

ORIGINALDecision No. 71500

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of:)

Ragus Trucking, Inc., a California corporation, for authority to charge less than minimum rates pursuant to Section 3666 of the Public Utilities Code, for the transportation of Freight, All Kinds, in truckload lots for the AKRON Stores.

Application No. 48636
(Filed July 15, 1966)

Phil Jacobsen, for Ragus Trucking, Inc., applicant.
Arlo D. Poe, J. C. Kaspar and W. A. Dillon, for
California Trucking Association, interested party.
Leonard Diamond and J. M. Jenkins, for the
Commission staff.

O P I N I O N

Ragus Trucking, Inc., a highway contract carrier, seeks authority to assess less than the minimum rates named in Minimum Rate Tariff No. 2 for the transportation of "Freight, All Kinds," in truckload lots from the Akron warehouse at Sun Valley, California to the new Akron retail store located in San Francisco. Public hearing in this matter was held before Examiner Gagnon on September 20, 1966, at Los Angeles. ^{1/} Testimony in support of the sought relief was presented by the general manager for Akron, a transportation consultant and the vice-president of Ragus Trucking. The Commission staff introduced direct evidence and otherwise assisted in the development of the record as did a representative for the California Trucking Association. The sought relief is not opposed.

1/ At the hearing applicant amended its sought relief to include only Akron's new San Francisco store.

The general manager testified that Akron is a combination discount and department store. He explained that, at the present, Akron has nine retail outlets in the Southern California area and one showroom in Los Angeles. At Sun Valley Akron maintains a central distributing warehouse containing 150,000 square feet of storage space. The general manager explained that, in addition to the new retail store in San Francisco, Akron's future expansion plans include several other retail outlets in the San Francisco Bay area.

Assertedly, 95 percent of Akron's merchandise is received at its central warehouse for processing and subsequent distribution to its retail outlets. Akron retails hundreds of different articles, many of which are fragile, light and bulky and imported. Distribution to Akron's retail stores is in mixed lots, weighing between 10,000 and 15,000 pounds, containing a cross-section of the hundreds of various articles handled by Akron. The manager contends that to determine the classification rating for each article included in such mixed shipments, in order to determine the freight charges applicable under the minimum rates named in Minimum Rate Tariff No. 2, would be extremely difficult and impractical. The manager also stated that it is Akron's present policy, based on the results of an independent investigation, to stay out of proprietary trucking if at all possible. ^{2/}

In Item 1660-C of Pacific Southwest Freight Bureau Tariff No. 294-E, a trailer-on-flat car (rail piggy-back) charge of \$231.50 per car is provided for the rail flat car movement of "Freight, All Kinds. . ." between Los Angeles and San Francisco

^{2/} Akron presently utilizes the services of a for-hire carrier for the distribution of its merchandise in the Los Angeles area.

when loaded in trailers not exceeding 40 feet each in length. Since the unloading dock at Akron's San Francisco retail store will accommodate trailers not exceeding 30 feet in length, the manager contends that the so-called rail "piggy-back" flat car service was not satisfactory. Finally, it is the position of Akron that if applicant is not granted the sought relief, it will be necessary to once again give serious consideration to proprietary operations, in spite of the unsatisfactory implications.

Under the governing provisions of Minimum Rate Tariff No. 2, applicant would be required to classify all of the articles transported for Akron. In addition, the rates assessed must be expressed in cents per 100 pounds and produce charges no lower in volume or effect than those resulting under the minimum rates. Applicant seeks outright relief from the classification and unit of measurement provisions of the minimum rate tariff and authority to assess charges lower than the otherwise applicable minimum rates in those instances where the proposed charges would be less than the charges resulting under the otherwise governing minimum rate tariff.

