

ORIGINALDecision No. 70029

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 RUSSELL TRUCK COMPANY, a corporation,
 for authority to deviate from minimum
 rates pursuant to Section 3666 of the
 Public Utilities Code for transporta-
 tion performed for Lever Brothers
 Company.

Application No. 47786
 (Filed July 30, 1965)

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Application No. 47879
 (Filed September 2, 1965)

Russell and Schureman, by Carl H. Fritze, for applicant.
W. A. Dillon, J. C. Kaspar and A. D. Poe, for California
 Trucking Association, interested party.
George Hunt and Fred P. Hughes, for the Commission staff.

O P I N I O N

Applicant operates as a highway common carrier, a radial highway common carrier, a highway contract carrier, a city carrier, and as a warehouseman. It seeks authority as a highway permit carrier and city carrier to deviate from the established rates in Minimum Rate Tariffs Nos. 2 and 5 for transportation performed for Lever Brothers Company (Lever Brothers), from its plant located in the City of Commerce to points within 75 constructive miles thereof.

Public hearing was held and the matters submitted before Examiner Mallory at Los Angeles on October 19, 1965. Evidence in support of the applications was adduced by applicant and Lever Brothers. The California Trucking Association (C.T.A.) and the

Commission staff participated in the proceeding through the examination of witnesses. No one appeared in opposition to the relief sought.

Applicant's secretary-treasurer described the transportation services conducted by applicant for Lever Brothers and adduced evidence designed to show the reasonableness of the relief sought. His testimony is summarized in the following statements. Applicant transports soap, washing compounds, margarine, lard, and syrups from Lever Brothers to wholesale grocery concerns and jobbers. Applicant and Lever Brothers have worked together over the years to develop means of increasing the efficiency of the operations of both. Lever Brothers permits applicant to use without charge a yard adjacent to the shipper's plant. Applicant uses this yard to store the equipment necessary for the next day's operation for Lever Brothers. Loading of applicant's trucking equipment is performed at night by a crew of loaders employed by applicant, who moves trailer equipment to and from the storage yard and loads the vehicles. Applicant's road drivers then pick up the loaded equipment the following morning for delivery.

Small orders are placed on a conveyor system in the warehouse and are loaded in the trucks from an extension of the conveyor system which reaches into the vehicle. Larger shipments are palletized in the warehouse and are moved from locations in the warehouse to applicant's trailers by means of forklift equipment and operator supplied by Lever Brothers.

The majority of the pallets in use by Lever Brothers are two-way pallets, 42 inches by 48 inches in size.^{1/} These pallets cannot be loaded side-by-side in applicant's van-type equipment. Therefore, loaded pallets are placed in the center of the van by

^{1/} "Two-way pallets permit the entry of the forks of the lift equipment only from two of the four sides of the pallet. Newer types of pallets, designated "four-way" pallets, permit entry of the forks from any side.

Lever Brothers' employees, and the remainder of the space in the van is loaded by applicant's employees by hand-stacking the merchandise. At destination, the goods are removed from the vehicle by hand and are repalletized on pallets owned by the receiver. Lever Brothers' pallets used in this manner are not removed from the vehicle and are returned directly to Lever Brothers' plant or applicant's yard nearby. For this type of transportation, applicant seeks authority (in Application No. 47786) to return the pallets to Lever Brothers without charge. As justification for this request, applicant asserts that the use of Lever Brothers' pallets results in a saving and a convenience to applicant as that portion of the shipment loaded directly into applicant's vehicles on pallets substantially reduces the loading time required compared with hand-stacking of cartons in the vehicle. Based upon an estimated average reduction in loading time for a 30,000-pound shipment of 3/4 hours, applicant estimated a saving in labor costs of \$3.50. This saving would approximate the average reduction in revenue from the free return of the pallets. A further convenience to the carrier would result from the pallets remaining in the vehicle. If it is necessary to charge for the return of the pallets, pallets would be accumulated at the consignor's warehouse until a full return load is available. Applicant would be required to move its vehicle to the point where the pallets are stored and load the pallets by hand. Such operation assertedly is unnecessary when the pallets remain in the vehicle.

Applicant's witness and the regional traffic manager for Lever Brothers also testified to a second method of handling truckload shipments. According to the traffic manager, Lever Brothers has embarked upon a nationwide palletization program designed to lower handling costs and increase warehouse productivity. Under this plan,

a four-way pallet, 40 inches by 48 inches in size, will be used which can be loaded side-by-side in a standard high-cube van, thus permitting the entire loading process to be performed by Lever Brothers' forklift equipment and personnel. The program also requires the consignee of the shipment to receive the shipment on the same pallets, and to furnish forklift equipment and operator to unload the shipments. Assertedly, this program will reduce loading and unloading time substantially. This program also would benefit Lever Brothers through reduction in warehouse handling costs by the use of palletizing machines, and should ultimately reduce transportation costs. Applicant now is providing service to two wholesale grocers under this method of handling shipments. For this service applicant seeks (in Application No. 47879) to reduce the transportation rate by two cents per 100 pounds and to return pallets without charge.

Applicant's witness estimated that the combined average saving in time for loading and unloading of fully palletized loads of 30,000 pounds as compared with partially palletized loads would amount to two hours, or a saving to applicant in labor costs of \$9. The proposed reduction in transportation rates for this quantity of freight would amount to \$6.

California Trucking Association commended the efforts of applicant and Lever Brothers to introduce changes in transportation methods having a beneficial effect for both shipper and carrier. It urged that if the application is granted the relief should expire after one year, as conditions may change within that time. No objection was made to this request.

