

**ORIGINAL**Decision No. 68301

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of )  
 THE PAPER TRANSPORT COMPANY, a corp- )  
 oration, for an order authorizing )  
 departure from the rates, rules and )  
 regulations of Minimum Rate Tariff )  
 No. 2, pursuant to the provisions of )  
 Section 3666 of the Public Utilities )  
 Code, for the transportation of glass )  
 containers from Saugus, California. )

Application No. 46790  
 (Filed July 9, 1964)

Handler, Baker and Greene, by Marvin Handler,  
 for applicant.  
Arlo D. Poe, J. C. Kasper and H. F. Kollmyer,  
 for California Trucking Association, protestant.  
William Dobrowski and J. Harvey Watson, for  
 Fortier Transportation Company; and D. H. Marken,  
 in propria persona; interested parties.  
R. A. Lubich and J. C. Matson, for the Commission  
 staff.

O P I N I O N

Applicant is a highway contract carrier. It seeks authority under Section 3666 of the Public Utilities Code to charge less than the rates in Minimum Rate Tariff No. 2 for the transportation of glass containers for Thatcher Glass Company from that company's plant at Saugus to specified consignees at Van Nuys, Covina, North Long Beach and the City of Industry. Applicant seeks to charge rates based upon 65 percent of the fifth class rates in effect at time of movement subject to a minimum weight of 30,000 pounds per shipment.

Public hearing was held and the matter submitted before Examiner Mallory at San Francisco on September 11, 1964. Evidence was presented through applicant's vice president and general manager, and the plant traffic manager of Thatcher Glass Company. California Trucking Association (C.T.A.) opposed the relief sought. C.T.A. and the Commission staff cross-examined applicant's witnesses.

Evidence

The evidence is summarized as follows. Applicant, a wholly owned subsidiary of Georgia Pacific Company, operates as a highway contract carrier in the transportation of general commodities, including the transportation of glass containers from Thatcher Glass Company (Thatcher) at Saugus and fibreboard cartons from Georgia Pacific Company (Georgia Pacific) at Buena Park. Applicant maintains pools of tractor and trailer equipment at three locations, Santa Clara, Saugus and Buena Park.<sup>1/</sup> Applicant maintains an office at Buena Park and at Saugus, each manned by a dispatcher. Also assigned to the Saugus office is a so-called night tie-down man, who tarps and ties down applicant's trailer equipment loaded by Thatcher, and who positions applicant's trailer equipment at Thatcher's plant for loading with a yard tractor assigned to Saugus. Applicant's main office is at the place of business in San Francisco of applicant's vice president and general manager, who is also the owner of United Shipper Associates, a firm of transportation consultants. Applicant's general manager and Georgia Pacific have entered into a contract covering the management of the trucking operations conducted by applicant. Applicant's billing is done under contract by United Shippers and accounting is done for a fixed compensation by Georgia Pacific at its Millbrae office. Applicant maintains no separate office staff. Applicant owns no trucking or terminal property, except the yard tractor stationed at Saugus and an old trailer body used as an office at Saugus. Line-haul trucking equipment is leased under written contracts for a period of years from a truck leasing subsidiary of a

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<sup>1/</sup> Operations conducted from applicant's Santa Clara base of operations are not germane to this proceeding and will not be discussed further herein.

large interstate common carrier. The equipment used in the transportation of glass from Thatcher is diesel tractors and two twenty-seven foot flat bed trailers in a train or a tractor and a forty-foot flat-bed semi-trailer combination.

Applicant transports glass from Thatcher to the points named in the application and to several other points in the Los Angeles basin area. The equipment used for this transportation is also used for the return of empty trays, fillers and pallets to Saugus, and for the transportation to Saugus of fibreboard boxes from Georgia Pacific at Buena Park. The equipment is dispatched from either the equipment pool maintained at Saugus or at Buena Park.

At Thatcher, at the four destinations involved in the application, and at Georgia Pacific, applicant spots trailers for loading by the consignor and unloading by the consignee without the presence of the line-haul driver and tractor. The shipments are loaded by the shipper and unloaded by the consignee with fork-lift equipment without expense to the carrier; except that at Thatcher, applicant's yard employee ties down the loads, and positions applicant's trailer equipment with the yard tractor.

In order to show that the proposed rates will be compensatory, applicant's general manager testified to a study of the economics of performing the trucking operations. He stated that although applicant performs extensive operations for Thatcher in the Los Angeles basin area, only four points of destination were selected for rate relief, because the consignees at these points promptly unload the glass shipments and load the returning pallets and containers, without cost to applicant, and because these locations permit applicant to use the same line-haul power equipment to transport as a return load shipments of fibreboard boxes from Buena Park to Saugus.