Applicant seeks specific authority to assess Akron a flat charge of \$225.00 for each truckload transported. Ragus Trucking will utilize a tractor and two 27 foot van-trailers, moving in combination as a single unit, for each truckload lot of Akron merchandise destined to San Francisco. Applicant is guaranteed 20 loads per calendar month, with one load scheduled to move each day, Monday through Friday of each week. Akron has agreed to perform all loading and unloading, and lading is to be transported under shipper's seal and responsibility as to contents. All freight charges are to be prepaid by Akron.

A transportation consultant introduced testimony in support of the sought relief. He stated that the proposed charge of \$225.00 per load compares favorably with the freight charges resulting under the otherwise applicable minimum class rates or the alternative use of the rail trailer-on-flat car charge of \$231.50 per car. The consultant contended that to determine the class rating for each of the unusual articles to be included in a typical Akron shipment would be extremely difficult, time consuming and impractical. He also expressed the opinion that the application of the present minimum class rates to the transportation involved would produce, in many instances, lower freight charges than the \$225.00 charge per load proposed by applicant.

The Commission staff introduced evidence (Exhibit No. 4) which clearly demonstrates that, in view of the numerous restrictive rules in the rail tariff governing the application of the trailer-on-flat car charge, applicant is precluded from employing the alternative application of rail rate provisions of Minimum Rate Tariff No. 2. Under such circumstances, the staff pointed out that the Commission has consistently held that when all of the published common carrier rate conditions are not met, then the Commission may authorize a sought rate only upon a finding of reasonableness under Section 3666 of the Code (Karl A. Weber, 60 Cal. P.U.C. 59, 60).

The vice-president of Ragus Trucking presented testimony relative to the reasonableness of the sought rate proposal. The witness referred to Exhibits "C" and "D" of the application, which allegedly demonstrate that applicant is in sound financial condition and operates approximately 60 pieces of his own equipment. It was explained that applicant is primarily engaged in truckload hauling between the Metropolitan Los Angeles and San Francisco areas.

Applicant's major traffic for a number of years has been the movement of sugar (southbound) from Crockett to Vernon. The application shows that in 1965 Ragus Trucking hauled 468 loads of sugar, each weighing 50,000 pounds, from Crockett to Vernon. The remainder of applicant's southbound traffic assertedly includes movements of salt and other general commodities, including some sub-hauling. The northbound traffic of Ragus Trucking from the Los Angeles area to the San Francisco Bay area is, according to applicant's vice-president, over one-half prime hauling. The witness stated that applicant has performed sub-hauling services between Los Angeles and San Francisco for a flat rate, ranging between \$125 to \$150 which assertedly constitutes a profitable contribution toward applicant's overall load factor.

The vice-president submitted an estimate of applicant's costs to transport Akron's traffic from the Sun Valley warehouse to its retail store in San Francisco. In the absence of actual operating experience, the cost analysis was predicated upon the accounting records of Ragus Trucking and was subjected to thorough cross-examination by the staff. It is apparent that applicant's cost estimates are substantially correct and reasonably reflect applicant's costs for the proposed northbound hauling of Akron's merchandise. The study indicates that the total cost for the transportation involved would be \$171.93 per load or approximately \$53.00 less than the \$225.00 charge per load proposed by applicant. While the proposed charges exceed the estimated costs, it is clear that, in order to be fully compensatory or profitable, such proposed charges also depend upon applicant's existing southbound sugar hauling. The vice-president explained that applicant contemplates assigning a total of seven tractors and five sets of 27-foot van-trailers to transport the northbound Akron traffic in a shuttle-type

integrated operation with Ragus Trucking southbound sugar hauling. Assertedly, this will enable applicant to experience a higher round-trip load factor than currently reflected in the applicable minimum rates.

