Decision No. \_\_\_\_\_32887

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment of ) rates, rules, classifications and regu-) lations for the transportation of prop-) erty, exclusive of property transported ) in dump trucks, for compensation or ) hire, over the public highways of the ) City and County of San Francisco. )

Case No. 4084

BY THE COMMISSION:

## Additional Appearances

Reginald L. Vaughan for King & Company and San Francisco Warehouse Company. E. W. Hollingsworth for Hiram Walker & Sons, Western, Inc. and Schenleys Distilleries, Inc. Pillsbury, Madison & Sutro by Hugh Fullerton for Western Union Telegraph Company.

### TWENTY-SECOND SUPPLEMENTAL OPINION

By Decision No. 28632, as amended, in the above entitled proceeding, minimum rates, rules and regulations were established for the transportation of property within the San Francisco drayage area by city carriers. At adjourned hearings held in San Francisco before Examiner Earl S. Williams, evidence was received relative to the following matters:

Elimination of Exemption Covering Property Transported in Special Messenger Service

Property transported in so-called "special messenger service" is now specifically exempted from the minimum rates established by Decision No. 28632, as amended. A request was made by the Draymen's Association of San Francisco that this exemption be eliminated and that the minimum rates heretofore established in said Decision No. 28632 for other types of transportation be made applicable to this class of traffic. A witness for the Association stated that the exemption

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involved was proposed at the initial hearings in this proceeding in order that the rates established for general drayage service would not be made applicable to the transportation of small packages which were ordinarily delivered by messenger boys on foot or by bicycle but which occasionally might be delivered by messenger boys with motor vehicles. He asserted, however, that certain carriers recently had commenced using motorcycles with sidecar attachments, and also passenger automobiles, for the delivery of lots weighing up to 300 pounds and were claiming exemption from the established minimum rates on the grounds that they were operating special messenger services. He said that in the handling of shipments of this nature the carriers actively competed with "routed parcel delivery" carriers which were required to observe the established minimum rates and that, as a result, the latter carriers were placed at a serious disadvantage.

Western Union Telegraph Company, while not objecting to the elimination of the present exemption of property transported in special messenger service, urged that if the proposed elimination be approved there be substituted therefor an exemption covering the following described property: "Directories; social, business and professional books; registers, periodicals, services, pamphlets, rating books; and advertising matter, including such articles as samples, displays, blotters, pads, premiums, books, circulars, pamphlets and periodicals when transported in conjunction with uniformed messenger delivery." Western Union represented that in its business as a telegraph corporation, it used the services of uniformed messengers, some of whom used

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The carriers claiming the benefit of the exemption of "special messenger service" offer an expedited on-call service for the transportation of parcels and packages. They appear to be distinguishable from routed parcel delivery carriers mainly by the fact that they usually transport shipments directly from the consignor to the consignee rather than through an intermediate central terminal, whereas routed parcel delivery carriers ordinarily offer a scheduled delivery service for firms having a multiplicity of small packages and maintain central distribution terminals.

motor vehicles; that from time to time it made deliveries of the commodities sought to be exempted, all of which were said to be small in individual bulk (usually weighing from 10 ounces to 2 pounds) and individually to have little value; that most of these articles were generally delivered in connection with a consumer's sales campaign which called for a contemporaneous delivery of similar articles in other cities or other areas, or throughout the nation; that the bulk of these deliveries was handled by messenger boys on foot; and that less than two per cent of such deliveries were made by motor vehicle. It contended that unless this transportation were exempted, Western Union would be unable to continue in this business, since the value of the service to its customers did not approach the minimum rates which would be applicable under the established minimum rates.

No one opposed either the proposal of the Association to eliminate the present exemption of property transported in special messenger service or the substitute exemption proposed by the Western Union Telegraph Company.

