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ORIGINAL

Decision No. 67660

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 Minimum Rate Tariff No. 5, and Minimum Rate Tariff No. 2, under the provisions of the City Carriers' Act and of the Highway Carriers' Act.	Application No. 46051 (Petition for Modification of Decision No. 66791) (Filed March 23, 1964)

Berol, Loughran and Geernaert by Edward M. Berol, and Jay Frederick, for petitioner.
William A. Groening, for The Procter & Gamble Company; Harold F. Culy, for Sierra Distributing, Ltd.; C. D. Gilbert, J. C. Kaspar, Arlo D. Poe and H. F. Kollmyer, for California Trucking Association, interested parties.
Henry Frank and R. A. Lubich, for the Commission staff.

OPINION

Petitioner seeks relief from certain provisions of Minimum Rate Tariff No. 2 relating to split-delivery shipments as an amendment to its current authority to depart from the established minimum rates in connection with transportation services it performs as a permit carrier for The Procter & Gamble Distributing Company.[1/] The exception in paragraph (a) of Item No. 170 of Minimum Rate Tariff No. 2 provides, in substance, that on split-delivery shipments when two or more points of destination are within the same community 2 constructive miles will be added to the mileage otherwise applicable for each such point of destination in excess of one. Petitioner specifically requests to be relieved from this additional mileage

1/ The current authority was granted by Decision No. 66791, dated February 11, 1964, in Application No. 46051. It is scheduled to expire with February 22, 1965.

requirement (2-mile additive) in connection with traffic from the shipper's plants in Long Beach to points generally in the southern half of California.

This petition was heard before Examiner Lane at San Francisco on June 9 and 16, 1964 and was submitted on the latter date.[2/] Representatives of California Trucking Association and members of the Commission staff assisted in developing the record. There are no protests.

Evidence in support of the petition was adduced by a certified public accountant, by petitioner's manager of traffic and sales and by the manager of Procter & Gamble's Warehouse and Trucking Division.

Petitioner (Signal) provides Procter & Gamble with a specialized delivery service which is closely integrated with the shipper's production, distribution, sales planning and merchandising operations. Shipments originate at Procter & Gamble's facilities in Long Beach and are destined to points in California generally south of Madera. A number of different transportation services are performed. The one involved in this proceeding is the delivery of split-delivery shipments usually in truckload quantities (pool cars) along specified routes.

The pool car routes are established by the carrier and the shipper. Except in the Los Angeles area, each route is designed to provide the carrier with a truckload split-delivery shipment of 36,000 pounds or more, each day service is performed. In the Los Angeles Area, four zones have been established to which less-than-truckload pool shipments are made. In other respects, each route is designed to facilitate the distribution of the shipper's products, to provide practical sales routes for the shipper's sales

2/ This matter and Application No. 46308 of Sierra Distributing, Ltd., were heard on a common record. They will be decided in separate decisions to simplify handling and record keeping.

personnel and to enable the shipper and carrier reasonably to schedule delivery times.

An important feature of the pool car sales and distribution procedures is a streamlined, electronic billing and documentation system operated by the shipper. This system is designed to, among other things, automatically bill the customers, calculate petitioner's charges, prepare drafts for payments to petitioner and arrange the sequence of loading of consignments so vehicles can be unloaded in route order. The shipper does the loading.

When using for-hire carriers, a scale of fixed, predetermined rates is an essential prerequisite to the efficient operation of the billing and documentation system of the shipper and to the efficient planning and loading of shipments. Prior to January 18, 1964, the basis of rates assessed by petitioner met these requirements. In this connection, rates were determined for each route based on the minimum rates subject to mileage computed via all the points of destination on the route. The rates so determined were used notwithstanding the fact that a lower rate could be applied under the minimum rate tariff in those cases when all points of destination were not served on a given shipment. Shipments could be planned by route.

On January 18, 1964 the 2-mile additive was established in conjunction with a general revision of Minimum Rate Tariff No. 2.[3/] Because the number of deliveries changes from day to day on each of

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3/ This revision was prescribed by Decision No. 66453, dated December 10, 1963, in Case No. 5432, Petitions for Modification Nos. 233 and 235. In addition to changes in rules, both increases and reductions in rates were prescribed by that adjustment. Effective August 1, 1964 general increases in the minimum rates in question were prescribed by Decision No. 67443, dated June 26, 1964, in Case No. 5432, Petitions for Modification Nos. 323 and 335.

the routes, the effect of the 2-mile additive on the rate cannot be determined in advance and the rates must be calculated separately for each shipment. Also, the effect of the 2 mile additive must be calculated on various bases of delivery to determine the lowest cost consistent with practical operations and the tariff requirements. Routing and loading of shipments must be adjusted in line with the low cost basis of deliveries so determined. According to the record, the 2-mile additive destroys many of the automatic documentation and routing procedures, delays billing, requires constant review of pool car routes, disrupts established sales procedures and imposes considerable added expenses on both the carrier and the shipper.

