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ORIGINAL

Decision No. 72244

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Special Delivery Service, a)
California corporation, for)
authority to deviate from the)
established minimum rates for the)
transportation of automotive parts)
and supplies.)

Application No. 48885
(Filed October 21, 1966)

Marquam C. George and Norman R. Moon, for
Special Delivery Service, applicant.
Richard W. Smith, A. D. Poe and H. F. Kollmyer,
for California Trucking Association; and
John J. Damerell, for Western Union Telegraph
Co., interested parties.
John W. Henderson and Robert W. Stich, for the
Commission staff.

O P I N I O N

Special Delivery Service, a corporation, operates as a city carrier and as a highway contract carrier between points within a radius of 50 miles of Oakland. Applicant seeks authority, under Sections 3666 and 4015 of the Public Utilities Code, to deviate from the established minimum rates for the transportation of automotive parts, supplies and related commodities.

Public hearing was held before Examiner Gagnon, at San Francisco, on January 17 and 18, 1967. Evidence on behalf of applicant was adduced through its president, the carrier's accountant and a traffic consultant. The sought relief is not opposed.

Special Delivery Service is exclusively engaged in the transportation of automotive parts and supplies. Specifically, the movements are from distributors of automotive parts, supplies and related commodities to jobbers operating wholesale and retail

outlets for such commodities. Applicant states it will operate over seven routes, within the San Francisco and East Bay Metropolitan Areas, with daily delivery service made available to approximately 224 auto parts dealers.

The minimum rates applicable to the transportation involved are set forth in Minimum Rate Tariff No. 2 (Statewide-general commodity), Minimum Rate Tariff No. 1-B (East Bay Drayage), and City Carriers' Tariff No. 1-A (San Francisco Drayage). Under the carrier's rate proposal shippers would be assessed a flat charge per month, the amount of which would depend upon the maximum weight per month and the maximum number of deliveries per month for which the shipper would contract. In the event the weight tendered or the deliveries made during a particular month exceeded the agreed maximums, the carrier would bill the shipper an additional charge per 100 pounds for the excess weight or per delivery for the excess deliveries. For billing purposes, monthly charges would be divided and collected on a weekly basis with excess charges, if any, collected at the end of each month. The proposed maximum tonnages range from 10,000 to 120,000 pounds per month; the maximum deliveries are from 175 to 1,800 per month; the corresponding monthly charges run from \$205 to \$1,800 and the excess charges per 100 pounds or per delivery range from \$2.05 in connection with the smallest weight bracket to \$1.50 for the largest bracket.

Applicant introduced in evidence eight contracts in which the shippers have agreed to certain of the proposed charges. The contracts are to become effective on the first day of the month following authorization of the proposed rates by the Commission.

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Each contract provides that it may be cancelled by either party on thirty days' notice. The agreed charges for the eight shippers who have contracted for applicant's service are set forth below:

TABLE 1

<u>Contract (Exhibit No.)</u>	<u>Maximum</u>		<u>Minimum Charge Per Month</u>	<u>Charge for Excess Weight or Deliveries</u>
	<u>Pounds Per Month</u>	<u>Deliveries Per Month</u>		
13	120,000	1,800	\$1,800	\$1.50
14	120,000	1,800	1,800	1.50
15	60,000	1,050	1,080	1.80
16	10,000	175	205	2.05
17	10,000	175	205	2.05
18	30,000	525	585	1.95
19	40,000	700	760	1.90
20	50,000	875	925	1.85

<u>Exhibit Nos.</u>	<u>Shipper</u>
13	Levins Auto Supply Co., San Francisco.
14	Nor. Cal Distributors, Inc., San Francisco.
15	Wholesale Brake Co., San Leandro.
16	American Parts System, Inc., San Francisco.
17	Pacific Automotive Co., San Francisco.
18	Auto Dealers Service Corp., Oakland.
19	Jobbers Warehouse Service, San Francisco.
20	Jobbers Automotive, Oakland.

It is understood that, if the sought authority is granted, applicant will operate exclusively for these distributors.