The study is based upon an equipment use factor and labor costs covering two round-trip movements from Saugus per unit of equipment per day, averaging 106 miles per round trip. Separate cost and revenue data were developed for movements to each destination of the glass container shipments. At Van Nuys, the study is based upon a one-way haul of glass containers. At other destinations, the anticipated revenue from the combined movement of glass containers from Saugus to the destination point and the movement of fibreboard containers from Buena Park to Saugus is compared with the estimated costs for the round-trip haul. As indicated by the witness, applicant operates an integrated trucking service in the Los Angeles basin area, dispatching its equipment to best serve the requirements of its customers, while maintaining an efficient trucking operation. Therefore, the revenue and cost comparisons do not reflect the manner in which the equipment is actually operated. The study does not reflect the return of empty containers which the witness indicated are involved in about one out of four return loads. Such empty-returning traffic, he testified, is an essential part of the transportation service in connection with glass containers and must be performed by applicant. The witness also testified that the power-unit and driver would not ordinarily be used continuously during a single day for hauling between the points involved in this application, inasmuch as prudent operations from the carrier's standpoint would require their use during part of the day on hauls for Thatcher or Georgia Pacific between other points.

The evidence provided by applicant indicates that by combining the revenues and expenses for the round trip movements of glass containers from Thatcher to the four points of destination involved herein and fibreboard boxes from Georgia Pacific to Thatcher,

the round-trip service at the proposed less-than-minimum rates would be profitable. Evidence was not presented by applicant to show revenues and expenses relating solely to the movement of the glass containers and returning pallets and trays. The witness stated that there is about one inbound movement of fibreboard boxes from Buena Park to Saugus for each 2½ outbound movements of glass containers to points in the Los Angeles basin area. The movement of glass containers to the four consignees selected for rate relief in the application accounts for about 40 percent of the movement of glass containers from Saugus to points in the Los Angeles basin area.

It is applicant's contention that its service within the Los Angeles basin area is an integrated operation, and efficiencies attributable to available backhauls should be taken into consideration in determining the reasonableness of the rates sought herein.

The evidence shows that the movement of fibreboard boxes from Georgia Pacific to Thatcher will continue for a seven-year period, under a contract between United Vintners and Georgia Pacific for the supply of boxes to Thatcher.

Thatcher's plant traffic manager testified that in the event the application is not granted, Thatcher will explore the use of hourly rates for the service or proprietary trucking operations. According to this witness, if hourly rates are used the highway carrier will not be able to drop its trailers for loading and unloading, requiring the line-haul motive equipment to stand by during loading and unloading operations. The witness stated that such operations would be unsatisfactory and uneconomical, mainly because of the necessity for the payment of charges under hourly rates for the standby time of the line-haul power unit and driver during loading and unloading operations. The traffic manager stated that recom-

mendations have previously been made to Thatcher that it could profitably conduct proprietary trucking operations within the area in question.

As an additional basis to show that the proposed rates are reasonable, applicant's general manager presented an exhibit comparing charges under hourly rates with those under the rates proposed herein. In this comparison, the witness estimated the loading and unloading time; and developed the driving time from Saugus to the four destinations from tachometer records. No provision was made in this development for the return of the equipment to Saugus. As developed by the witness, the comparison indicated that the proposed reduced rates would produce charges greater than those under the hourly rates.

#### C.T.A.'s Protest

C.T.A. protested the application on two grounds. C.T.A. contends that applicant has not made a showing, as required by Section 3666 of the Public Utilities Code, that the proposed less-than-minimum rates will be reasonable. C.T.A. argued that the showing made by applicant should relate solely to the operations for which the rate relief is sought. C.T.A. pointed out that applicant's revenue and expense comparisons relied in part on operations conducted for a shipper different than that for which the relief herein is sought; and that past decisions of this Commission have stated that, normally, in a proceeding to depart from minimum rates, only circumstances and conditions surrounding the transportation for which the relief is sought will be considered in the determination as to whether the proposed rates are reasonable.<sup>2/</sup>

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<sup>2/</sup> Mitchell Bros. Truck Lines, 61 Cal. PUC 422, 424.  
Karl A. Weber, 60 Cal. PUC 59; Sierra Distributing Co., Ltd., Decision No. 63031, dated Jan. 9, 1962, (unreported).

C.T.A. also opposed the granting of the application because the ownership of applicant by Georgia Pacific assertedly could create for Georgia Pacific an indirect advantage over other shippers competing with Georgia Pacific in the sale of fibreboard boxes to Thatcher.

Discussion, Findings and Conclusions

This Commission has consistently held in applications seeking deviations from minimum rates that a showing that the proposed rates will exceed the costs of providing the service is indispensable to the requisite finding that the proposed rates are reasonable. We also have consistently held that unrelated traffic expected to be received from other shippers, but not assured and not directly involved in the proceeding for authorization to deviate from minimum rates, does not afford a reasonable basis for offsetting revenue deficiencies which result from the proposed less-than-minimum rate.

