

ORIGINAL

Decision No. 44819

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SIGNAL TRUCKING SERVICE, LTD., a)
 corporation, for authority to depart)
 from the rates, rules and regulations)
 of City Carriers' Tariff No. 4, High-)
 way Carriers' Tariff No. 5, Highway) Application No. 31378
 Carriers' Tariff No. 2, and Highway)
 Carriers' Tariff No. 8, under the)
 provisions of the City Carriers' Act)
 and of the Highway Carriers' Act.)

Appearances

Edward M. Berol, for applicant.

Joseph C. Gill, for Pacific Freight Lines and Pacific Freight Lines Express, interested parties.

E. L. H. Bissinger, for Southern Pacific Company and Pacific Motor Trucking Company, interested parties.

Joseph R. Naddeo, for Sears, Roebuck & Co., interested party.

Laird M. Hail, for Southern California Freight Lines and Southern California Freight Forwarders, interested parties.

O P I N I O N

By this application Signal Trucking Service, Ltd., a corporation engaged in the business of a for-hire carrier, seeks authority to deviate from the established minimum rates in connection with the transportation of groceries and other commodities in southern California for The Great Atlantic & Pacific Tea Company.

Public hearing of the matter was had before Examiner Abernathy at Los Angeles on June 16, 1950.

The Great Atlantic & Pacific Tea Company (hereinafter called A & P Company) is a national organization engaged in the distribution of foodstuffs, liquors, household supplies and various other articles commonly procurable in large modern food markets. In southern California it operates a warehouse and 36 retail stores.

For the past twenty years applicant has been making deliveries for the A & P Company to its warehouse and stores in the southern California area. Currently, the total volume of the deliveries ranges from seven to ten million pounds per month. More than 50 units of motor vehicle equipment are used by applicant in meeting the transportation requirements of the A & P Company.

The rates and charges for which authority is herein sought are different from the established minimum rates in various respects, the most important differences being that shipments are not classified for rating purposes and that the rates do not vary with the classification of the articles transported. Applicant is and has been assessing the sought rates. Assertedly, only recently it has learned that its rates may not comply with the minimum rates in various respects.¹

Applicant's president stated that with respect to the transportation involved herein it has been the policy of his company and of the A & P Company to develop methods which entail the least amount of unnecessary work. He said that clerical work under the

¹ The minimum rates referred to herein are the rates in Highway Carriers' Tariff No. 2 (Appendix "D" of Decision No. 31606, as amended, in Case No. 4246); City Carriers' Tariff No. 4, Highway Carriers' Tariff No. 5 (Appendix "A" of Decision No. 32504, as amended, in Case No. 4121); and Highway Carriers' Tariff No. 8 (Appendix "C" of Decision No. 33977, as amended, in Case No. 4293).

method of assessing charges which has been developed with the company is at a minimum. He was of the opinion that the procedures necessary to classify the shipments for the purposes of assessing freight charges would so add to the operating costs of the A & P Company and would so interfere with the dispatch of deliveries that it would undertake to perform its own transportation.

Applicant's traffic manager introduced an exhibit to show that the sought rates produce greater total charges than those that would result under the minimum rates. A transportation engineer testified regarding a cost study which he had made of all of the transportation services which applicant performs for the A & P Company. According to his calculations, applicant's earnings for August, 1949, and March, 1950, were 4.78 and 6.38 percent, respectively, of the revenues received for the services of the A & P Company.² It was his opinion that the figures for these months are representative of applicant's operating results during other months of the year.

A witness for the A & P Company briefly described the procedures of his company in shipping to its stores. He said that if his company should undertake to prepare for each shipment the shipping document specified in Highway Carriers' Tariff No. 2, it would have to employ additional employees.³ He asserted that the marketing of food-stuffs in southern California is highly competitive, and he stated that competing companies use either their own or leased equipment or, as in the case of one company, they employ carriers for whom special

² Stated conversely, the ratio of the expenses incurred in performing the service to the revenues earned was 95.22 percent for August, 1949, and 93.62 percent for March, 1950.

³ The witness apparently assumed that the minimum rate provisions require his company to prepare the necessary shipping documents covering its shipments. Although the preparation of shipping documents is an undertaking frequently assumed by shippers, the duty to do so is imposed upon carriers.

rates have been authorized by the Commission. The witness stated that the proposed rates are satisfactory to his company. He did not know what course would be taken should the rates not be authorized. The decision in that event, he said, would be made by the company's officers in New York City.

Representatives of a shipper and of several carriers appeared at the hearing as interested parties. No one opposed the granting of the application.