Applicant's president testified that, while the full maximum weight per month is expected to be tendered, experience has shown that

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only about 35 percent of the total potential number of deliveries per month will be requested. Applicant further contends that the required service under the eight contracts can be accomplished without difficulty with the carrier's existing truck equipment, which consists of five 2-axle panel trucks (Ford Econolines) and one 2-ton, 14-foot van type truck. It was further explained that under the proposed rates, applicant will receive the full minimum charge per month even though distributors tender less than the maximum weight per month or require less than the maximum number of deliveries per month.

According to the testimony of applicant's president, the established minimum rates and rules are not suitable for the special type of transportation involved, which is largely in the nature of a parcel delivery service of shipments generally weighing less than 100 pounds. He explained that, in most instances, shipments of auto parts move under the minimum charge provisions of the governing minimum rate tariffs and the remaining shipments are subject to the minimum second class rates. He contended that the application of such minimum charges and rates results in excessive freight charges.

The record shows that in 1962, applicant's predecessor, a partnership doing business as Special Delivery Service, was assessing charges substantially similar to those proposed by applicant herein; that by Decision No. 65687, dated July 9, 1963, in Application No. 44675 (61 Cal. P.U.C. 190) authority to continue to assess such charges was denied; and, thereafter, the Commission in Decision No. 67113, dated April 21, 1964, in Case No. 7660 (62 Cal. P.U.C. 602) ordered the carrier to collect all outstanding undercharges. Assertedly, the carrier's operations in 1962-63 were

profitable. It is the carrier's position that the up-grading of its charges in 1962-63 to the level of the established minimum rates caused the diversion of several of the carrier's major accounts to proprietary operations which, in turn, caused drastic reductions in applicant's operating revenues. In support of this contention applicant introduced several financial statements, a summary of which is hereinafter set forth:

TABLE 2
Special Delivery Service
Comparative Income Statement For
1962-1965

	<u>1962</u>	<u>1963</u>	<u>1965</u> ^{1/}
Operating Revenues	\$79,307.53	\$87,572.72	\$55,298.62
Operating Expenses	<u>56,938.09</u>	<u>66,882.48</u>	<u>45,528.30</u>
Net Income	\$22,369.44	\$20,690.24	\$ 9,770.32
Undercharges	<u>46,301.25</u>	<u>36,819.98</u>	<u>-</u>
Total Net Income	\$68,670.69	\$57,510.22	\$ 9,770.32

From Table 2 it will be noted that, pursuant to the order in Decision No. 67113, total undercharges, for the period 1962-1963, in the amount of \$83,121.23 were collected; whereas the net income actually earned by the carrier under the assessed basis of charges was only \$43,059.68. It will also be noted that by 1965 the carrier had sustained a substantial loss in revenues. This loss of revenues was assertedly due to a major segment of applicant's traffic being diverted to proprietary operations.

^{1/} Applicant's accountant testified that the 1965 income statement is the latest available statement for a full year.

A traffic consultant testified on behalf of applicant regarding cost analyses which he had made of the transportation service here in issue. From an evaluation and projection of the carrier's 1965 operating revenues and expenses, the consultant determined the estimated revenues and cost of operations under the proposed rates and the maximum potential volume of traffic contemplated by the eight contracts for applicant's services. The contracts will produce daily operating revenues of \$339.70 and, in the event applicant is called upon to transport the maximum weight and number of deliveries set forth in the contracts, daily operating costs of \$218.92. Estimated operating results for a twelve month period would reflect operating revenues of \$88,322, operating expenses of \$54,730 and net revenues, before income taxes, of approximately \$32,492. While the traffic consultant's cost studies were shown to be deficient in certain areas, it was also clear that, in other respects, the cost estimates were overstated. On the whole, the consultant's revenue and cost projections represent a reasonable effort to demonstrate the over-all estimated results of applicant's operations under the authority sought herein.

Some concern was expressed over the fact that applicant's monthly revenue under the proposed rates and the carrier's estimated future costs of operations are all predicated upon the existence of the eight contracts which applicant now has but which may be cancelled upon thirty days' notice. The distributors' current proprietary operations provide substantially less service than that available under applicant's for-hire operations. Applicant is confident that the contracts will remain in effect for a reasonable length of time beyond thirty days, and has no objection to the sought authority, if granted, being made subject to the condition that the contracts in issue remain in full force and effect.

