

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
UNITED PARCEL SERVICE OF LOS ANGELES,  
INC., a corporation, for a certificate  
of public convenience and necessity  
extending the territory in which it is  
permitted to operate. ) Application No. 11122.

Devlin & Brookman, by Douglas Brookman, for Applicant.

Harry N. Blair and Charles H. Tribit, Jr. for:

Orange County Triangle Express;  
Richards Trucking & Warehouse Co.;  
Los Angeles - Downey Express;  
Service Motor Express;  
San Fernando Haulage Company;  
Richardson Transportation Co.;  
Independent Truck Company;  
Vance Truck Line;  
Orange County Fast Freight;  
Burbank Transfer Co., and  
Griffiths Transfer, Protestants.

Harry N. Blair, for Keystone Express, Protestant,  
T. A. Woods, for American Ry. Express Co. "  
H. W. Kidd and W. O. Schell, for Motor "  
Transit Company, "  
Geo. W. Reid, for Merchants Association "  
of Anaheim, "

BY THE COMMISSION:

O P I N I O N

In this proceeding the United Parcel Service of Los Angeles, Inc., a corporation, has applied to the Railroad Commission for a certificate of public convenience and necessity,

1.

authorizing the extension of its present automotive parcel service to the following territory:

1. Beyond Pasadena along the Foothill Boulevard to Upland, serving all intermediate points.

2. Beyond Alhambra along the Valley Boulevard to Ontario, serving all intermediate points.

3. Along Whittier Boulevard to Whittier and through La Habra, Fullerton, Orange and Santa Ana, serving all intermediate points.

4. From Los Angeles over highways, serving Downey, Rivera, Los Nietos, Santa Fe Springs, Norwalk, Artesia, Cypress, Stanton, Garden Grove, Santa Ana and Tustin, serving all intermediate points.

5. Beyond Glendale through Burbank, Roscoe, Pacoima to San Fernando, serving all intermediate points.

6. Beyond Pasadena through Flint Ridge, La Canada, Montrose, La Crescenta, Tajunga, Sunland and San Fernando, serving all intermediate points.

Applicant now serves certain suburban territory adjacent to Los Angeles, and by this application seeks an extension over the routes described, including the right to make any necessary diversions to any points within five miles of the main highway travelled on all these extensions. In conducting this service applicant proposes to use its present equipment, consisting of Ford pick-up and delivery trucks, and will establish the same rates, rules and regulations as those in effect in the territory now served. It will not handle any packages exceeding 100 pounds in weight.

Public hearings were held before Examiner Austin at Los Angeles on July 9th, 10th, 11th, 13th, 14th, 15th and 16th, August 5th, 6th, 7th and 8th, and on September 5th, 1925, when evidence was offered, the matter was orally argued and submitted and it is now ready for decision.

Applicant is now engaged in conducting a general parcel delivery service for retail and wholesale stores in Los Angeles, serving the City of Los Angeles itself, and the suburban territory in the metropolitan area. Pick-up trucks are operated on regular schedules, serving applicant's patrons and transporting their parcels to a central depot in Los Angeles where they are sorted according to destination, loaded into delivery trucks and distributed through the territory served. For this delivery service applicant operates a fleet of about 90 Ford trucks which are kept in a high state of repair and are attractively painted, the trucks being manned by uniformed drivers, who are carefully picked and trained. Applicant now serves about 400 patrons in the City of Los Angeles, consisting of retail and wholesale establishments.

Applicant called the executive officials and representatives of 13 retail establishments in Los Angeles, all of whom expressed approval of the service, and some of them described the volume of their shipments to the territory proposed to be served. These stores comprise such representative institutions as the Ville de Paris (B. E. Dyas), a specialty house, which ships about 150 packages per week; Harry Fink Company, dealing in ladies' ready-to-wear goods and which during the first six months of 1925 shipped 235 packages; Walker's, Inc. (5th Street Store), a large department store which ships about

