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ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Jim Carroll Cassil for authority to depart from the provisions of General Order 147-A by execution of a contract which results in increased revenues to the carrier and the elimination of paperwork requirements on split delivery shipments.

Application 88-02-041
(Filed February 11, 1988; amended March 3, 1988)

OPINION

By this application Jim Carroll Cassil (Cassil), doing business as Cassil Trucking, requests authority to depart from the provisions of Rule 7.1 of General Order (GO) 147-A, which requires submission of cost justification for reduced rates. The application is filed pursuant to Rule 2 of GO 147-A.

Cassil alleges the following in support of his request:

1. He is a principal carrier for Michelin Tire Company (Michelin) in northern California, transporting millions of pounds of tire products annually for Michelin pursuant to provisions named in his common carrier tariff.

2. This transportation involves the handling of thousands of shipments, many of which are transported as split delivery shipments.

3. The split delivery provisions of Cassil's tariff are virtually identical to those formerly contained in the Commission's Transition Tariff 2. They enable the consolidation of smaller less-than-truckload (LTL) lots of freight into shipments which generate substantial savings for shippers because freight charges are based upon the combined weight of all lots comprising the shipment.

4. The principal requirements with respect to split delivery shipments are that freight charges be assessed on a weight of not less than 5,000 pounds, and that shippers issue written instructions setting forth in summary the total number and kind of packages, descriptions of articles, total weights of all commodities, and destinations. Receipt of goods by the carrier is acknowledged on individual bills of lading covering each component. The only purpose of the shipper's written instructions is to serve as a document which facilitates invoicing of the consolidated shipment.

5. Because component charges are assessed by a carrier for delivery of each component in the split delivery shipment, and because the charges vary depending on the weight of each component and distance of the shipment, it is necessary for the shipper to carefully assess whether freight charges are actually lessened by including individual components in a split delivery consolidation, or whether total freight charges might be lower by tendering some shipments as straight shipments, and other components as parts of the consolidated split delivery shipment.

6. Cassil spends hundreds of hours annually determining the shortest mileages via all points in a split delivery shipment. This is necessary because the tariff provisions require that charges be determined based on the shortest resulting mileage from origin to destination via all points of delivery.

7. At the request of Michelin, Cassil recently undertook an extensive analysis of shipments handled for the period April through September 1987. The analysis involved a re-rating of all master billed shipments. The purpose was (a) to determine the amount of savings achieved with tendering split delivery shipments, as compared with tendering each component as a separate shipment, and (b) to assess whether it was practical to consider elimination of the shipper's consolidation document, thereby making more efficient use of shipper and carrier personnel.

8. A summary of the analysis is included with the application as Appendix A. It demonstrates that freight charges were approximately 30% lower when components were master billed than when each component was rated as a separate shipment, providing a clear incentive for the shipper to continue tendering shipments as split delivery shipments in accordance with existing tariff rules.

9. The shipper and the applicant believe that it is practical to share the 30% savings if they could eliminate the costly and time-consuming requirement to issue consolidating master bills on each split delivery shipment, and to thereafter tender and rate all such individual components as straight shipments. Thus, after discussion of various alternatives, Michelin has agreed to changes in rates which result in a net 7% increase in revenues to the carrier when compared with charges applicable under the current practice of tendering freight both as straight shipments and as split delivery shipments.

10. Under this plan, the shipper and carrier would enter into a contract which provides a 23% reduction in Cassil's present minimum charges and applicable class rates. Thereafter, all freight would be tendered to the carrier as straight shipments. It would no longer be necessary for the shipper to engage in extensive computations each day to determine whether it is less costly to include, or exclude, certain components from split delivery shipments, and the carrier would be relieved from the costly and time-consuming task of calculating the shortest mileages and freight charges via all points of delivery.

11. Because overall revenues are currently less by 30% than if the shipper tendered all its freight as straight shipments, and because it is proposed that class rates and minimum charges applicable to the shipper's freight be reduced only 23%, the carrier will realize a net increase of 7% in revenues on the existing traffic. Further, both parties will be able to realize

increases in the efficient and productive use of employees because each will no longer be required to undertake the extensive analyses required under the present split delivery rules.

12. Cassil emphasizes that the only material changes contemplated are the elimination of the consolidating master bill document, and transportation of Michelin's tire products as straight shipments. In all other respects, freight will be handled exactly as at present. Shipments will continue to be prepaid by the shipper.