Generally speaking, it may be said that applicant's objective in this proceeding is to be relieved of minimum rate provisions which are deemed unsuited to the services involved. Assertedly, authorization is not sought to assess rates which are lower in the aggregate than those established as minimum. It is clear that applicant regards the matter of classification as an unnecessary and costly process in the transportation of shipments for the A & F Company. The number of different articles of merchandise which the A & F Company handles was stated to be in excess of 2,300. Applicant's traffic manager stressed the difficulty of classifying this many articles in the daily routine of transporting the company's shipments. However, it appears that the matter of classification would not be as burdensome as alleged. According to an analysis of five truckload shipments which was made by the traffic manager, 90 percent of the shipments come within one classification grouping and the remainder are divided equally between two other groupings.⁴ If these shipments are representative of the

⁴ The analysis of the rate witness also included two less-truckload shipments which he represented as being classified as indicated as follows:

<u>Classification Rating</u>	<u>Percent of Total Shipment</u>
1½ times 1st class	.68 percent
1st class	.86 percent
2nd class	3.06 percent
3rd class	8.63 percent
4th class	86.77 percent

A & P Company's traffic, it would appear that daily repetition of classifying the same items would soon result in sufficient familiarity with the applicable classification ratings to permit the task of classification to be performed easily and expeditiously. The requirement that freight be classified was imposed as a necessary part of the minimum rate provisions in order that values, risks, and other rate factors might be properly related to the services performed and in order to bring about and maintain a stabilized basis of rates for the benefit of carriers and shippers alike. Inconveniences of classifying and rating individual commodities are ordinarily far outweighed by the public benefits accruing from a stabilized basis of known transportation charges. In order to preserve these benefits for the public the Commission will not authorize deviations from the established rates in the absence of a clear affirmative showing that such rates will prove unduly burdensome or impracticable. Applicant has not made such a showing with respect to the classification of the A & P Company's shipments. In other respects it did not specifically undertake to show that the present minimum rate requirements are unduly burdensome or impracticable.

Even where it appears that the desirability of deviations from the minimum rates has been well established, such deviations should not be authorized except as they are shown to be reasonable.⁵ The proposals herein include several different scales of rates. Applicant sought to show the reasonableness of its rates by evidence that its combined services for the A & P Company are sufficiently compensatory. It is apparent, however, that a combined revenue showing does not provide a suitable basis for concluding that each of several scales of rates is profitable.

⁵ Lesser rates than the minimum rates may not be authorized except upon a finding that they are reasonable and consistent with the public interest (Section 10, City Carriers' Act) or reasonable (Section 11, Highway Carriers' Act).

A further infirmity of the showing herein relates to applicant's comparison of revenues from the sought rates with those that would accrue under the minimum rates. Applicant's showing in this respect assumed that the classification relationships of the A & P Company's shipments would be as developed by the traffic manager in his analysis of the five truckload and two less-truckload shipments referred to hereinbefore. Considering the number of commodities which the company handles, including many having different ratings than those shown in the traffic manager's exhibit, it seems quite improbable that the degree of similarity between shipments should be as great as reported in these few instances. It does not appear that the revenue comparisons should be accepted as portraying the relationship of the revenues from applicant's rates to those from the minimum rates.

Aside from whether the rates are profitable or whether they return greater revenues than would the minimum rates, the structure of the rates in certain respects is such that they would not ordinarily be considered reasonable. For shipments from the warehouse of the A & P Company, applicant assesses one scale of rates for produce shipments and a different scale for all other commodities which are generally designated as groceries. To some destinations the rates for produce are higher than the rates for groceries; to other destinations they are lower. The rates to some destinations are subject to minimum weights and minimum charges per shipment; to others they are not. In a reasonable rate structure a definite relationship usually exists between rates to various destinations for shipments of the same type of commodities, having the same transportation characteristics and moving under the same general transportation conditions. The reasonableness of the sought rate structure in this respect was not shown.

Upon careful consideration of all of the facts of record the Commission is of the opinion and finds that applicant's proposed rates and charges have not been shown to be "reasonable and consistent with the public interest" within the meaning of Section 10 of the City Carriers' Act or "reasonable" within the meaning of Section 11 of the Highway Carriers' Act. It may be that the infirmities of applicant's showing could be remedied. Under the circumstances here presented, however, the application must be denied.

O R D E R

This application having been duly heard and submitted, full consideration of the matters and things involved being had,

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

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

Dated at San Francisco, California, this 19th day of September, 1950.

R. E. [Signature]
Justus F. [Signature]
[Signature]

Commissioners