100 packages per week; Gude's, Inc., a retail shoe store, the volume of their shipments not being stated; Neuner's, wholesale and retail printers and stationers, who shipped a varying quantity of packages; O. R. Harpel, wholesale and retail printers; Desmond's, one of the largest dealers in men's ready-to-wear goods, which during June, 1925, shipped 833 packages into the suburban territory, of which about 55 percent. was delivered to districts not served by applicant; N. B. Blackstone Company, a large department store; Howland & Dewey Co., dealing in kodaks and supplies, shipping about 75 packages a week; and Wetherby-Kayser Shoe Co., a large shoe establishment, shipping about 100 packages a week. In addition, the representatives of certain institutions were called by protestants and thereafter testified for the applicant. They included Mullen & Bluett, dealers in men's furnishings, and Silverwood's, also a large dealer in men's furnishings. The wholesale establishments represented included Neuner's, wholesale and retail printers, which desires to ship parcels for resale; McComas Drygoods Company, a wholesale drygoods establishment, which also will ship to retail stores for resale purposes; Brownstone-Louis Company, a wholesale <sup>garment</sup> factory; Wilhoite-Evans & Cohn, wholesale dealers in men's furnishings, shipping about 75 packages a week; and Klingenstein Company, wholesale cigar dealers. Applicant's officials testified that they served nearly all the department stores and specialty shops in Los Angeles. Supplementing this testimony applicant offered certain letters written by many wholesale and retail establishments of Los Angeles, endorsing its service, which will be discussed later.

The various advantages and characteristics of applicant's service were enumerated by these witnesses. Many of them expressed a preference for one delivery company, serving all of the territory reached by the stores, rather than several carriers operating in this area. This would minimize the number of companies with which the stores were required to deal, would facilitate their accounting, particularly in respect to c.o.d. shipments and would reduce vehicular congestion in the streets adjacent to the stores. Nearly all stated that a parcel delivery service reaching a general area and serving all customers within that territory would be superior to one serving only specific points. In this respect Mr. J. E. Casey, president of the applicant corporation, testified that the proposed routes parallel one another, and should a five mile detour from the main highways traversed be permitted applicant can serve all customers within a general area or blanket territory. Some witnesses endorsed the proposed messenger service, by means of which the stores can keep in touch with their customers; others stated that applicant's delivery service was expeditious and direct; and the c.o.d. service was said to be satisfactory, the returns being paid promptly. To better serve its patrons applicant will accept checks from consignees, a practice not followed by other carriers. Applicant also makes adjustments with consignees and in many respects acts in the capacity of the delivery service of the store itself. A representative of Walker's Fifth Street Store testified that in this respect applicant was more efficient

than their own delivery service. Some witnesses testified that this expeditious service had resulted in increased business for their establishments; others emphasized the importance of handling light packages separately, not commingling them with heavy freight; and some endorsed its uniform rate system. Applicant maintains an accounting and record system by which packages can be traced, thereby minimizing losses and delays. Its service differs from that afforded by the usual trucking lines, in that it is a one-way service only, no commodities being transported back to Los Angeles. For the convenience of its patrons, applicant maintains direct telephone connections between its private exchange and the principal stores, in this way functioning as the delivery department of the store itself.

Many of these witnesses related the disadvantages of other transportation services in respect to the handling of parcels. The service of the United States Parcel Post was described as slow and undependable, the stores being unable to trace packages satisfactorily, its c.o.d. service being slow and inconvenient in that checks are not accepted. The wrapping requirements imposed by the postal regulations are burdensome and expensive, while on the other hand applicant will accept packages wrapped for ordinary city delivery. Very little testimony was offered regarding the service of the American Railway Express Company. Some complaint was made as to its wrapping requirements; its parcel service was said to be slower and less direct than that of applicant; but for the handling of heavier shipments its service was generally endorsed. It appears that the motor stage express service is used only for emergency shipments, it being generally unsatisfactory for handling a parcel delivery service

because it affords no direct pick-up or delivery. In other respects motor stage express service was conceded to be expeditious and satisfactory. The freight truck lines were characterized as inadequate, in that they afford no direct delivery or pick-up service except for large shipments; they commingle small parcels with heavy shipments, thereby damaging the former; and they have not provided special truck bodies or equipment for handling parcels. As to the other parcel carriers, two witnesses testified the service was slow, undependable and inferior to that of applicant, in that they served a much smaller area. One witness conceded they were satisfactory as to larger shipments. Neither witness referred specifically to any company.