The applicant asserts that the traffic volumes and shipping patterns of Michelin make this proposal possible. A summation of the results of its analysis is set forth in the following tables:

Revenues for the Period
April Through September 1987

(Current Method)

Minimum Charges	$ 1,864.80
LTL Revenues (Straight Shipments)	56,040.25
Revenues From Split Delivery Shipments	122,152.59
Total Revenues (Current Method)	$180,057.64

(Master Bills as Straight Shipments)

Minimum Charges	$ 1,864.80
LTL Revenues (Straight Shipments)	56,040.25
Split Deliveries Re-Rated as Straight Shipments	199,492.15
New Total Revenues	$257,397.20
Savings From Master Billing	$ 77,339.56
Percentage Savings	30.05%

The following charges apply when revenues are reduced 23% to account for the impact of the proposed changes:

Minimum Charges	$ 1,435.00
LTL Revenues (Straight Shipments)	43,151.00
Split Deliveries Re-rated as Straight Shipments	153,609.00
New Total Revenues	$198,195.00
Revenues (Current Method)	$180,057.64
Increased Carrier Revenues	$ 18,137.36

Cassil seeks relief from GO 147-A, he states, because to conduct and present an LTL cost study in these circumstances would be unnecessarily expensive and time-consuming. Considerable time and expense has already been spent to analyze the described traffic for a complete six-month period, he asserts. He believes it is clear that his revenue position will be enhanced by the proposed changes, and that the changes are reasonable in these special circumstances.

In summary, Cassil requests expedited ex parte authorization of his request to depart from the requirements of GO 147-A to the extent necessary to publish the rates named in Exhibit B to his application in a contract to be filed with the Commission.

Notice of filing of the application appeared in the Commission's Daily Transportation Calendar of February 29, 1988. No objection to the application has been received.

This application represents the type of innovative rate making we contemplated in issuing our decisions in the general freight reregulation proceeding. Granting this request will eliminate the significant expense to Michelin involved with determining which lots of freight to include, and which to exclude from a consolidated split delivery shipment. The expense incurred by Cassil associated with the correct rating of split delivery shipments is also substantial. This is because under tariff rules applicable to split delivery shipments, carriers must assess the rate for the distance based upon the shortest mileage from origin to ultimate destination, routed via all other destinations. The greater the number of components, and the more scattered the points of destination, the more time and care are required by carriers to insure that the distances they compute, and the resultant rates, are in fact the lowest.

The savings accruing to both shipper and carrier in this proposal appear to be reasonably passed on to each party. The precise amounts of labor savings accruing to the parties have not been quantified, nor do we deem it necessary in these circumstances. The proposal appears to be an arm's length agreement. If the carrier is agreeable to his total savings "split" of 7%, it is not necessary for us to question that arrangement. There is no financial benefit, per se, which will be realized by Michelin which does not appear to be the result of administrative efficiency. Based upon the transportation performed during the six-month period April through September 1987, Michelin's freight charges were reduced from approximately $257,000 on a straight shipment basis, to approximately $180,000 when master billed, or by about 30%. But under the proposal, Cassil's total revenue for the transportation will be increased to $198,000. Approximately 67% of this revenue was attributable to master billed split delivery shipments.

Rule 2 of GO 147-A provides for departures from the provisions thereof if the Commission finds such departure to be reasonable and necessary. We find that this proposal fulfills both of those conditions, and that in these circumstances it is not necessary to furnish the Commission with the cost data specified in Rule 7.1 of GO 147-A. Cassil has furnished with his application a schedule of rates and charges, together with conditions, which he proposes be furnished with a contract for Commission approval should this request be granted. The rates and charges are 77% of those presently applicable under his common carrier tariff. Tires and tubes move at Class 77 1/2 LTL and at Class 45 truckload.

Because transportation conditions may change, the authority granted by this decision should expire one year after the effective date of this order.

Findings of Fact

1. Cassil is a principal carrier for Michelin, transporting substantial quantities of tires and related products between points in northern California.

2. In performing the transportation for Michelin, Cassil hauls large numbers of split delivery shipments, as well as many LTL class-rated shipments and minimum charge shipments.

3. Under Cassil's tariff, when transporting split delivery shipments, it is necessary for the shipper to identify the

components constituting the shipments, as well as other information, such as the kind and quantity of each commodity, weight thereof, and point of destination of each component.

4. Shippers ordinarily achieve substantial savings by tendering multiple components as split delivery shipments, rather than tendering each component as a separate shipment. However, since it is the shipper's responsibility to identify the components which constitute the split delivery shipment, the labor associated with master billing the shipment is often very expensive because of the number of components and the broadly scattered locations of the destinations.

5. The net savings in freight charges accruing to Michelin through master billing its split delivery shipments, rather than rating each component as a separate shipment, is approximately 30%.

6. It is expensive for Cassil to correctly rate split delivery shipments, because under applicable tariff rules it is necessary to route them from origin to the point of destination which results in the lowest total route mileage via all other points of destination, and the lowest resultant rate based on that mileage.