It appears that transportation of parcels in so-called special messenger service is competitive, to some extent at least, with transportation of parcels in routed delivery service. In any event, it is hardly conceivable that parcel delivery carriers

A witness for the Western Union testified that two classes of shipments are handled by the Western Union, those which are tendered as individual shipments for immediate special delivery and those which are tendered in single lots involving a number of deliveries generally ranging from 8 to 100,000. He stated that both classes of deliveries are usually made in the downtown districts by messenger boys on foot or by bicycle, but that where deliveries are to outlying districts they are customarily made either direct by motor vehicle, or where a door-to-door delivery is to be made, then by motor vehicle to a central point or points in such outlying districts, thence by messenger boys on foot. He asserted that lots or shipments involving individual deliveries weighing in excess of 25 pounds are discouraged and that "practically never" are deliveries weighing in excess of 40 pounds handled. He stated that the charges now being assessed for individual special delivery shipments are, in all instances, in excess of the minimum rate of 22 cents provided for wholesale parcel delivery shipments weighing 40 pounds or less.

rendering the so-called special messenger or individualized delivery service could generally perform such service at a lesser cost than could a parcel delivery carrier performing a so-called routed parcel delivery service. Although it would appear that a higher minimum rate for the former than for the latter service might well be justified, information from which to determine a proper rate for the socalled special messenger service is not supplied by this record. It seems evident, however, that the rates for special messenger transportation should at least be no lower than those for routed parcel delivery transportation. In view of the foregoing circumstances, the present exemption of property transported in special messenger service will be eliminated, thereby making the rates otherwise provided applicable thereon.

While individual deliveries made by the Western Union for its customers appear to be no different in their essential characteristics from those performed by other carriers the distribution of lots of the commodities sought to be exempted by the Western Union involving multiple separate deliveries of indentical articles of small weight appears to possess peculiarities for which the established minimum rates may not be appropriate. The record does not indicate definitely the number of deliveries or the weight of such deliveries to which the sought exemption might properly be restricted but it appears from the testimony that the number of separate deliveries in a single lot seldom is less than 8 and the weight thereof rarely in excess of 25 pounds. Therefore the exemption of the commodities described in the proposal of the Western Union will be made when tendered to one carrier at one time in a single lot consisting of identical articles for distribution to not less than 8 separate addresses and where the weight of each delivery does not exceed 25 pounds.

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## Clarification or Modification of the Application of Wholesale Parcel City Delivery Rates and Exemption <u>Covering Parcels Delivered from Retail Stores</u>

Minimum rates are now provided for wholesale parcel city delivery service.<sup>3</sup> However, the transportation of parcels delivered from retail stores (Parcel City Delivery), is specifically exempted from the established minimum rates. Bonded Messenger Service, a carrier engaged in performing both of these types of parcel delivery services, contended that the absence of further definitions of the terms used had resulted in confusion and misunderstanding as to the exact nature of the transportation services which were embraced by the rates and the exemption involved. It requested that application of said rates and exemption be specifically defined so as to set forth clearly the type of transportation covered thereby.<sup>5</sup> The

Wholesale parcel city delivery rates provided under existing orders are as follows:

PARCEL CITY DELIVERY - Wholesale (See Note) 40 lbs. or less .... per shipment ..... 22 cents Each additional 40 lbs. or fraction thereof .... 22 cents Collection and return of C.O.D. Charges (Exception to Rule 130) \$50.00 or less ..... 10 cents per shipment Over \$50.00 .... 10 cents per shipment Over \$50.00 .... 10 cents per cent NOTE.-If rates provided elsewhere in this tariff produce a lower charge than the rates in this item, such lower charge shall apply.

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The testimony indicated that a question had arisen as to whether the wholesale parcel city delivery rates and the exemption covering parcels delivered from retail stores included the return of property accorded parcel delivery service and also whether parcels transported to direct consumers of the property from firms engaged in both a wholesale and retail business or from wholesalers selling to direct consumers of the property at wholesale prices were subject to the wholesale parcel delivery rates or to the exemption covering retail parcels delivered from retail stores.

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It was proposed that the present exemption reading, "Parcels delivered from retail stores (Parcel Delivery Service)" be amended to read "Retail Parcel City Delivery" and that the terms "retail parcel city delivery" and "wholesale parcel city delivery" be defined as follows: "RETAIL PARCEL CITY DELIVERY means the transportation of property to

"RETAIL PARCEL CITY DELIVERY means the transportation of property to direct consumers of the property from those engaged in the business of making sales; and also includes the return of such property from the intended consumers to the sellers.

