

ORIGINALDecision No. 69965

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 CABS UNLIMITED, INCORPORATED, a
 corporation doing business as
 FALCON PARCEL SERVICE for authority
 to deviate from the rates, rules and
 regulations prescribed in Minimum
 Rate Tariff No. 15.

Application No. 47560

Bertram S. Silver, Ronald C. Broberg and Norman R. Moon,
 for applicant.
C. D. Gilbert, A. D. Poe and H. F. Kollmyer, for California
 Trucking Association, interested party.
R. J. Carberry and A. F. Burns, for the Commission staff.

O P I N I O N

Cabs Unlimited, Incorporated operates as a radial highway common carrier and as a city carrier. By this application, as amended, it seeks authority to deviate from certain provisions of Minimum Rate Tariff No. 15 (M.R.T. 15) in the transportation of exposed and processed film and prints, and related articles, for Eastman Kodak Company (Eastman).

Public hearing of the application was held before Examiner Bishop at San Francisco on July 23, 1965. With the filing of an amendment to the application on July 28, 1965 the matter was taken under submission.

Evidence was presented on behalf of applicant by its president, by a freight traffic consultant and by the traffic manager of Eastman's laboratory at Palo Alto. Representatives of California Trucking Association and of the Commission's Transportation Division staff assisted in the development of the record through examination of applicant's witnesses.

M.R.T. 15 provides minimum yearly, monthly and weekly vehicle unit rates and rules for the transportation of property between points in this state. For a truck without trailer, having a lineal loading space less than nine feet, the present yearly base vehicle unit rate is \$980^{1/} per month per vehicle and the applicable mileage rate is 8-1/2 cents per mile. Authority is sought herein to assess, for the transportation here in issue, a base rate of \$869 and a mileage rate of 7-1/2 cents, in lieu of the above-stated minimum rates.

M.R.T. 15 provides that the vehicle unit rates, other than the weekly rates, named therein are limited to service performed within a radius of 125 air miles from the base of operations^{2/} specified in the written agreement between carrier and shipper required under other provisions of the tariff. Applicant seeks to apply the proposed rates within a radius of 150 miles of said base. Other deviations from the rules of M.R.T. 15 sought by applicant are: period of daily service to begin at a time as agreed between carrier and shipper, rather than at 8:00 a. m., as provided by the tariff; no charge to be made for service provided on Saturday when a prior week day was a holiday and no work was performed on that day; carrier to be exempt from the provisions of paragraph 9 of Item 111 of the tariff, governing the handling of C.O.D. moneys, provided that all such moneys are delivered and remitted to shipper on the same day as collected, and further provided that any loss shall not be the responsibility of the carrier; shipper to pay bridge tolls.

1/ This is the applicable rate when the base of operations is located in Santa Clara County, among other specified counties.

2/ Base of operations is defined in the tariff as "the single point described in the written agreement which shall be a point at which the shipper will regularly tender freight to the carrier or will regularly receive freight from the carrier".

The commodities involved in this request are exposed and processed film and prints, complimentary replacement film, incidental dealer handling supplies and advertising literature moving therewith and used cameras and projectors for repair, when moving in packages weighing 25 pounds or less. The sought rates are to apply for transportation between the processing laboratories and place of business of Eastman in Palo Alto (the base of operations), on the one hand, and places of business of dealers and of representatives of Eastman located within a radius of 150 miles of said base, on the other hand.

The history and method of operation of the transportation service here involved were disclosed through the testimony of applicant's president and of Eastman's traffic manager. Applicant's operations are four-fold. It provides taxi service separately in three different communities^{3/} and also operates a freight service as a radial highway common carrier and city carrier transporting packages weighing less than 100 pounds within a 150-mile radius of Mountain View. Applicant commenced transporting film and related articles for Eastman in 1958 when it purchased the Barron Cab operation. At that time the service for Eastman involved merely the movement of one package per day from the Eastman plant to the Palo Alto bus depot. Since that time the operation has grown until now there are eight separate daily routes extending to various points within the above-mentioned 150-mile radius. Each of these routes requires a full-time driver in addition to vacation relief. Eight motor vehicles, of the station wagon type, are assigned exclusively to this service.^{4/} There is also a standby

3/ Applicant corporation conducts its taxi operations as Yellow Cab Company of Mountain View, Yellow Cab Company of Los Altos and Barron Cab Company (in Palo Alto).