Deliveries to the territory sought to be served by applicant are now made by parcel post for most of the firms whose representatives testified on behalf of applicant. This indicates that the parcel post service, to a greater extent than any other, will be supplanted by that of the applicant. Several witnesses endorsed the American Railway Express and the truck freight lines for handling heavier shipments and the motor stage express lines for transporting emergency shipments, stating they would continue to use these facilities for such purposes. In this connection, Mr. Casey expressed the opinion that applicant's proposed service will not seriously affect any carriers other than the parcel post.

With respect to the weight of the shipments handled by applicant, considerable testimony was offered. With substantial unanimity the representatives of retail establishments called by applicant testified that most parcels shipped were of light weight, ranging from 3 to 20 pounds, but occasionally there were heavier parcels, weighing in the neighborhood of 100 pounds. Of the

parcels forwarded by Desmonds, one of the larger stores, about 15 percent weighed 2 or 3 pounds; 80 percent, 5 or 6 pounds; and 5 percent covers the heavier shipments. Applicant conceded that the average weight of retail shipments was 5.8 pounds. A study of the shipments of a large department store, selected as typical, for the period of a week in June, 1925, when no special sales were in progress, disclosed that 7138 packages ranged from 2.18 to 5.78 pounds average weight per package. There were 414 parcels ranging from 21.5 to 94.3 pounds average weight per package, of which 308 parcels were under 50 pounds, 66 were between 50 and 75 pounds, and 40 were over 75 pounds. The testimony of representatives from wholesale firms indicates that their shipments are heavier than those from retail houses, all of them occasionally requiring the transportation of parcels weighing from 50 to 100 pounds. Applicant submitted a statement showing that during the week ending June 27, 1925, it handled a total of 9489 wholesale packages. The relation between light and heavy packages is indicated in the following tabulation:

<u>Weight per package. pounds.</u>	<u>No. of Packages.</u>	<u>Percentage of total No. of packages.</u>
1 - 5	4816	50.7
6 -10	1941	20.4
11 -15	1011	10.6
16 -25	992	10.4
26 -50	646	6.8
51 -70	67	.7
71-100	16	.16
	<u>9489</u>	

Applicant's charges on the heavier parcels are higher than those imposed by the truck and motor express carriers, thus tending to discourage their movement. The maximum weight in the territory now served by applicant is 100 pounds per package, and, it was stated, if a lower limit is established elsewhere, applicant's



patrons will be inconvenienced. Hence, a uniform weight limit is desired throughout the system.

Applicant offered an exhibit in book form (App. Exhibit 14) containing photostatic copies of letters from representative establishments in Los Angeles, endorsing its proposed service. This exhibit comprises three divisions, viz.: (1) thirty-eight letters in various forms from wholesale and retail stores; (2) one typical letter from a wholesale firm, and photostatic signatures of eighty-eight wholesale houses which wrote letters in similar form; and (3) one typical letter from a retail firm, and photostatic signatures of twenty-eight retail houses which wrote letters in similar form. Some of the letters in division 1 state the volume and average weight of parcel shipments moving to the territory sought to be served; both the letters in divisions 2 and 3 contain this information, and accompanying each of such letters is a tabulation showing data in respect to the firms whose signatures appear. Protestants objected to this exhibit as being hearsay evidence of such a character as to deprive them of the right of cross examination, and in respect to firms whose representatives testified at the hearing the further objection was made that the letters were not the best evidence. The ruling was reserved,

and the exhibit was received subject to the objection.

We believe that great weight cannot be accorded the ex parte statements regarding the volume and average weight of shipments. The tabulation accompanying division 2 indicates that the firm of Klingenstein Co. now ships 125 packages per week of an average weight of 5 pounds each along the routes proposed to be served by applicant. A representative of this house, called by the applicant, testified on cross-examination that the average weight was based on the record of one day's business in the City of Los Angeles, and the number of packages were those delivered to the territory now served by applicant. Neither figure has any reference whatever to the routes described in this application. The average weight, he stated, would be greater on suburban shipments, increasing in ratio to the distance. He admitted he had records available from which accurate information could have been obtained. It is impossible to say how many of the other letters are inaccurate in the same or other respects. Therefore, we attach but little value to statements of details as to which no opportunity of cross-examination has been afforded. We shall consider these letters only

as indicating in a general way that the Los Angeles retail and wholesale houses have been canvassed as to the need for this service and that there is a general sentiment among them favoring the application. No other or further evidentiary weight can be given them.

