in view of the varied types of shipments involved in this operation, the present graduated zone class rates are difficult to apply and that, hence, the use of a flat rate would materially reduce billing costs. He stated, also, that Procter & Gamble sell their products on the basis

4

The hourly rate used is applicable to unusual shipments upon which no weights can be secured, or where there is no definite point of destination or specific time for loading or unloading the vehicle. The daily revenue was estimated by dividing the total revenue received during the four-month period from July to October 1938 by the number of deliveries made during that period, and multiplying this figure by the average number of deliveries made per truck per day.

5

Under present rates, the daily revenue was estimated as \$36.68.

of freight paid to the retailer's store door and pointed out that a single rate, such as here proposed, would equalize transportation charges of all retailers in San Francisco, regardless of their location.

A witness for Procter & Gamble Co. confirmed, generally, all the applicant's testimony. He stated that his company's eastern traffic manager had negotiated the proposed rate with applicant and had recommended its establishment. The additional 900 or more tons to be distributed by the applicant, he explained, will be a portion of the traffic which is presently delivered direct to consignees by the line-haul trucks. He contended that if the sought rate is not established Procter & Gamble will be compelled to establish a proprietary truck distribution system in San Francisco, to meet the competition of local wholesale grocers, and that if proprietary service is inaugurated it may be extended to points in the East Bay area where shipments are now distributed by for-hire draymen.

No one opposed the granting of the application.

A summary of the evidence and testimony reveals that the commodities to be transported under the sought rate are similar to those transported for wholesale grocers at the rate of 11 cents per 100 pounds, subject to a yearly minimum of 4,800 tons, and that the service performed in connection with the distribution here involved is essentially the same as that performed for wholesale grocers. While the proposed rate of 14 cents is three cents higher than the grocery commodity rate, the differential gives recognition to the smaller volume of annual tonnage to be transported for Procter & Gamble. The revenue to be received from these rates exceeds that obtained by the use of hourly rates provided for the transportation of unusual shipments. Under these circumstances, and in view of the likelihood of

the traffic being diverted to proprietary carriage otherwise, we are of the opinion and find that the application should be granted.

The findings and conclusions herein being predicated on existing conditions, the authority granted will be limited to one year.

O R D E R

This application having been duly heard and submitted,

IT IS HEREBY ORDERED that applicant M. S. Dodd be and he is hereby authorized to assess and collect for the transportation of soap, soap products, cooking fats and lard substitutes for Procter & Gamble Distributing Company between points in the City and County of San Francisco rates less than those established by Decision No. 28632, dated March 16, 1936, as amended, in Case No. 4084, but not less than 14 cents per 100 pounds, minimum charge 50 cents per shipment, subject to an aggregate minimum tonnage of said commodities of not less than 3,000 tons per annum.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire one (1) year from the effective date hereof.

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

Dated at San Francisco, California, this 18th day of

July, 1939.

James D. Brown
Paul H. Carey
W. H. Kelly
Justus J. Cramer
Commissioners.