

Decision No. 67730**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SIERRA DISTRIBUTING, LTD., a corpo-  
ration, to depart from the rates,  
rules, and regulations of Minimum  
Rate Tariff No. 2, under the pro-  
visions of the Highway Carriers' Act.

) Application No. 46308  
) (Filed March 23, 1964)  
)

Berol, Loughran and Geernaert by  
Edward M. Berol, and Harold F.  
Culy for applicant.

William A. Groening for Procter &  
Gamble Co., interested party.

Jay Frederick for Signal Trucking  
Service, Ltd., interested party.

C. D. Gilbert, J. C. Kaspar, Arlo D.  
Poe and H. F. Kollmyer, for Calif-  
ornia Trucking Association, inter-  
ested party.

Henry Frank and R. A. Lubich for the  
Commission staff.

O P I N I O N

Applicant seeks authority to apply an additional charge of 25 cents per 100 pounds, in lieu of a graduated scale of additional charges established in Minimum Rate Tariff No. 2, on split delivery shipments transported for Procter & Gamble Distributing Company. It also seeks authority in connection with this traffic to depart from the requirements for adding 2 miles to the mileage otherwise applicable on split delivery shipments under certain circumstances when multiple deliveries are made in a single com-

munity. (2-mile additive)<sup>1/</sup>

The traffic originates at Procter & Gamble's plant at Sacramento and is destined to various points in California north of a line running easterly-westerly through King City and Fresno.

This application was heard before Examiner Lane at San Francisco on June 9 and 16, 1964.<sup>2/</sup> It was submitted on the latter date. Evidence in support of the application was adduced by applicant's vice president and by the manager of Procter & Gamble's Warehouse and Trucking Division. Representatives of California Trucking Association and the Commission staff assisted in developing the record. No one opposed granting of the application.

The vice president of applicant testified that applicant provides a specialized delivery service for Procter & Gamble which is closely coordinated with the shipper's manufacturing procedures and sales practices. The shipper works closely with the carrier to improve efficiency and reduce costs. Procter & Gamble does the paper work. It gives the carrier 24-hours notice of the size and nature of each shipment. It arranges consignments within each shipment so that they can be unloaded in route order.

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1/ Paragraph (a) of Item No. 170 of Minimum Rate Tariff No. 2 provides, in substance, that distance rates for split delivery shipments shall be determined by the distance from point of origin to that point of destination which produces the shortest distance via the other points of destination, subject to the exception that when two or more points of destination have the same mileage basing point under the provisions of this tariff or the distance table, add to the distance computed under the above provisions, 2 constructive miles for each such point of destination in excess of one.

2/ This matter and Petition for Modification of Decision No. 66791 in Application No. 46051 of Signal Trucking Service, Ltd., were heard on a common record. They are being decided in separate decisions to simplify handling and record keeping. Petition for Modification of Decision No. 66791 in Application No. 46051 was granted by Decision No. 67660, dated August 4, 1964.

The carrier provides split-delivery service on truckload shipments (pool truckloads) over designated routes (zones) which have been developed by the shipper and carrier. The routes or zones are designed to minimize travel distance while providing the carrier with regular, full truckload shipments. The basic rates (rates excluding the 2-mile additive) are on the level of the higher of the current minimum rates or those in effect immediately prior to January 18, 1964.<sup>3/</sup> The basic rates are computed at the mileage via all of the points on the route whether or not service to all such points is provided on any particular shipment. Aside from the requirements of the 2-mile additive provisions, this basis results in rates higher than the minimum rates on all shipments which do not have consignments to all points of destination on the specific route.

Recently the shipper established a streamlined, card-punch documentation system. This system improved the efficiency of operations. Predetermined pool truckload zones and rates contribute to the efficiency of the documentation system. The graduated split delivery charges and rates reflecting the 2-mile additive vary with each shipment. Such rates and charges may not be determined in advance but must be calculated separately for each

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<sup>3/</sup> The minimum rates in Minimum Rate Tariff No. 2 were adjusted effective August 1, 1964, by Decision No. 67443, dated June 26, 1964 in Case No. 5432, Petitions for Modification Nos. 323 and 335 and effective January 18, 1964 by Decision No. 66453, dated December 10, 1963, in Case No. 5432, Petition for Modification Nos. 233 and 235. The January 18th adjustment involved both increases and reductions. The August 1st adjustment did not involve reductions.

shipment. Because of the variations involved, the rates cannot be fitted into the card-punch system. Rating each shipment separately slows down the whole distribution process. These difficulties would be eliminated by the proposed basis of rates.