The certified public accountant introduced evidence to show that the service under the proposed basis of rates which excludes provision for the 2-mile additive is and for the future will be profitable. He said that petitioner maintains a fully staffed cost department which develops departmental costs on a month-to-month basis. Based on these and other carrier records, the accountant developed the following operating figures for petitioner for the traffic herein involved for the six-month period ended December 31, 1963.

Operating Revenues	$190,838
Operating Expenses	176,734
Net Operating Profit	$ 14,104

The accountant said that wage increases effective July 1, 1964 would raise the operating expenses indicated above by about 4 percent. Even with these increases and no offsetting increases in rates, the operation will be profitable.

Petitioner's manager of traffic and sales testified that Signal has performed delivery services for Procter & Gamble continuously for about 30 years. For many years, Signal has had authority to depart from the minimum rate provisions primarily with respect to documentation and the unit of measurement for assessing accessorial charges on split-delivery shipments. The purpose of these authorities and of the current petition is not to provide a basis of rates lower than the minimum rates but to enable petitioner to perform the service with the greatest efficiency and maximum economy consistent with the service requirements of Procter & Gamble.

The witness said that compliance with the requirements of the 2-mile additive imposes considerable added expense to and requires changes in procedures of both petitioner and the shipper. Changes in procedures have reduced the efficiency of the operations of both parties. Individual rating of shipments slows the rating procedures, billing and other documentation are slowed, payments to the carrier are delayed and many automatic documentation procedures have been disrupted. In addition, the shipper has reduced the size of shipments and adjusted routes to minimize the effect of the 2-mile additive which has reduced both the efficiency and revenue of the carrier.

The manager of Procter & Gamble's Warehouse and Trucking Division corroborated the testimony of petitioner's traffic and sales manager. In addition, this witness said that the shipper prepares the documentation, including that required by the carrier, on its shipments through the use of a punch-card system. Documents are prepared in advance of shipment.

Pool car service is an integral and essential part of Procter & Gamble's distribution system. It provides service to receivers who do not have facilities to handle large consignments. These customers constitute an important market for Procter & Gamble.

The shipper is interested in assuring the carrier a profit on the services it performs for Procter & Gamble. The shipper is also interested in keeping distribution costs as low as feasible.

To this end, it seeks to maintain carrier and shipper operations at the highest level of efficiency possible. Its streamlined punch-card system is an important factor in maintaining the efficiency of operations. The punch-card system is not adaptable to the frequent variations in rates resulting from the requirements of the 2-mile additive. Moreover, because of variations from day to day in consignments and destinations, each shipment must be individually fashioned to reduce the effect of the 2-mile additive as low as possible. The basis of rates proposed would eliminate these difficulties, would provide the carrier with profitable operations and would not undercut the minimum rates.

The evidence of record shows that, under the circumstances and conditions surrounding this transportation, the carrier's operations reasonably may be expected to be profitable under the proposed basis of charges. It also shows that, under these special circumstances, observation of the requirements of the 2-mile additive reduces efficiency and increases costs of both the carrier and shipper.

Upon consideration of the evidence, the Commission finds that petitioner's proposal to assess rates on split-delivery shipments for Procter & Gamble without applying the additional mileage charges contemplated by the exception to paragraph (a) of Item No. 170 of the tariff is reasonable.

The Commission concludes that the petition should be granted.

O R D E R

IT IS ORDERED that Appendix A to Decision No. 66791, dated February 11, 1964, in Application No. 46051, is hereby amended by adding thereto the following paragraph:

> 5. The carrier is authorized, in connection with split-delivery shipments originating at Long Beach, California, to not apply the EXCEPTION to subparagraph (a) of Item No. 170 of Minimum Rate Tariff No. 2.

In all other respects, Decision No. 66791 shall remain in full force and effect.

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

Dated at San Francisco, California, this 4th day of AUGUST, 1964.

Frederick B. Holoboff
President

Everett C. McKeage

George G. Grover

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.