ALJ/LEM/rmn

Decision 89 11 007 NOV 3 1989

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 provisions of General Order 147-A by continuing to apply the provisions previously authorized by Decisions Nos. 88-05-032, 88-07-031, and 89-02-051.	ORIGINAL Application 89-06-018 (Filed June 14, 1989)

O P I N I O N

By this filing Jim Carroll Cassil (Cassil) seeks renewed authority which will enable him to handle shipments for Michelin Tire Company (Michelin), without the special documentation required for split delivery shipments. Such rates and related provisions were authorized by the Commission in Decisions (D.) 88-05-032 and 88-07-031. In so doing, savings in transportation charges which would accrue to the shipper through master billing of split delivery shipments are shared with the carrier, resulting in (a) higher revenues for the carrier and (b) less paperwork and administrative burdens for both the shipper and the carrier.

In support of this request, the applicant sets forth generally the following particulars:

1. Cassil is a principal carrier for Michelin in Northern California. He transports millions of pounds of tires annually for Michelin. This transportation involves the handling of thousands of shipments, many of which were formerly transported at tariff provisions applicable to split deliveries.

2. Split delivery provisions of Cassil's tariff are virtually identical to those formerly contained in the Commission's Transition Tariff 2. That is, 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 shipments in the consolidation. The only requirements are that freight charges be assessed on a weight of not less than 5,000 pounds, and that the shipper issue a master bill of lading setting forth in summary the total number and kind of packages, descriptions of articles, and the total weight of all commodities described on the individual bills of lading. Receipt of goods by a carrier is acknowledged on the individual bills of lading. The purpose of the master bill is to identify the subject of the split delivery shipment, and to facilitate invoicing of the shipment.

3. Because extra charges are assessed by a carrier for delivery of each component, and because the charges vary depending on the weight of the component and the distance between origin and destinations of the split delivery shipment, it is necessary 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 as part of the consolidation. Because of the volume of tires shipped by Michelin, a substantial amount of time is spent analyzing the least cost methods of shipping. It is difficult to ensure that the most efficient combinations of straight shipments and split delivery shipments have been made on a consistent basis.

4. Problems for the carrier are no less onerous. Prior to issuance of D.88-05-032 and D.88-07-31, hundreds of hours were spent annually by Cassil determining the shortest mileages via all points in a split delivery consolidation. This was necessary because the tariff provisions require that charges be determined

based upon the shortest resulting mileage from origin to destination via all points of delivery.

5. At the request of the shipper, Cassil in 1987 undertook an extensive analysis of shipments handled for Michelin. That analysis involved a re-rating of all master-billed shipments. Its purpose was (a) to determine the amount of savings associated with tendering split delivery shipments as compared with tendering each split delivery component as a separate shipment, and (b) to assess whether it was practical to consider elimination of the master bill consolidation document, thereby making more efficient use of shipper and carrier personnel.

6. The analysis revealed that overall freight charges were 30.05% lower when master billing of split delivery shipments was undertaken than if all of the shipments had been rated as straight shipments. It became obvious that there was a clear incentive for the shipper to continue to tender split delivery shipments in accordance with existing tariff rules.

7. It also became obvious to Michelin that it was practical to share the 30.05% 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.

8. Accordingly, after discussion of various alternatives the shipper agreed to changes in rates which resulted in a net 7% increase in revenues to the carrier compared with the current practice of tendering freight both as straight shipments and as split delivery shipments.

9. The shipper and carrier then entered into a contract which provides a 23% reduction in the carrier's tariff-level minimum charges and applicable class rates. Cassil sought the Commission's approval for the arrangement.

10. By D.88-05-032 (as later amended by D.88-07-031), the Commission approved the proposed arrangement, commenting in its decision that:

> "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."

11. In issuing its order, the Commission stated that the authority granted should expire in one year, "Because transportation conditions may change..." Cassil is seeking a permanent renewal of the approval granted by D.88-05-032 and D.88-07-031, attesting that, if anything, changed circumstances have only served to underscore the beneficial results obtained by elimination of the paperwork intensive master-billing arrangements.

12. Although Cassil was not required to, and did not re-rate individual shipments to reassess the savings from eliminating the burdensome paperwork, he alleges that experience has shown that all of the claimed benefits have been realized by both shipper and carrier.

13. Due to oversight, Cassil failed to seek the timely renewal of the authority granted by D.88-05-032 and 88-07-031. He now asks for issuance of the Commission's expedited ex parte order authorizing Cassil to again assess the contract rate provisions approved by D.88-05-032 and D.88-07-031.

Cassil asks that the Commission not require it to annually seek renewal of this authorization, believing that no useful purpose is served by this exercise since it is not a cost justification presentation in the traditional sense.

Notice of filing of the application appeared in the Commission's Daily Transportation Calendar. No objection to granting of the request has been received.

Since the contract is strictly an arm's length agreement, affording either party opportunity to terminate the arrangement on proper notice, there would appear to be no reasonable basis for compelling the expenditures necessary to annually seek reauthorization of these rate levels. In the circumstances, the application should be granted. Rates authorized will be subject to increases and reductions ordered by the Commission in 1989 and thereafter pursuant to changes in the Truck Freight Cost Index. D.89-02-051 dated February 24, 1989 authorized Cassil, on a non-expiration basis, to not assess Central Coastal Territory surcharges on all applicable transportation.

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. Michelin will 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 General Order (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. It is unnecessary for Cassil to annually seek renewal of the authority granted here.

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. A public hearing is not necessary.

4. Rates authorized should be subject to increases and reductions ordered by the Commission in 1989 and thereafter pursuant to changes in the Truck Freight Cost Index.

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, 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 application is granted, subject to conditions.

This order is effective today.

Dated NOV 3 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

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

Wesley Franklin

WESLEY FRANKLIN, Acting Executive Director

APPENDIX A
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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 and 3 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.

*RATES (In Cents Per 100 Pounds)

MILES Not Over	AQ	5M	10M	20M	24M
3	602	208	143	80	65
5	609	216	146	84	66
10	616	221	150	88	70
15	625	226	155	93	71
20	631	233	157	97	74
25	638	237	161	100	76
30	642	243	164	101	77
35	647	246	167	103	80
40	652	249	172	106	82
45	659	255	173	114	86
50	664	262	178	116	87
60	672	269	184	120	92
70	678	273	189	124	94
80	685	282	192	130	98
90	692	287	199	135	101
100	700	297	203	142	106
110	708	305	210	147	111
120	714	309	215	152	115
130	722	313	218	156	118
140	727	321	223	161	121
150	735	325	230	165	123
160	742	331	235	172	129
170	750	335	242	175	134
180	757	341	244	181	137
190	763	345	252	185	142
200	771	350	258	192	144
220	779	358	261	200	153
240	790	367	269	207	159
260	800	375	276	215	165
280	809	382	285	223	172
300	818	390	291	231	179

* Rates include surcharge pursuant to Resolution TS-683. Rates do not include surcharge or reductions ordered by the Commission in 1989 and thereafter pursuant to changes in Truck Freight Cost Index.

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	797	1371
25	50	963	1371
50	75	1101	1371
75	100	1234	1371
100	150	1488	1831
150	200	1731	2124
200	250	1979	3493
250	300	2151	2776
300	400	2571	3296
400	500	2926	3716
500		3230	4120

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

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

* Rates include surcharge pursuant to Resolution TS-683. Rates do not include surcharge or reductions ordered by the Commission in 1989 and thereafter pursuant to changes in Truck Freight Cost Index.

(END OF APPENDIX A)