"WHOLESALE PARCEL CITY DELIVERY means the transportation of property from those engaged in selling for resale (Wholesalers) to wholesalers or those engaged in selling to direct consumers of property (retailers), and also includes the return of such property from such wholesalers or retailers to such wholesalers." proposed definitions, in addition to specifying the type of delivery sought to be covered by the rates and exemption involved, includes the return of property accorded such parcel delivery transportation. It was stated that such transportation was usually performed by parcel delivery carriers incidental to the delivery of parcels by such carriers. It was asserted that, in general, the return was usually made at the time the property was tendered for delivery, thus obviating the necessity of making a separate pickup. Due to the method of handling such shipments, it was claimed the cost of transporting the returned shipments was generally less than that for transporting such shipments outbound.

The Bonded Messenger Service represented that the transportation characteristics attending movements of property to direct consumers was the same irrespective of whether such transportation was from a firm engaged in a wholesale business or from a firm engaged in a retail business. Its witness stated that merchandise was often sold at retail by wholesale firms or firms engaged in both a wholesale and a retail business, and asserted that when property was sold to direct consumers, it should be subject to the same exemption as was accorded these movements when from firms engäged exclusively in a retail business.

Draymen's Association of San Francisco objected to the definitions proposed by the Bonded Messenger Service on the grounds that the terms used in the order were generally understood and that the proposed definitions would unduly extend the application of the wholesale parcel city delivery rates as well as the retail parcel city delivery exemption. A witness for the Association stated that parcel delivery service was a specialized type of transportation

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Property accorded parcel delivery service, it was stated, is frequently returned for various reasons; i. e., return of property sent on approval and rejected, failure of consignee to pay collect on delivery charges, return of the merchandise different from that ordered, and return of merchandise for exchange.

service ordinarily contemplating transportation of a so-called "routed parcel delivery," a multiplicity of parcels tendered by a single firm for delivery to various consignees, in scheduled and routed service. He stated that the proposals of the Bonded Messenger Service, if adopted, would preclude the application of city delivery rates on all movements to direct consumers of the property transported by reason of the fact that virtually all city deliveries to direct consumers would be included under the proposed exemption. He requested that the present rates covering wholesale parcel city delivery service be restricted to apply only for account of firms shipping 100 or more shipments per calendar month by one carrier.

It is apparent that the adoption of the definitions proposed by the Bonded Messenger Service would enlarge the exemption now applicable to parcels delivered from retail stores to include also deliveries from wholesalers to direct consumers of the property. Moreover, their adoption would extend the exemption of "Parcels delivered from retail stores (Parcel City Delivery)" as well as the rates now applicable for "Wholesale Parcel City Delivery" transportation to apply for shipments of property in a form other than in parcels and without regard to the weight or size of articles or packages or quantity included in a shipment. On this record insufficient justification for such enlargements has been made to appear.

The proposal that the exemption covering parcels delivered from retail stores as well as the rates now applicable for wholesale

The exemption of parcels delivered from retail stores was based upon representations that the characteristics of such transportation differed from those encountered in ordinary drayage operations and was usually performed by specialized parcel delivery carriers. Although it was represented that the characteristics of wholesale parcel delivery transportation also differed from ordinary drayage transportation, specific rates for such service were proposed. It was explained that this class of transportation was competitive, in that it was frequently performed by draymen as well as by specialized parcel delivery carriers.

parcel city delivery transportation be also made applicable to parcels returning, appears justified and will be adopted.

The proposal of the Association that the present wholesale parcel city delivery rates should be restricted to firms shipping 100 or more shipments per calendar month by one carrier was unsupported by cost or other evidence to show that the present rates are proper only for account of such shippers or that the rates otherwise provided in Decision No. 28632, as amended, are proper for transportation performed for firms having a lesser number of shipments. The proposed restriction will not be made.

#### Reduction in Ratings on Lacquers, Shellaos, Paint, Solvents, Paint Thinners and Wood Fillers.

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Paints are rated at 4th class in the classification of articles provided in existing orders. However, no ratings are provided in said classification or in exceptions thereto for lacquers, shellacs, paint solvents, paint thinners or wood fillers, in the absence of which the less-than-carload ratings provided on these articles in the Western Classification apply. The Association requested the establishment of a reduced rating of 4th class on these

latter commodities in order to provide a parity with the rating on paints. The Association's witness testified that all of the commodities involved are generally handled by paint firms and are frequently included in the same shipments; that the values thereof are substantially the same as on paints; that they are usually shipped in the same form and in the same type of shipping containers as paints and that the density of these commodities are generally the same as on paint.