4/ Applicant also operates a parcel route between its terminal area and San Francisco International Airport. That service is provided for various shippers. It is not involved in this proceeding.

vehicle. Applicant is the exclusive carrier for Eastman within the circumscribed area, for the kind of transportation service embraced by this proceeding.^{5/}

Applicant's Eastman operation, the record shows, is an unusually efficient one. The routes are laid out so that each one is covered in approximately eight hours. A given driver covers the same route once daily and every day makes the same stops for pickups and deliveries. Each outbound shipment is contained in a plastic bag, amounting to 50 to 70 bags of processed film for each route. The driver hangs them on racks in his wagon in the order of delivery. At each stop he hands the appropriate bag to the consignee, picks up another one containing film to be processed, and proceeds to the next stop. Each customer is visited once each day, even when there are no deliveries, in case there is a pick up to be made. The shipments all weigh less than 25 pounds each, 95 percent of them weighing less than 5 pounds.

The drivers start their daily routes at various times ranging from 6:00 a.m. to 8:45 a.m. More efficient operation is thus possible in many instances by avoiding the highway congestion prevailing during commuting hours.

The Eastman operation, moreover, is conducted with more than usual economy. Applicant's employees are non-union. While union scale wages are paid, the carrier does not have the expense of many of the so-called "fringe" benefits enjoyed by union labor. Additionally, applicant's employees do not receive premium pay for overtime work.

^{5/} Packages for the more distant consignees on two of applicant's routes (to Contra Costa County and Sacramento), are turned over to certain connecting carriers for delivery.

The aforesaid traffic consultant testified concerning a cost study which he had made of the Eastman operation. The record discloses that applicant does not keep completely separate records for its M.R.T. 15 operations. Some of the expense data, however, were obtained directly from the carrier's records. With respect to other items allocations were made on various bases of the portions to be assigned to said operations. It is not necessary to describe in detail the various elements of the cost study.

The traffic consultant pointed out that the study did not give effect to an increase in wages which applicant's employees received effective July 1, 1965, nor to the expense incurred in hiring an extra driver during the vacation period.^{6/} Examination of this witness by the staff engineer, moreover, brought to light certain other adjustments in the study which are necessary in order to give it adequacy. Among these were adjustments for indirect expense, the inclusion of depreciation, license and vehicle taxes, in the base expense factor, and the elimination of bridge tolls.

When the foregoing adjustments have been made in the consultant's study, the resulting approximations of full cost are \$792 per vehicle per month, and 5.6 cents per mile. In Table I, below, the cost figures are compared with the sought rates:

TABLE I^{7/}

<u>Proposed Base Rate (per vehicle per month)</u>	<u>Estimated Base Cost (per vehicle per month)</u>	<u>#Operating Ratio (Percent)</u>
\$869	\$792	91
<u>Proposed Mileage Rate (cents per mile)</u>	<u>Mileage Cost (cents per mile)</u>	<u>#Operating Ratio (Percent)</u>
7.5	5.6	75

#Before provision for income taxes.

^{6/} Applicant's employees receive one week of vacation per annum with pay.

^{7/} It is to be observed, with respect to the development of vehicle unit rates, that the base rate (in this instance stated in dollars per month) is designed to compensate the carrier for those elements of expense which vary with time, such as labor and vehicle costs, while the mileage rate (in cents per mile) compensates the carrier for the running costs, including fuel, tire and maintenance expense.

In Table II, below, the figures in Table I have been expanded to reflect the estimated revenue under the proposed rate and the estimated expenses, both for a one-year period, together with the corresponding operating ratio, before income taxes. These figures are predicated on applicant's present annual route mileage of 455,520 miles for the operation under consideration.

TABLE II

Estimated Annual Operating Results

Revenues	\$117,588.
Expenses	#101,541.
Operating Ratio (Percent) (before income taxes)	86

#Not including income taxes.