Upon consideration, we find that:

1. The proposed rates and charges, based on the cost development and estimated results of operations will be compensatory for applicant's operations and services.

2. In the absence of the requested authority, applicant will be unable to recapture traffic heretofore lost to proprietary carriage, and existing for-hire transportation here involved may be diverted from for-hire carriage.

3. The proposed charges have been shown to be just, reasonable and consistent with the public interest for the transportation services involved.

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. Special Delivery Service, operating as a city carrier and as a highway contract carrier, is authorized to transport automotive parts, supplies and related commodities between points located within a radius of 50 miles of the city of Oakland, at rates less than the established minimum rates, but in no event lower in volume or effect than the application of charges set forth in Appendix A, attached hereto and by this reference made a part hereof.

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2. The authority granted herein shall expire on May 1, 1968, 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 4th day of APRIL, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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APPLICATION OF CHARGES

Carrier: Special Delivery Service

Shippers: American Parts System, Inc., San Francisco; Jobbers Warehouse Service, San Francisco; Levins Auto Supply Co., San Francisco; Nor. Cal. Distributors, Inc., San Francisco; Pacific Automotive Co., San Francisco; Auto Dealers Service Corp., Oakland; Jobbers Automotive, Oakland; Wholesale Brake Co., San Leandro.

Consignees: Wholesale and retail jobbers of automotive parts, supplies and related commodities.

Commodities: Automotive parts, supplies and related commodities.

Area Within a radius of 50 miles of the city of Oakland, including the following points and places:

San Francisco	El Cerrito	Pleasant Hill
Daly City	Richmond	Martinez
Millbrae	Rodeo	Pittsburg
San Bruno	Napa	El Sobrante
Burlingame	Belmont	Albany
South San Francisco	San Carlos	San Pablo
San Mateo	Redwood City	Vallejo
Sunnyvale	Menlo Park	Livermore
Campbell	Palo Alto	Pleasanton
Santa Clara	Los Altos	Sausalito
San Jose	Mountain View	Mill Valley
Oakland	Cupertino	Larkspur
San Leandro	Los Gatos	San Anselmo
Alameda	Castro Valley	San Rafael
Walnut Creek	Hayward	Novato
Concord	Fremont	Petaluma
Antioch	Newark	Santa Rosa
Berkeley	Lafayette	Sonoma
		Boyce Springs

APPENDIX A
Page 2 of 3APPLICATION OF CHARGESCharges Per Month:

<u>Maximum Pounds per Month</u>	<u>Maximum Deliveries per Month</u>	<u>Minimum Charge per Month</u>	<u>Charge for Excessive Pounds or Deliveries</u> (See Notes 1 & 2)
10,000	175	\$ 205.00	\$ 2.05
20,000	350	400.00	2.00
30,000	525	585.00	1.95
40,000	700	760.00	1.90
50,000	875	925.00	1.85
60,000	1050	1,080.00	1.80
70,000	1225	1,225.00	1.75
80,000	1375	1,360.00	1.70
90,000	1500	1,485.00	1.65
100,000	1600	1,600.00	1.60
120,000	1800	1,800.00	1.50

NOTE 1: In the event that the maximum poundage is exceeded in any one month there shall be an additional charge per 100 pounds as indicated. In the event that the maximum deliveries are exceeded in any one month, there shall be an additional charge per delivery as indicated.

NOTE 2: A maximum of two pickups per day shall be provided shipper.

Conditions:

1. Application of Charges: Minimum charges per month shall apply even though less than the maximum pounds per month are transported and/or less than the maximum number of deliveries per month are performed by the carrier.

APPLICATION OF CHARGES

Conditions:--Contd.

2. Maximum Pounds (Deliveries) Per Month: Charges will not apply unless the carrier has in effect at all times eight written contracts with the specified shippers wherein it is guaranteed that the total charges per month will aggregate a minimum of \$7,360.

3. Billing and Collecting: The carrier shall issue a freight bill for the collection of freight charges on a prepaid or weekly basis, except for any excess charges which shall be billed and collected on a monthly basis.