In re Rates of All Common and Contract Carriers (Decision No. 31606, as amended, in Case No. 4246) a 4th class exception rating was established and prescribed on paints or varnishes, not otherwise indexed by name in the Western Classification, bronzing liquids, lacquers or shellacs, liquid or paste, less carload, for application by highway and common carriers between points in the State of California. In that proceeding, the Commission found that the evidence there before it was convincing that paints, shellacs and lacquers should be accorded a parity of ratings and that the 4th class rating in effect for paint would not be unduly low for the other commodities. In view of the findings in that proceeding, and of the showing in regard to the similarity in transportation characteristics between the commodities there involved and those with which we are here concerned, we are of the opinion that the reduced rating sought is justified. The proposal will be granted. Extension of Inhaul Rates on Domestic Liquors

Domestic liquors when shipped in inhaul transportation are

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are now rated at 3rd class. The Draymen's Association requested that this rating be made applicable also on drayage transportation from liquor bottling plants to wholesalers and public warehouses. It contended that the 1st class rates applicable to the transportation involved, were unduly high and that the sought basis was reasonable and compensatory. It contended further that the proposed basis was necessary to enable draymen to recapture traffic which it had lost to proprietary trucks and to forestall a further diversion of traffic to said trucks. The request was joined in by Hiram Walker & Sons, Western, Inc. and by Schenleys Distilleries, Inc., liquor distillers and distributors having bottling plants in San Francisco. It was also supported by King & Company and San Francisco Warehouse Company, draymen now performing transportation for said firms.

A witness for King & Company introduced an exhibit (No. J-2) listing five lots of liquor moved on five different days during the month of November, 1939, from the liquor bottling plant of Hiram Walker to various wholesaler consignees. Each of these lots included from 3 to 10 shipments ranging in weight from 168 to 4,837 pounds each. The charges received for the transportation of these lots and shipments and those that would have been received under the sought basis were compared with what was purported to be the actual cost of

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<sup>9</sup> The term "inhaul" is defined in outstanding orders as follows: "'INHAUL' means the 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."

Liquors, alcoholic, not otherwise indexed by name in the Western Classification, including high wines, are rated at 1st class in the Western Classification. This rating is applicable to transportation from bottling plants of liquor distillers or distributors to wholecalers or public warehousemen there being no rating for such transportation in the Classification of Articles provided in Decision No. 28632, as amended.

transporting such lots and shipments, and also with the revenues which would have accrued thereon at the hourly truck unit rates 12 applicable under certain unusual circumstances.

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It was asserted that movements from liquor bottling plants to wholesalers and public warehouses had transportation characteristics similar to those attending like shipments moving from public warehouses to wholesalers, on which latter shipments the inhaul rating and rates here sought were applicable. Evidence was introduced showing that both of these movements were generally for short distances in a limited area; that the character of the loading and unloading facilities were generally the same; and that the sizes of the liquor shipments made from bottling plants were generally as great as or greater than those ordinarily made from public warehouses. It was conceded that there might have been a greater over-all volume of tonnage from certain public warehouses to wholesalers than there was from the bottling plants to wholesalers, but, it was stated, this was not true as to movements from certain of the smaller public warehouses. It was claimed that the transportation here involved differed materially from that performed under city delivery rates. Whereas shipments from bottling plants were said to be made in large lots, for comparatively short distances and in a limited area, to consignees usually maintaining unloading facilities which could be directly reached by the truck, city deliveries were said to involve generally transportation of small shipments to drug stores and taverns over a large territory, with deliveries usually being

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Hourly truck unit rates apply for the transportation of "unusual shipments," which term is defined as being shipments on which no actual or estimated weight can be secured, where there is neither a definite point of destination, nor specific time for loading or unloading and for releasing the vehicle. made in congested areas to points inside buildings requiring the driver to leave the truck. The assertion was made that liquor is subject to pilferage to a greater extent than other commodities and that it is therefore necessary to send a helper when making city deliveries of this commodity so that either the driver or the helper may watch the merchandise while the delivery is being made. This is said not to be required in connection with movements to wholesalers and public warehouses due to the fact that unloading facilities are such that the driver is not required to leave the truck. Moreover, it was asserted, city delivery usually involved delays attributable to the collection of collect on delivery charges. These delays, it was claimed, were not experienced in delivering to wholesalers due to the fact that such wholesalers usually had charge accounts.