The granting of this application was protested by American Railway Express Company, Motor Transit Company, Keystone Express, Orange County Triangle Express, Richards Trucking & Warehouse Co., Los Angeles-Downey Express, Service Motor Express, San Fernando Haulage Co., Richardson Transportation Co., Independent Truck Co., Vance Truck Line, Orange County Fast Freight, Burbank Transfer Co., Griffith Transfer, and Merchants Association of Anaheim.

On behalf of the Orange County Triangle Express line, its proprietor Mr. S. B. Cowan testified with respect to the parcel service which he was engaged in between Los Angeles and Orange, Santa Ana, Tustin and intermediate points; also between Orange County points and Long Beach and Los Angeles Harbor. He performs a freight pick-up and call-service, making two regular trips daily over his route, and detouring from the highway whenever necessary to make direct delivery to the consignees. At present two cars are used for this package service but more equipment is available when required. Fully 85% of package

shipments, both wholesale and retail, are under 100 pounds in weight. In his judgment, he will be unable to meet the competition, if applicant is permitted to serve the territory over which protestant operates, because of the graded rate structure of the applicant under which the rate per parcel decreases as the volume of shipments from any store increases. Because of this advantage in rates, in his opinion, shippers will be inclined to utilize applicant's service for handling all of their parcel shipments, and as a result all other parcel carriers will be driven from the field. Under protestant's rate structure no minimum guarantee is required. He enumerated several wholesale and retail firms of Los Angeles which he had been serving, stating that his service had proved satisfactory. Among them may be mentioned Walker's Fifth St. Store, for whom he had handled a substantial volume of packages weighing from one to five hundred pounds each; C. N. Neuner Co., for whom he handled occasional shipments; McComas Drygoods Co., for whom he had handled a considerable volume of shipments ranging from five pounds to two tons in weight; and ten other representative stores which he served. In addition he mentioned other stores for whom he had hauled occasionally, generally on call.

This protestant called representatives of stores in Los Angeles, who endorsed his service, and in addition produced retail merchants from Orange, Anaheim, Santa Ana, Whittier and Fullerton. In general, they testified that they were satisfied with the existing transportation service from Los Angeles, including that performed by the protestant, stating that this service was both expeditious and adequate. Some testified that for emergency ship-

ments the express service of the Motor Transit Co. or Pickwick System was used and for ordinary parcel delivery the Triangle service was employed. Some of them mentioned the weight of their shipments, stating that in most instances they were under 100 pounds. Several housewives of Anaheim, Santa Ana, Whittier, Fullerton and Orange were called, who testified that they frequently made purchases in Los Angeles which were delivered by the Triangle service in a satisfactory manner. Some of them on cross-examination stated that the mode of delivery was immaterial so long as it was adequate.

On behalf of protestant, Keystone Express, several witnesses testified that its parcel delivery service from Los Angeles to Pomona, Ontario, Uplands and Azusa was satisfactory and adequate. No official or representative of this protestant was called, nor was the character of its operations explained.

Representatives of the Chambers of Commerce of Santa Ana, Orange, Ontario, Pomona and Azusa were called as witnesses on behalf of these two protestants. The secretary of the Anaheim Merchants Association, who testified in his own behalf, stated that any improvement in the delivery facilities of the large Los Angeles stores would invite patronage from the suburban communities, thereby injuring the local merchants, some of whom, when testifying for protestants, expressed similar apprehension. This opinion was not endorsed by other representatives of Chambers of Commerce. With substantial unanimity they testified that competition from Los Angeles was a fact which must be faced and that no merchants, in the true sense of the term, feared this competition. All of them stated that the present service was adequate, that no additional service was required, and that the extension of applicant's pro-

posed service would operate to the detriment of the existing carriers, thereby impairing the present excellent facilities. One witness stated that the applicant because of the advantages inherent in its present rate structure proposed to absorb all of the parcel delivery business of the large Los Angeles stores, which would bankrupt the other carriers. In some cases meetings of these organizations had been called to discuss this situation, while in other communities no thorough canvass of public sentiment had been made.

