

ORIGINAL

Decision No. 83123

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PACIFICA TRANSPORTATION COMPANY, INC.,
a California corporation, for an order
authorizing Applicant to deviate from
certain minimum rates on shipments
transported for H. J. HEINZ CO., pur-
suant to Section 3666 of the Public
Utilities Code of the State of
California.

Application No. 54380
(Filed October 10, 1973)

Murchison & Davis, by Fred H. MacKensen,
Attorney at Law, for applicant.
R. W. Smith, A. D. Poe, Attorneys at Law,
and H. W. Hughes, for California Trucking
Association, interested party.

O P I N I O N

Pacifica Transportation Company, Inc. (Pacifica) seeks an order authorizing it to charge less than the minimum rates prescribed in Minimum Rate Tariff 2 for the transportation of foodstuffs and/or canned goods^{1/} for the account of H. J. Heinz Co. (Heinz). Specifically, Pacifica seeks authorization to allow Heinz a 5-cent per 100 pounds deduction from the applicable rate when Heinz loads palletized freight by forklift into Pacifica's equipment. Pacifica will furnish the pallets.

By letter dated October 19, 1973, California Trucking Association (CTA) advised the Commission of its protest to the application and requested a public hearing. After duly published notice, a hearing was held in Los Angeles on January 25, 1974 and the matter submitted.

^{1/} As described in Items 320, 320-1 and 345 of Minimum Rate Tariff 2.

Pacifica presented testimony through its president and a representative of Heinz, and introduced two exhibits. CTA presented no testimony but did participate in cross-examination and made a closing statement recommending against granting the authority on the grounds that Pacifica's showing was inadequate.

Pacifica holds permits from this Commission to operate as a radial highway common carrier and as a highway contract carrier for the transportation of general commodities, with certain exclusions, on a statewide basis.

Pacifica's president sponsored Exhibit 1, the financial statements of applicant for the calendar year 1973, and Exhibit 2, a development of labor cost. Exhibit 2 is based upon a study of loading times made by the president during the month of September 1973 which involved approximately 60 truckloads. The study was not introduced in evidence. It was stated that the study compared the loading times involved when a van was hand loaded to approximately 40,000 pounds of palletized freight with the time involved when the same amount and kind of freight was loaded by forklift. It was stated that it takes approximately four hours of driver's time to hand load, whereas it takes only one-half hour when loading is done by the shipper with his forklift.

Applying the above times to the developed labor cost of \$7.52 per hour, it was determined that a saving of \$26.36 in labor cost per 40,000 pound load resulted when the shipper loaded the palletized freight by forklift. Pacifica proposes to exchange pallets with the shipper. Pacifica has its own supply of pallets, the cost of which it proposes to amortize over a 4-year period at the rate of 15 cents per load. In return for the shipper

palletizing and loading his freight by forklift, Pacifica proposes a shipper allowance of 5 cents per 100 pounds from the applicable rate, or \$20 on a 40,000-pound shipment. Thus, the net saving accruing to Pacifica would be \$6.47 per 40,000-pound load. Pacifica anticipates transporting 65 million pounds of freight per year for Heinz, or 1,625 loads, producing a net saving to itself of in excess of \$10,000 which would be a direct improvement in its net operating revenues.

Exhibit 1 shows that Pacifica had \$81,230.50 in retained earnings as of January 1, 1974 and earned a profit of \$72,958.81 for 1973 on a gross income of \$1,006,463.12. It had a 93 percent operating ratio.

Pacifica's president testified that 70 percent of its general commodity hauling consists of shipments to grocers in both truckload and less-than-truckload lots. Transportation for Heinz is presently performed with a 3-axle tractor and 40-foot vans at the applicable minimum rates from Heinz's plants at Tracy and Carson. The Tracy plant is served by rail facilities while the Carson plant is not. Shipments from the Tracy plant handled by Pacifica are generally destined to points within the San Francisco Bay area; shipments from the Carson plant are destined to points in the Los Angeles area and as far north as Fresno. The witness estimated that 18 percent of its business is conducted with Heinz. He also stated that savings occur when the consignee unloads the palletized freight with a forklift, but Pacifica is not applying for any allowances to be granted under these circumstances.

With respect to questions on the labor cost, Pacifica's president stated that they are based on the current rate although no labor contract is involved; that he expects an increase in the labor rate in June of 1974 of about six to seven percent and that as of January 1974 the insurance contribution and FICA have been increased. He pointed out that the applicable minimum rates have

also been increased. He stated that his sole concern is the saving of labor time. He also stated that there are no provisions in Minimum Rate Tariff 2 for allowances to shippers and that the volume incentive rules are of no help. There are interplant movements by Heinz which move at the rail rates; however, it is not Pacifica's intention to apply the allowance when rail rates are used.

Pacifica's second witness was the manager of Administration and Control of Heinz's Tracy plant. He agreed with the results of Pacifica's time study for loading. He stated that at the Tracy plant there is little power loading done, except that during the height of the packing season they do a lot of power loading of their own trucks which takes between 15-20 minutes per truckload. There is no advantage to Heinz to power load the carrier's trucks at Tracy. In fact, it is a disadvantage in that it increases their costs. Their policy is to follow the requirements of Minimum Rate Tariff 2, which is that the forklift will deposit the pallets at the tailgate of the carrier's equipment. However, if an allowance of 5 cents per 100 pounds is authorized, this will be an advantage to Heinz. The witness was not familiar with the loading practice at the Carson plant. It was stated by the witness that Heinz would increase the number of shipments tendered to Pacifica if the authority sought is granted. The witness didn't know whether Pacifica uses subhaulers for the Heinz traffic.

The proposed allowance will result in savings of labor costs. The Commission finds that the proposal is reasonable. It is concluded that applicant should be granted authority to deviate from the minimum rates to the extent set forth in the application.

O R D E R

IT IS ORDERED that:

1. Pacifica Transportation Company, Inc., a California corporation, is hereby authorized to transport shipments of canned goods and/or foodstuffs, as described in Items 320, 320-1, and 345 of Minimum Rate Tariff 2, for H. J. Heinz Company at rates five cents per 100 pounds less than the applicable minimum rates subject to the conditions that the freight shall be palletized and loaded by forklift by the shipper and that the point of origin is the shipper's place of business in Carson and in Tracy.

2. The authority hereinabove granted shall expire one year after the effective date of this order unless sooner canceled, modified, 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 9th
day of JULY, 1974.

Vernon L. Sturgeon
President
William J. ...
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Commissioners