Proposed Rate Reduction

Minimum Rate Tariffs Nos. 2 and 5 contain no provisions for a rate allowance in connection with the application of the rates specifically set forth in those tariffs when the consignor loads and consignee unloads palletized shipments with power equipment furnished by them. However, Minimum Rate Tariff No. 2 recognizes that savings accrue to the carrier under such method of loading and unloading in connection with alternatively applied rail rates. Under the provisions of Item 240, accessorial charges must be assessed for loading and unloading when such services are not included in the rail rates. Nevertheless, no accessorial charge must be assessed when palletized shipments are loaded into or unloaded from carrier's equipment by the consignor or consignee with power equipment furnished and used without expense to the carrier and when no services are performed at carrier's expense (the situation in Application No. 47879). In the circumstances under which applicant handles partially palletized loads (Application No. 47786), a charge of two cents per 100 pounds for loading and four cents per 100 pounds for unloading would be required under Item 240.

The rates specifically set forth in Minimum Rate Tariff No. 2 include loading into and unloading from carrier's equipment by the carrier's employee (driver or helper). An accessorial labor charge (Item 145) must be assessed for the time consumed in loading or unloading in excess of eight minutes per ton (Item 142). Under applicant's proposal, the accessorial labor charge would apply for time in excess of three minutes per ton.

While no specific showing was made that the overall rates would be compensatory, the record clearly shows that applicant's operations would be more efficient under the circumstances under which

it would transport fully palletized shipments. Measured against current minimum rate tariff provisions and applicant's estimates of the anticipated savings in employees' wages, it appears that the proposed rate reduction will result in compensatory rates and the resulting rates will be reasonable for that service. Moreover, granting of the relief sought should encourage further efforts to increase efficiency.

Free Return of Pallets

In connection with partially palletized loads, applicant's proposal for free return of pallets is premised on the following factors: (1) the shipper assists the carrier in the loading process when pallets are used, but the shipper is not required to do so in the circumstances where the receiver does not accept the shipments on the shipper's pallets; (2) a saving in labor costs results from the loading of the goods on pallets directly into the vehicle; and (3) the pallets are returned on the same truck as that which handled the outbound shipment, and never leave the vehicle, thus resulting in additional but unmeasurable savings to the carrier. Thus, the convenience to the carrier in this method of operation and the labor savings involved therein warrant the free return of the pallets.^{2/}

These factors support a finding that under the special circumstances under which the transportation is performed, the free return of the pallets as proposed herein is justified and that the resulting rates for the services performed by applicant for Lever Brothers will be reasonable.

^{2/} Apparently the carrier would furnish its own pallets, except under Transportation Division Informal Ruling 151-A carriers may not supply shippers with empty pallets either free, through lease arrangements, exchanges, purchases or any other manner, nor shall carriers provide free transportation of empty pallets returning."

Based on the foregoing, the Commission finds that the proposed rate relief is justified based on the special conditions under which transportation is to be performed, and will be reasonable and in the public interest. The Commission concludes that the applications should be granted, subject to an expiration date of one year.

ORDER

IT IS ORDERED that:

1. Russell Truck Company, a corporation, is authorized to depart from the minimum rates set forth in Minimum Rate Tariffs No. 2 and 5 for transportation performed for Lever Brothers Company from its warehouse in the City of Commerce to points and places within 75 constructive miles of the City of Commerce, subject to the conditions and limitations set forth in Appendix A attached hereto and by this reference made a part hereof.

2. The authority granted herein will expire on December 15, 1966, unless sooner canceled, changed or extended.

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

Dated at San Francisco, California, this 31st day of NOVEMBER, 1965.

Fredrick B. Halblaff
President
George E. Hoover
William W. Bennett

Commissioners

Commissioner A. W. Gatev, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Carrier: Russell Truck Company

Shipper: Lever Brothers Company

Commodities: Soap, washing compounds, dessert preparations, margarine, lard and syrups.

Points: Applicable only on traffic transported for Lever Brothers Company originating at the City of Commerce, California, and destined to points in Los Angeles, Orange, San Bernardino, and Riverside Counties for distances of seventy-five constructive miles or less from point of origin, except between Los Angeles Territory and Los Angeles and Long Beach Harbors.

Rates:

1. When shipments are tendered to Russell Truck Company by Lever Brothers Company loaded on pallets furnished by Lever Brothers Company and are unloaded from the same pallets at point of delivery at the time of delivery, the same pallets utilized for the outbound shipment will be returned to Lever Brothers Company without charge.

2. When shipments are tendered to Russell Truck Company by Lever Brothers Company loaded on pallets furnished by Lever Brothers Company and are loaded by forklift equipment and operator furnished by Lever Brothers Company, and the shipments are received by the consignee loaded on the same pallets and are unloaded by forklift equipment and operator furnished by the consignee, the rates applicable to shipments tendered in quantities of 60,000 pounds and over shall be two cents per one hundred pounds less than the rates and charges otherwise provided in Minimum Rate Tariffs No. 2 and 5 (not including alternately applied common carrier rates). Pallets will be returned free when an equal number of pallets for return to Lever Brothers Company are tendered to Russell Truck Company by the consignee at the time of delivery of an inbound shipment.

(a) When loading or unloading time exceeds three minutes per ton, additional charges for delay time shall be assessed as provided in Item No. 145 of Minimum Rate Tariff No. 2.

(b) Will not apply to shipments accorded split delivery or split pickup service.

3. In all other respects the provisions of Minimum Rate Tariffs Nos. 2 and 5 will apply.

(End of Appendix A)