

Decision No. 30785.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment of just, reasonable and nondiscriminatory maximum or minimum or maximum and minimum rates, rules, classifications and regulations for the transportation of property for compensation or hire over the public highways of the City of Los Angeles.

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Case No. 4121

ORIGINAL

CRAEMER, COMMISSIONER:

Additional Appearances

C.W. Durbrow, J.E. Lyons and M.G. Smith, for Pacific Motor Trucking Company.

SUPPLEMENTAL OPINION

At an adjourned hearing held in the above entitled proceeding in Los Angeles, Motor Truck Association of Southern California sought modification of City Carriers' Tariff No. 4 - Highway Carriers' Tariff No. 5, naming rates for transportation of property within the Los Angeles drayage area, by the inclusion of specific rates for the distribution of so-called "pool lot" or "pool car" shipments.

"Pool lot" or "Pool car" shipments, hereinafter referred to as pool cars, originate at points outside the drayage area.

<sup>1</sup> Rates were first established in this proceeding effective May 1, 1938 by Decision No. 30785 of April 11, 1938, (41 C.R.C. 222). Subsequently, the rates so established were amended from time to time, being incorporated in City Carriers' Tariff No. 4 - Highway Carriers' Tariff No. 5, effective January 1, 1940, by Decision No. 32504 of October 24, 1939, (42 C.R.C. 239). The drayage area is described in Items 30 to 33, inclusive, of the tariff.

Ordinarily, they are consigned to, or in care of, draymen who are instructed by the shippers to segregate the pool cars into their component parts and to make delivery of the property so segregated to designated parties, commonly referred to as "subconsignees."

The service performed by the draymen involves unloading the property from the equipment (rail car or truck unit) in which it is delivered by the inbound carrier and its sorting according to the quantity, brands and marks specified by the shippers' instructions concerning delivery to subconsignees. After the pool cars are sorted, the draymen either transport the property to the various subconsignees, or deliver it at the point where the sorting is accomplished to other carriers or to the subconsignees. These operations often include the payment of transportation and advance charges to the inbound carrier and the collection of these charges from the subconsignees.

As the tariff now stands, the drayage rates for the distribution of pool cars are the same as those for other cartage. These rates include loading and unloading services, except under certain circumstances not here important. Other accessorial services are subject to a rate of \$1.00 per man per hour, minimum 50 cents. Under the proposed amendment of the tariff, rates for pool car distribution would be the sum of the rates for transportation to, and accessorial services at, the ultimate destinations as now provided by the tariff and the rates shown in the tabulation which follows, based upon the classification of the commodity, for all accessorial services rendered at the point from which the pool car is distributed. In instances where the carrier did not transport all of the component parts of a pool car to the subconsignees, the rates shown in the tabulation below would apply to the accessorial services

rendered at the point of distribution.

Less Than Carload Rating in Western Classification and Exceptions Thereeto	Rates in Cents Per Ton	
	Delivered By Carrier	Picked Up By Subconsignee
1st	140	190
2nd	110	150
3rd	95	125
4th	65	90

In support of the proposed rates, a witness for the Truck Association presented a study of pool car distribution based upon carrier experience in handling fifty-three lots aggregating 1,965,566 pounds in weight and distributed to 1,326 consignees. The study purports to show that the average cost of pool car distribution, exclusive of transportation and accessorial services rendered at points where delivery is made to consignees, amounts to \$1.104 per ton.<sup>2</sup> The witness testified that the handling cost varied with the type of commodity being distributed and that carrier experience had indicated that the average expense developed by the study should be spread over the various types of property according to the less than carload ratings provided by the Western Classification and exceptions thereto, in the following percentages of cost: first class 150% or \$1.65 per ton; second class 120% or \$1.32 per ton; third class 100% or \$1.10 per ton; and fourth class 70% or \$.77 per ton. He said that some study had been made of the effect of the application of the proposed rates to light or bulky commodities, such as furniture, machinery and machines, and glassware and to the advisability of proposing special rates for those articles; that this preliminary study indicated that such commod-

<sup>2</sup> The individual cost factors indicated by the study are: \$.385 for unloading rail cars or trucks, segregating the property according to brands and marks and bringing it to rest on the carriers' platform; \$.1872 for bringing the property from point of rest to the tailgate of the equipment making the distribution; \$.418 for terminal overhead; and \$.1138 for billing and collecting.

ities should be made the subject of further investigation, which might well disclose the need for special rates; but that, meanwhile, the rates predicated upon classification ratings should be made applicable.