7. Under the proposal set forth in this application, the rates and charges applicable to each shipment will be 23% lower than those otherwise applicable. No split delivery will be performed. Cassil will receive 7% more in freight charges than he presently receives for this transportation under his proposed rates, charges, and conditions.

8. Rule 7.1 of GO 147-A requires that reduced rates must be cost justified. Rule 2 of GO 147-A provides for departure from provisions of GO 147-A when the Commission finds that such departure is reasonable and necessary.

9. Under the special circumstances set forth in this application, we find that the proposal is reasonable and necessary.

Conclusions of Law

1. The application should be granted.

2. Since there has been no protest to the application, and there is a financial benefit resulting to the shipper as well as the carrier, the effective date of this decision should be today.

3. Since transportation conditions may change, this authority should expire one year after the effective date of this order.

4. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Jim Carroll Cassil is authorized to depart from the cost justification provisions of General Order 147-A, and to assess the rates, charges, and surcharges named in Appendix A and subject to the conditions set forth therein when included in a contract filed with the Commission for transportation of tires and related products for Michelin Tire Company.

2. The authority granted by this decision shall expire one year after the effective date of this order.

3. The application is granted, subject to conditions.

This order is effective today.

Dated MAY 11 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Victor Weisser, Executive Director

APPENDIX A

COMMODITY: Tires, pneumatic, rubber; Tire tubes; and Related products.

ORIGIN: Fairfield, California

DESTINATIONS: Points in California within 300 constructive miles.

GOVERNING PUBLICATIONS: Mileages used in determining rates hereunder shall be obtained from the Commission's Distance Table 8.

RATES: As shown on Pages 2 through 4 of this Appendix, subject to Notes 1 through 3 hereof.

NOTES 1: Each shipment transported hereunder shall be rated separately. Shipments shall not be consolidated or combined by the carrier.

NOTE 2: Shipments must be prepaid.

NOTE 3: Split delivery service will not be provided in connection with rates named herein.

APPENDIX A

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RATES (In Cents Per 100 Pounds)

MILES Not Over	AQ	5M	10M	20M	40M
3	588	203	140	79	64
5	595	211	143	83	65
10	602	216	147	86	69
15	610	221	152	91	70
20	616	228	154	95	73
25	623	231	158	98	75
30	627	237	161	99	76
35	632	240	164	101	79
40	637	243	169	104	81
45	644	249	170	112	84
50	648	256	175	114	85
60	656	263	181	118	90
70	662	267	186	122	92
80	669	275	189	128	96
90	676	280	195	133	99
100	684	290	199	139	104
110	691	298	206	144	109
120	697	302	211	149	113
130	705	306	214	153	116
140	719	313	219	158	119
150	718	317	226	162	121
160	725	323	231	169	127
170	732	327	238	172	132
180	739	333	240	178	135
190	745	337	248	182	139
200	753	342	253	189	141
220	761	350	256	196	150
240	771	358	264	203	156
260	781	366	271	211	162
280	790	373	280	219	169
300	799	381	286	227	176

APPENDIX A

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MINIMUM CHARGES

The Minimum Charge per shipment shall be:

WEIGHT OF SHIPMENT (In Pounds)		MINIMUM CHARGE (In Cents)	
OVER	NOT OVER	(A)	(B)
0	25	778	1339
25	50	940	1339
50	75	1075	1339
75	100	1205	1339
100	150	1453	1788
150	200	1690	2074
200	250	1933	2435
250	300	2101	2711
300	400	2511	3219
400	500	2857	3629
500		3154	4023

(A) Applies for distances not exceeding 150 constructive miles.

(B) Applies for distances in excess of 150 constructive miles.

APPENDIX A

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SHIPMENTS HAVING ORIGIN OR DESTINATION
IN THE
CENTRAL COASTAL TERRITORY

Shipments which have origin or destination within the Central Coastal territory are subject to the following provisions and additional charges:

Weight of Shipment (Pounds)		Charge (In Cents Per Shipment)	
Over	Not Over	Column 1	Column 2
0	100	17	34
100	500	28	57
500	1,000	56	111
1,000	2,000	84	167
2,000	5,000	140	279
5,000	20,000	189	378
20,000	50,000	318	631

Column 1 surcharges apply when point of origin or point of destination is located within the Central Coastal Territory, as described below.

Column 2 surcharges apply when both point of origin and point of destination are located within the Central Coastal Territory, as described below.

CENTRAL COASTAL TERRITORY includes that area consisting of the City and County of San Francisco and the Counties of Alameda, Contra Costa, Lake, Marin, Mendocino, Monterey, Napa, San Benito, San Mateo, Santa Clara, Solano and Sonoma.

(END OF APPENDIX A)