Additional testimony was presented to the effect that. at the time the "inhaul" rates were initially established in this proceeding for movements from public warehouses to wholesalers all liquor distillers maintained their stocks of liquor in public warehouses and that on shipments moving from such warehouses to wholesalers the sought rating of third class was applicable. Liquor distillers subsequently established their own warehouses and by reason of the fact that the inhaul rates were not applicable for movements from bottling plants, such plants were required to pay the 1st class rates in lieu of the 3rd class rates formerly enjoyed when their stocks were maintained at the public warehouses. The statement was made that these higher rates handicapped such distillers in selling their merchandise to wholesalers in competition with distillers and distributors storing in public warehouses and having the benefit of the lower 3rd class rates here sought. It was said also that, by reason of the higher rating and rates which applied from wholesalers to public warehouses than were applicable in the

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opposite direction, distillers and distributors having bottling plants in San Francisco were discouraged from using public warehouse 13 facilities for the storage of overflow stocks of liquors.

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It was also testified by witnesses for King & Company and the San Francisco Warehouse Company, draymen engaged in transporting a substantial volume of licuor from the bottling plants of Hiram Walker and Schenleys, that a considerable volume of traffic had been lost to proprietary trucks. A witness for Hiram Walker testified that his firm was giving consideration to acquiring and overating its own equipment unless the proposed third class rating were made available and that, in the event this were done, it would handle all inhaul tonnage moving to the bottling plants, in addition to the deliveries here involved. He submitted a statement showing a list of shipments of alcoholic liquors from the bottling plant of his company to wholesalers in San Francisco during the month of November, 1939, which indicated that more than 50 per cent of the shipments from this plant moved during November were handled by proprietary trucks. He stated that he believed that sufficient productive hours were involved in transportation to and from his firm's plant to make private operations profitable.

As hereinbefore stated, the 1st class rating on shipments of liquor from bottling plants to wholesalers and public warehouses results in charges materially higher than those which would accrue on like shipments moved from public warehouses to wholesalers. In view of the showing that the transportation characteristics attending the movements of liquor from bottling plants to wholesalers and public warehouses are similar to those for the transportation of

A witness for Hiram Walker stated that, although he believed the rates assessed by public warehousemen in San Francisco for the storage of liquor were reasonable, his firm had taken space in a building adjoining the bottling plant for the storage of overflow liquor stocks rather than pay the lst class rates for drayage transportation.

like shipments from public warehouses to wholesalers and the testimony indicating that liquor distributors maintaining bottling plants in San Francisco are in active competition with distributors storing in public warehouses, it appears that a parity of ratings should apply for both types of transportation. It appears further that the rating of 1st class provided for the commodity and transportation involved is unduly high to the extent that it exceeds the rates for the "inhaul" transportation of the same commodity. The proposed rating of 3rd class will be adopted for the transportation of liquor from bottling plants to wholesalers and public warehouses.

Changes in Ratings on Glass Containers, viz.: Bottles, Jars, Jelly Glasses, Packing Glasses and Tumblers.

Glass containers, viz .: bottles, jars, jelly glasses, packing glasses and tumblers take ratings under the classification of articles provided in Decision No. 28632, as amended, ranging from 3rd class to 1st class. Owens Illinois Pacific Coast Company sought the establishment of a uniform rating of 3rd class on these commodities in order to provide a parity with the Western Classification ratings, and also with the rating applicable in connection with intercoastal steamship rates. It was pointed out that the Western Classification rating was applicable in connection with minimum class rates established for transportation in the East Bay Drayage Zones and also in connection with minimum class rates established or prescribed in Decision No. 31606, supra, for application by highway and common carriers between points in the State of California. It was asserted that a 3rd class rating was universally recognized as proper for these commodities, and that its adoption here would avoid the confusion that now attends the rating of these commodities due to the fact that on shipments moving into San Francisco by rail or vessel no attempt is ordinarily made to segregate the weights or packages of the separate commodities.