As hereinbefore stated, applicant seeks relief from the requirements of paragraph 9 in Item 111 of M.R.T. 15 in connection with the Eastman traffic, provided that all C.O.D. moneys are delivered and remitted to the shipper in the same day as collected, and further provided that any loss shall not be the responsibility of the carrier. According to applicant's president, there are 24 C.O.D. customers of Eastman involved in this operation. The method of handling C.O.D. moneys is as follows: on delivery of the merchandise at the customer's store, the driver presents a memo or slip in triplicate which the consignee signs, keeping one copy; the consignee puts the C.O.D. cash or check into an envelope, seals the latter and hands it to the driver; on arrival at the Eastman plant at the end of the day, the driver goes to the cashier's office and gives the envelope to the cashier, who opens it and counts the money or inspects the check; the cashier signs both copies of the billing slip and retains one copy. This witness further testified that in six years of operation there had been only one instance of a loss of C.O.D. money, and that Eastman had absorbed the loss. In effect, he stated, the carrier

is merely acting as a messenger in the transmission of C.O.D. moneys from the customers to Eastman.

The above-mentioned Eastman traffic manager testified his company supports the granting of the application. Whereas it formerly mailed the films to its dealer customers, he said, during the past eight or nine years Eastman has found it necessary to effect pickups and deliveries by means of for-hire carriers. He pointed out that the transportation in question involves a low cost product and that to move it at regular trucking rates would be prohibitive. The proposed rates, he said, are acceptable, but if the application were to be denied his company might find it necessary to undertake to perform the transportation services itself, which it is very reluctant to do.

No one opposed the granting of the application.

We find:

1. The transportation in question requires a highway contract carrier permit.
2. The estimated operating costs, as adjusted, of the transportation services here in issue, as set forth in Table 1 above, are reasonable for the purposes of this proceeding.
3. The proposed rates will be compensatory and reasonable.
4. The proposed deviations from the rules of Minimum Rate Tariff No. 15 are, in view of the circumstances surrounding the operations in question, reasonable.

We conclude that the application, as amended, should be granted if and when applicant obtains a highway contract carrier permit. Since the conditions under which the service is performed may change at any time, the authority will be made to expire at the end of one year, unless sooner canceled, changed or extended by order of the Commission.

O R D E R

IT IS ORDERED that:

1. Upon obtaining a highway contract carrier permit from this Commission, Cabs Unlimited, Incorporated, is authorized to transport exposed and processed film and prints, complimentary replacement film, incidental dealer handling supplies and advertising literature moving therewith, and used cameras and projectors for repair, when moving in packages weighing 25 pounds or less between the processing laboratories and place of business of Eastman Kodak Company at 925 Page Mill Road, Palo Alto, on the one hand, and the places of business of dealers and representatives of Eastman Kodak Company located within a radius of 150 air miles of said address at Palo Alto, on the other hand, for Eastman Kodak Company, at rates less than the established minimum rates set forth in Minimum Rate Tariff No. 15, but not less than the following rates:

For truck without trailer, having less than 9 feet lineal loading space:

Base Yearly Vehicle Unit Rate

\$869 per unit of carrier's equipment for each period between billing dates as provided in Item 100 (paragraph b) of Minimum Rate Tariff No. 15.

Mileage Rate

7-1/2 cents per mile,

and further subject to the conditions hereinafter set forth.

2. Applicant is further authorized to depart from the provisions of Minimum Rate Tariff No. 15 in the following respects:

- (a) Rates shall apply to 8 hours of service out of a period of 9 consecutive hours per day but may be performed with a commencement time agreed to by carrier and shipper instead of being limited to hours of service between 8:00 a.m. and 5:15 p.m. as provided in Item No. 200 of Minimum Rate Tariff No. 15.
- (b) Applicant shall be exempt from paragraph 9 of Item No. 111 of Minimum Rate Tariff No. 15, provided that all C.O.D. moneys are delivered and remitted to shipper on the day on which they are collected, and further provided that any loss shall not be the responsibility of the carrier.

(c) No charge shall be made for service provided on Saturday when a prior weekday in the same week was a holiday and no service embraced by the authorization herein was performed on said holiday.

3. In all other respects the transportation to which this authorization relates shall be subject to the provisions of said Minimum Rate Tariff No. 15 insofar as they govern shipments which move at yearly vehicle unit rates.

4. 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 16th day of NOVEMBER, 1965.

Frederick P. Hallock
President

George A. Trover

Augusta

J. Edmund Bennett

Commissioners

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