In this proceeding, applicant's revenue and expense showing relates to a round-trip movement for the transportation of glass containers from Thatcher in one direction and of fibreboard boxes from Georgia Pacific in the other direction. Under the doctrine expressed above, the traffic from Georgia Pacific should not be considered in the determination as to whether the transportation of the glass containers is compensatory. While applicant in its revenue and expense showing assumed a movement of fibreboard boxes as a return load to Thatcher for each outbound movement of glass containers from Thatcher, the record indicates that there is an overall return movement of fibreboard boxes for only approximately two out of five outbound loads of glass containers in the Los Angeles basin area. On the other hand, the record shows that there is a regular movement of empty containers, trays and pallets in the approximate ratio of

one load of empties returning to Thatcher for each four loads of glass containers outbound from Thatcher, and that applicant is obligated to perform this transportation.

Applicant's revenue and expense analyses were tested through cross-examination by C.T.A. and the Commission staff in light of applicant's methods of operations, equipment utilization and wage costs. The omission of minor operating expenses, such as overtime paid to drivers, appears to be offset by the greater utilization of equipment currently experienced by applicant as compared with that shown in its expense study. Applicant's equipment is operated six days per week, rather than five days per week as shown in its expense study. Applicant recently has averaged 2.9 round trips per day per unit of equipment, compared with 2.0 round trips per day shown in its expense study.

Analyses of applicant's revenue and expense comparisons show that the total of the revenues at the sought reduced rates for the movement of glass containers coupled with the revenues for the return of the pallets, trays and empty containers at the ratio of one load of empty containers for each four outbound loads, exceeds the estimated round-trip expenses of providing such service as developed by applicant to destinations other than Van Nuys, without regard to the transportation of fibreboard boxes from Buena Park to Saugus. The revenue and expense comparison for the movement to Van Nuys was developed without regard to a return load and shows the proposed rate to this point to be compensatory. In the circumstances, we find that the proposed rates will be reasonable.

C.T.A. contends that the fact that applicant transports goods from its principal to Thatcher, for whom rate relief is sought herein, gives Georgia Pacific an undue advantage in the sale of fibre-

board boxes to Thatcher. The record shows that United Vintners, under a contract with Georgia Pacific, purchases the boxes transported by applicant from Buena Park to Saugus, and has the boxes delivered to Thatcher, where they are filled with empty glass containers and then transported to United Vintners for filling. The record shows that Thatcher does not at this time purchase directly any fibreboard boxes from Georgia Pacific at Buena Park. It appears, and we so find, that no undue advantage in the sale of fibreboard boxes to Thatcher would accrue to Georgia Pacific if the application is granted.

Based upon the foregoing, the Commission concludes that Application No. 46790 should be granted. Inasmuch as conditions under which the service is performed may change at any time, the authority will be limited to a period of one year.

O R D E R

IT IS ORDERED that:

1. The Paper Transport Company, a highway contract carrier, is authorized to transport glass bottles, carboys, demijohns and jars not over one gallon capacity for Thatcher Glass Company from Saugus to the destinations named in Appendix A attached hereto and by this reference made a part hereof at the rates and subject to the conditions set forth in said Appendix A.

A. 46790 WF

2. The authority granted herein will expire one year after the effective date of this order, unless cancelled, changed or extended by further order of the Commission.

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

Dated at San Francisco, California, this 30<sup>th</sup> day of NOVEMBER, 1964.

Frederick B. Hallock  
 President

Peter E. Mitchell

Everett A. Stage

William M. DeWitt

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Commissioners

*I concur in the order.*

*George G. Grover*

APPENDIX A

PAPER TRANSPORT COMPANY

APPLICATION OF RATES FOR TRANSPORTATION

By: THE PAPER TRANSPORT COMPANY (Carrier)  
For: THATCHER GLASS COMPANY (shipper)  
From: Thatcher Glass Company, Saugus.  
To: Vita Pakt, Covina; Dominion Beverage, Ltd., North  
Long Beach; Kern Foods, Inc., City of Industry; and  
Anheuser-Busch, Van Nuys.  
Commodity: Glass containers, viz: bottles, jars, carboys and demi-  
johns (not over one gallon capacity).  
Rates: Sixty-five percent of the minimum fifth class rates set  
forth in Minimum Rate Tariff No. 2 in effect on date of  
shipment, subject to the following conditions:  
1. Minimum Weight: The minimum weight shall be 30,000  
pounds per unit of carrier's equipment.  
2. Loading and Unloading: The shipment shall be loaded  
by consignor and unloaded by consignee with power equipment  
furnished by consignor or consignee without expense to the  
carrier. Carrier shall leave its trailers or semi-trailers  
for loading or unloading without the presence of its drivers.  
3. In all other respects the provisions of Minimum Rate  
Tariff No. 2 shall apply.

(End of Appendix A)