The Commission has previously declined to grant minimum rate relief unless it has been shown that the round-trip operation would be profitable, that revenues for the portion of the haul not involved in the sought deviation were assured, and that the traffic included in the round-trip service for which no rate relief was sought was for the same shipper as the traffic for which rate relief was requested. ^{3/} Ragus Trucking is now, and has been for a number of years, primarily engaged in the hauling of sugar southbound from Crockett to Vernon. While such traffic has assertedly been quite profitable, the financial success of applicant's round-trip operation requires adequate northbound back-haul traffic in order to maintain an attractive load factor. Under applicant's rate proposal the sought northbound Akron traffic will not only return to the carrier revenues in excess of the one-way cost of hauling but will also contribute substantially toward applicant's overall load factor, thus enabling the carrier to realize a lower unit cost of operation and a more attractive profit ratio. While the northbound Akron traffic is unrelated to the southbound movement of sugar, in that different shippers are involved, under applicant's proposed shuttle-type operation, the north and southbound hauling services will be closely integrated and the revenues from the southbound sugar traffic have been shown to be reasonably assured. ^{4/}

3/ Karl A. Weber, 60 Cal. P.U.C. 59, 60.
Paper Transport Company, 63 Cal. P.U.C. 690, 694.
Mitchell Bros. Truck Lines, 61 Cal. P.U.C. 422, 424.
Gould Transportation, Decision No. 53355, in Application No. 37702,
(Unreported).
Peters Trucking, Inc., Decision No. 53265 in Application No. 37675,
(Unreported).

4/ Peters Truck Line, 65 Cal. P.U.C. 292.

We find that the method of cost development, in this particular instance, is reasonable for applicant's operations; that, in the absence of the authority herein requested, the transportation involved may be diverted from regulated highway carriers; and that the less-than-minimum rates proposed in the application, as amended, will be just and reasonable for the transportation services involved. In view of the above findings we conclude that the sought authority should be granted and, because transportation conditions are subject to change, the authority should be limited for a period of one year.

O R D E R

IT IS ORDERED that:

1. Ragus Trucking, Inc., a corporation, operating as a highway carrier, other than a highway common carrier, is authorized to transport "Freight, All Kinds," for Akron from the warehouse of said company located at Sun Valley to that same company's retail store at San Francisco, at rates less than the minimum rates set forth in Minimum Rate Tariff No. 2, but in no event lower in volume or effect than the charges and conditions named in Appendix A, attached hereto and by this reference made a part hereof.

2. The authority granted herein shall expire on December 1, 1967, unless otherwise ordered by the Commission.

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

Dated at San Francisco, California, this 10th day of NOVEMBER, 1966

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A
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APPLICATION OF CHARGES

Carrier: Ragus Trucking, Inc.
Shipper: Akron
Commodity: Freight, all kinds, except commodities listed in Note 5.
Charge: \$225.00 per load, in carrier's single unit of equipment.
From: Akron Warehouse, 9175 San Fernando Road, Sun Valley, California.
To: Akron Retail Store, 2490 Mason Street, San Francisco, California.

Conditions:

- Note 1. Single unit of equipment means a tractor and two 27-foot van-trailers moving in combination, as a single unit.
- Note 2. Carrier to transport one load each day, Monday through Friday of each week, subject to a minimum of 20 loads per calendar month. In the event no loads are available on any given weekday, carrier may transport two loads on succeeding weekday for a total of 5 loads per week or a minimum of 20 loads per calendar month.
- Note 3. Akron must perform loading at origin and unloading services at destination, and lading to move under Akron's seal, subject to Akron's load and count.
- Note 4. All shipments (loads) to be prepaid by Akron.

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Conditions (Continued):

Note 5. Charges will not apply when any of the following articles are included in the lading:

Animals, live

Articles, described under Rule 780 of the National Motor Freight Classification A-9.

Bulk Commodities

Coal and Coke

Dangerous Articles, as defined in Minimum Rate Tariff No. 2.

Game, live

Ice

Missiles, guided, or Rockets, guided; Guidance Systems or Electronic Guidance Control Apparatus for installation in missiles or in missile section; Missile or Rocket Frame Assemblies containing electronic apparatus, or Mobile Missile Guidance Control Systems.

Pigeons, live

Poultry, live

Sugar

United States Mail of any class.