The separate classification of articles governing minimum

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rates for transportation within the San Francisco Drayage area was initially adopted upon the representation of the Draymen's Association of San Francisco that articles for which ratings are provided in said classification were those most frequently transported in this service. Numerous of the ratings therein provided differ from those set forth on the same articles in the Western Classification. Changes in such ratings have only been made upon evidence indicating that they were improper for drayage transportation within San Francisco and that the proposed ratings were reasonable for such transportation. Mere reference to different ratings established in other territories and for carriers other than city carriers does not demonstrate that the existing ratings are improper for drayage transportation in San Francisco. It is concluded that the present ratings on glass containers here involved have not been shown to be unreasonable or improper. The sought ratings will not be approved.

Upon consideration of the record, we are of the opinion and find that the changes and modifications sought are justified to the extent shown in the order herein, and that, in all other respects, said changes and modifications have not been justified on this record.

## <u>order</u>

Adjourned public hearings having been held in the above entitled proceeding, and based upon the evidence received at the hearings and upon the conclusions and findings set forth in the opinion which precedes this order,

IT IS HEREBY ORDERED that Exhibit "A" of Decision No. 28632, dated March 16, 1936, as amended, in the above entitled proceeding, be and it is hereby further amended to the extent shown in Appendix "A" attached hereto and made a part hereof.

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IT IS HEREBY FURTHER ORDERED that the petitions filed by the Draymen's Association of San Francisco, the Western Union Telegraph Company, and the Bonded Messenger Service be and they are hereby granted to the extent indicated in the preceding paragraph, and that in all other respects said petitions be and they are hereby denied.

IT IS HEREBY FURTHER ORDERED that the petition filed by the Owens Illinois Pacific Coast Company be and it is hereby denied, without prejudice.

IT IS HEREBY FURTHER ORDERED that in all other respects said Decision No. 28632 shall remain in full force and effect.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at tos migelies, California, this <u>fi</u> day of

#### APPENDIX "A"

Rates, charges, accessorial charges, ratings, rules and regulations set forth in Exhibit "A", of Decision No. 28632, and as amended, are hereby further amended as follows:

# RULE 5 - APPLICATION OF RATES

1. Substitute for paragraph 5 of Note, reading, "Property transported in special messenger service" the following:

"The following described property, when tendered to one carrier at one time in a single lot consisting of identical articles for distribution to not less than eight (8) separate addresses and where the weight of each delivery does not exceed 25 pounds:

Printed Matter, viz.: Books, Magazines, Periodicals, Directories, Pamphlets, Rating Books, Registers or Services;

Advertising Matter."

2. Substitute for paragraph 8 of Note, reading "Parcels

delivered from retail stores (Parcel City Delivery)" the following:

"Parcels delivered from retail stores (Parcel City Delivery) also returned parcels, viz.: parcels returning to original retail store shipper via the carrier handling the outbound movement."

#### CLASSIFICATION OF AFTICLES

1. Substitute for classification rating, reading "Paints

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2. Substitute for classification rating reading "Liquors":

Domestic, Shipping or Inhaul. . . 3," the following:

"Liquors, Domestic; Shipping, Inhaul, and transportation from liquor bottling plants to wholesalers or public warehouses. . . .3."

<u>ITEM 95</u> - <u>COMMODITY RATE FOR WHOLESALE</u> <u>PARCEL CITY DELIVERY SERVICE</u>

Substitute the following item:

"WHOLESALE PARCEL CITY DELIVERY (See Notes 1 and 2) 40 lbs. or less ... Per Shipment ..... 22 cents Each additional 40 lbs. or fraction thereof 22 cents Collection and return of C.O.D. charges (Exception to Rules 130)

\$50.00 or less ..... 10 cents per shipment Over \$50.00 ..... 1/4 of one per cent

Note 1 - Rates also apply on returned parcels viz.: parcels returning to original wholesaler shipper viz the carrier handling the outbound movement where such outbound movement is accorded service for which rates in this item apply.

Note 2 - If rates provided elsewhere in this exhibit produce a lower charge, such rates shall apply."

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