

Decision No. 23586

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of R. B. & S. SPECIAL DELIVERY &)
DRAYAGE CO. to charge less than)
established minimum rate.)

ORIGINAL

Application No. 23586

RILEY, COMMISSIONER:

Appearances

Arthur Graham, for applicant.
J. F. Vizzard, for Draymen's Association of
San Francisco, interested party.
W. F. Dunn, for H & D Cooperative Delivery,
protestant.
A. Harris, for Harris Globe Special Delivery,
protestant.

O P I N I O N

Eva L. Graham, J. Arthur Graham and Willard G. Graham,
copartners doing business as R. B. & S. Special Delivery & Drayage
Company, a city carrier, seek authority under Section 10 of the
City Carriers' Act to transport packages of dry goods weighing 10
pounds or less for wholesale dry goods firms within Zone 1 in San
Francisco, at a lesser rate than the minimum rate established for
such transportation.¹

The matter was submitted at a public hearing held in
San Francisco on October 2, 1940.

The rate sought to be charged for the transportation
involved is 15 cents per package. The established minimum rate
is 22 cents.² Applicants represented that the reduced rate sought

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The minimum rates from which relief is sought were established
by Decision No. 28632 of March 16, 1936, as amended, in Case No.
4084.

2

The established rate applies to shipments weighing 40 pounds or
less regardless of the number of packages. It is applicable to
wholesale parcel city delivery transportation of general merchandise
within and between all zones in San Francisco.

was necessary to enable them to obtain business in competition with bicycle messenger service and the United States Parcel Post.

Arthur Graham, one of the partners in the applicant firm, testified that the sought rate was the same as that charged by bicycle messenger services for delivery within the downtown area of packages of the sizes involved, and that it was somewhat higher than the rates charged by the United States Parcel Post for deliveries within San Francisco.³ The witness pointed out that neither the bicycle delivery services nor the United States Parcel Post were subject to the Commission's jurisdiction, and were therefore not required to observe the minimum rates established by the Commission. He stated that as a result of the lower charges maintained by the bicycle messenger and parcel post services, applicants had lost considerable business to these competing carriers, particularly the transportation of packages of dry goods weighing 10 pounds or less for wholesale dry goods firms within Zone 1. The loss of this business, he said, had resulted in a reduction of the average number of packages picked up by applicants from a single shipper at one time. This, he asserted, had the effect of increasing applicant's unit cost of picking up packages handled through applicant's terminal.⁴ While conceding that present operations

³ The witness stated that, while the territory embraced within the 15-cent delivery zone of bicycle messenger services was somewhat less extensive than Zone 1, the broader application of the sought rate was proposed to avoid disturbing the zoning arrangement under the established minimum rates. The rates charged by the United States Parcel Post, the witness said, ranged from 9 to 10 cents for packages of the sizes involved, plus an additional charge of 2 cents for insurance, or a total charge ranging from 11 to 12 cents per package.

⁴ Applicant's witness stated that the established minimum rate of 22 cents was charged on packages handled through applicant's central terminal and delivered on regular scheduled route trucks and that it was proposed to limit the application of the sought rate to packages accorded this class of service. This witness further stated that on packages tendered for individual special delivery service, a rate of 75 cents was charged but that no reduction in this rate was proposed.

were being conducted at a loss, he expressed the opinion that the added volume of business which would be obtained under the sought rate would permit a compensatory operation.

Harris Globe Special Delivery and H. & D. Cooperative Delivery, city carriers engaged in performing transportation similar to that of applicants, opposed the granting of the application. They took the position that carriers by motor vehicle handling shipments through a central terminal are not in a position to meet the faster delivery service rendered in the downtown district by boys on bicycles. Moreover, they contended, the proposed rate was less than the cost of performing such motor vehicle transportation. The publication of the lower rate, they represented, would needlessly dissipate applicant's revenues as well as the revenues of city carriers meeting the lower rate without any compensating benefits, for the reason that the bicycle delivery services would undoubtedly reduce their rates by whatever amounts would be necessary to retain the business.

It appears from the record that a reduced rate of the volume of that sought is necessary if applicants are to compete with bicycle messenger and parcel post services in the transportation within the downtown area of packages of the sizes involved. However, the record is lacking in the essential information from which it can be determined whether the sought rate, if approved, would be compensatory to applicant and, therefore, would not burden other

5 A statement setting forth applicant's revenues and expenses for the year 1939 was included in the application. This statement showed a net operating loss for the year 1939 of \$6.26. Applicant's witness estimated that the additional business which would be obtained under the sought rate would produce \$125.00 per month added revenue. This business, he stated, could be handled by applicants at little additional expense for the reason, he said, that it could be handled with no material increase in vehicle miles, no additional drivers and no added investment.

traffic. It appears from applicant's showing of revenues and expenses for the year 1939 that, before making any allowance for a return on the investment, applicant experienced an operating loss. The absence of any evidence of the number of packages of the sizes involved which were being handled by applicant makes it impossible to determine the effect of the reduction in revenue which would result from the application of the reduced rate to applicant's existing business. Whether the additional business which applicant would obtain at the reduced rate would offset these losses is, at least, problematical. In any event, it has not been shown that applicant has made the necessary studies to support its contentions that such additional business would be productive of a compensatory operation.

In the absence of any substantial evidence to indicate that the rate in question may be expected to be compensatory, the Commission is obviously unable to make a finding that the rate is reasonable. Without such a finding, it may not authorize applicant to perform transportation at less than the established minimum rates (Section 10, City Carriers' Act).

Upon consideration of all the facts and circumstances of record, I am of the opinion and find that the sought rate has not been shown to be reasonable or compensatory. The application should be denied.

The following form of order is recommended:

O R D E R

This application having been duly heard and submitted, the matters and things involved having been fully considered, and based upon the record and the findings of fact and conclusions contained in the foregoing opinion,

IT IS HEREBY ORDERED that the application be and it is hereby denied.

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

Dated at San Francisco, California, this 10th day of December, 1940.

W. R. Rice
James R. Smith

W. B. Smith
Justus J. Carver
Commissioners.