The witness asserted that the 2-mile additive, which became effective January 18, 1964, had the effect of increasing charges on pool truckload shipments over the rates in effect prior to January 18, 1964. However, the shipper, because of the volume of tonnage, has been able to reduce the impact of the 2-mile factor by rearranging shipments and reducing shipment weights while protecting the truckload rates. The effect of these adjustments has been to reduce the carrier's revenues and increase operating costs per shipment.

The vice president contends that the intent of the application is not to seek authority to assess charges lower than the minimum rates. Rather, its purpose is to simplify the rate structure to make it compatible with the card-punch documentation system of the shipper.

Based on a study of split delivery charges on shipments handled by the carrier in December, 1963 and January and February, 1964, the witness said that the proposed basis of split delivery charges of 25 cents per 100 pounds will return to the carrier as much or more revenue than applicable under the prescribed graduated basis of charges. He said that the three-months period is representative of this service. The results of the study are

summarized below:

<u>Number of shipments</u>	<u>Gross weight in pounds</u>	<u>Split Delivery Charge</u>	
		<u>Under MRT #2</u>	<u>Under Proposed Basis</u>
163	7,493,226	\$18,612.52	\$18,733.06

The vice president also testified that the carrier's operations would be profitable under rates based on mileage, excluding the 2-mile additive. He made a study of the costs of applicant's operations for the month of April, 1964. The results of this study are shown below:

	<u>Under MRT #2</u>	<u>Under Proposed Basis of rates</u>
Operating revenues	\$19,022.42	\$18,828.64
Operating costs	<u>16,043.15</u>	<u>16,043.15</u>
Operating profit	\$ 2,959.27	\$ 2,785.49

The manager of Procter & Gamble's Warehouse and Trucking Division, testifying in support of the application, said the shipper was not interested in developing or securing rates below the minimum rates. It was interested in improving the efficiency of carrier and shipper operations with resulting economies.

He said the carrier is, in fact, a house trucker whose services and status are comparable to those of proprietary operations. Close coordination between production and the carrier's service is essential to efficient distribution operations.

In other respects, his testimony corroborates that of applicant's vice president. He said the shipper supports applicant's request for authority to observe one-factor rates and accessorial charges in amounts per 100 pounds because these are essential to efficient operations of Procter & Gamble's paper processing system which, in turn, affects the efficiency of its

production, distribution, sales planning and merchandising programs.

The evidence establishes that, under the circumstances and conditions surrounding this transportation applicant's operations under the basis of rates herein proposed may reasonably be expected to be profitable.

Upon consideration of the evidence, the Commission finds that the proposed basis of rates is reasonable.

The Commission concludes that the application should be granted. However, as the conditions under which the service is performed may change at any time, the grant of authority herein will be made to expire at the end of one year unless sooner canceled, modified or extended by order of the Commission.

O R D E R

IT IS ORDERED that:

1. Sierra Distributing, Ltd., is hereby authorized to assess certain charges less than the minimum charges and to depart from the provisions of the minimum rate orders otherwise applicable as more particularly set forth in Appendix A, attached hereto and by this reference made a part hereof.

2. The authority herein granted shall expire one year after the effective date of this order unless sooner canceled, changed

or extended by order of the Commission.

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

Dated at San Francisco, California, this 18th day of August, 1964.

Fredrick B. Holbrook  
President

John E. Mitchell

Robert H. Ray

George H. Hoover

William W. Bennett  
Commissioners

APPENDIX A TO DECISION NO. 67730

The authority herein granted applies only in connection with property transported by Sierra Distributing, Ltd. (hereinafter called "the carrier") for the Procter & Gamble Distributing Company, between points in California north of a line running easterly-westerly through the Cities of King City and Fresno.

1. The carrier is authorized, in connection with split delivery shipments originating at Sacramento, to apply an additional charge of 25 cents per 100 pounds in lieu of the split delivery charge set forth in Item No. 170 of Minimum Rate Tariff No. 2. This charge shall be made in addition to the line haul rate.

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

(End of Appendix A)