With respect to the differences in the rates recommended for property picked up by the subconsignee and that delivered by for-hire carrier, the Truck Association's witness testified that carrier transportation, particularly that performed by the carrier who sorted the property, results in materially less platform expense than that experienced in making individual deliveries to the subconsignees at the point of sorting. He explained that in carrier distribution the entire inbound shipment often would be reforwarded at one time, while subconsignees calling for their property occasioned repetition of the operations necessary to bring the property from point of rest on the platform to the tailgate of delivery equipment. The witness stated the differences in expenses so occasioned would be given reasonable recognition by rates 15% above the estimated cost basis for transportation by subconsignee and rates 15% below estimated cost for transportation by carrier.

Counsel for the Los Angeles Warehousemen's Association stated that the proposal of the Truck Association had been discussed with the warehousemen and that his association favored its adoption. A witness representing a member of the Warehouse Association, testifying in support of the proposed rates, claimed that they compare favorably with rates voluntarily maintained by the warehousemen and would provide equitable charges for the services rendered.

In addition to those supporting the proposed rates, various other shipper and carrier interests were represented at the hearing and participated in the cross-examination of the witnesses. They expressed no specific objection to the recommended rates, al-

though their questioning of the witnesses indicated that they believed the rates, if applied to certain pool cars, would result in excessive charges. It was conceded by the Truck Association's witness that the distribution of pool cars consisting of identical packages of the same commodity consigned to a limited number of subconsignees would not entail the extensive sorting and handling required where packages of several sizes containing different property were to be distributed to numerous subconsignees; and that because of these differences further study and consideration should be given to special rate treatment to pool cars requiring minimum handling service.

It appears that the rate factors proposed to be added to the existing rates for transportation are predicated upon cost estimates that include items of expense for services the carriers are now compensated for, either in whole or in part, at the existing transportation rates. The estimated cost factor of \$.1872 per ton, allocated to the expense of handling the property from the point of rest on the carrier's platform to the tailgate of the carrier's equipment at the point of distribution, covers an accessorial service that, under the tariff, generally is included at the transportation rate. Terminal overhead and billing and collecting expenses estimated as amounting to \$.418 and \$.1138 per ton, respectively, apparently cover the entire expense chargeable to those items. However, these are expenses experienced by the carriers in ordinary shipments as well as those involving distribution from pool cars and are not additional expenses incurred exclusively in such distribution. The amount of such additional expense, if any, is not here of record. It is evident, therefore, that of the Truck Association's estimated average cost of \$1.104 per ton only \$.385 is shown to be predicated

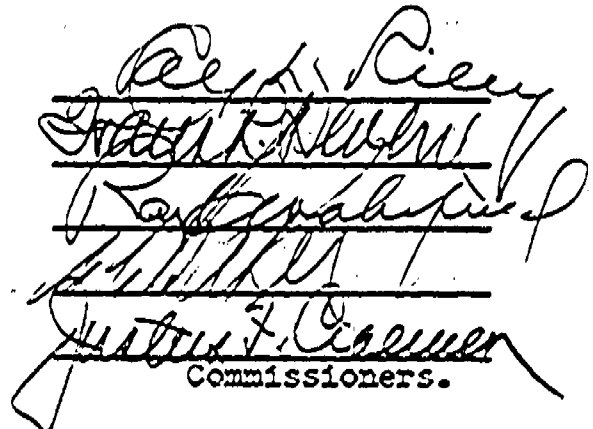
upon expenses incurred exclusively in rendering accessorial services in connection with the distribution of pool cars.

From the foregoing, it is clear that rates of the volume sought are not shown to be justified by the cost of performing the service. It is evident, moreover, that in pool car distribution there is a wide disparity in the extent of the incidental service required and that if rates were to be established in the manner proposed by the Truck Association some pool cars would bear more than their full share of carrier expense while others would not pay rates commensurate with the service rendered. Other phases of the proposal where the supporting showing appears inadequate are the recommended percentage relationships between classes and the differences in the rates proposed for accessorial services dependent upon whether the property is delivered by a for-hire carrier or picked up by a subconsignee, which were predicated upon arbitrary allocations of costs.

After consideration of all the evidence of record, I am of the opinion and find that the proposed rates are not justified. In view of this finding, no order need be entered against respondents.

The foregoing opinion is hereby approved and ordered filed as the opinion of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11<sup>th</sup> day of June, 1940.

  
Commissioners.