Many of the witnesses called by these two protestants described the parcel post service in their respective communities as satisfactory and expeditious, in most cases, an over night service being afforded. A few of them stated that the service of the American Railway Express was satisfactory and its c.o.d. service prompt.

There was some complaint against applicant's service in the region it now serves. A witness representing a Los Angeles firm, dealing in motor accessories, testified that applicant had delayed some deliveries to the San Pedro territory. A representative of the May Company, a large department store maintaining its own delivery system, stated that on one occasion when it was unable to handle an unusually large volume of deliveries resulting from a special sale during April, 1925, applicant declined to render any assistance, stating it was busy with other sales. The office manager of Alexander & Oviatt expressed dissatisfaction with a recent change in the classification of that store, under applicant's tariff, which resulted in a slight decrease in the parcel rates. Before endorsing the service she wished an explanation of any previous error in the classification.

Mr. L. T. Fletcher, proprietor of protestant Service Motor Express, was called for cross-examination by the applicant. This line serves Los Angeles, San Bernardino, Riverside, Arlington, Santa Monica, Ocean Park, Venice, Culver City, Palms, Sawtelle, Beverly Hills, Sherman, La Habra, Anaheim and Fullerton, handling both freight and express. The equipment used consists of 20 trucks and 7 trailers of varying sizes, some of the equipment being adapted to fast delivery service. A pick up service is maintained in Los Angeles, operating on regular schedules. The shipments handled vary in weight from a few pounds to 15 tons, the shipments for the wholesale houses averaging about 40 pounds and rarely exceeding 200 pounds. About four or five cars are used for picking up shipments, this service being confined practically to wholesale houses. Applicant also serves many small brokers and stores, but has obtained very little business from any of the large department stores, although their patronage has been solicited. He could not state whether protestant's patrons utilized its service for all shipments destined to points which it served. In his opinion the parcel post service, although slower than motor express, is cheaper for packages under 25 pounds in weight and for that reason is employed by many stores for smaller shipments. During 1925 protestant increased its service to Santa Monica and beach points (also served by applicant) from two to three schedules daily; and, in June, 1925, it extended its lines to Anaheim, Fullerton and La Habra, operating one daily schedule, and using one  $4\frac{1}{2}$  ton truck regularly and one  $1\frac{1}{2}$  ton truck for special shipments. As to the latter points protestant's operations are confined to the corporate limits, no deliveries being made off the main highway.

On behalf of protestant, Motor Transit Company, its controller introduced a statement showing the express shipments moving over the lines of this carrier during June, 1925, from Los Angeles to the points proposed to be served by applicant. These shipments varied from less than 20 packages at some of the points to 1105 packages at Whittier and 1429 packages at Pomona, the average weight being 11.55 pounds per package. The total number of packages to these points, viz., 5682 packages, was 57.9% of the total number of express shipments (9812 packages) handled by protestant during June 1925 from Los Angeles to all the points which it served. This indicates a substantial movement of express shipments over protestant's lines to the territory involved in this application.

Protestant also offered a tabulation of its express rates to the points proposed to be served by applicant. No pick up or delivery service is afforded by this carrier, it being necessary for the shipper to deliver packages at the station, and at destination the consignee is required to call for the shipment. Mr. F. D. Howell, vice-president and assistant general manager, testified that express is carried on all passenger schedules, all cars being equipped with special compartments for handling such traffic. Express packages are received at protestant's station in Los Angeles where they are billed and sent out. As a rule, shipments are forwarded on the first car leaving after their receipt, provided they are received within ten minutes before departure, it being necessary to receipt for and bill them, in order to make a proper record. While there is no guarantee that shipments will leave on the next car, as a general rule they are handled very expeditiously.



Protestant's passenger depots in the towns along its route are centrally located and are convenient of access to shippers and receivers of express. As a rule, shipments are delivered at agency points only, those consigned to other destinations being accepted for shipment solely at the shipper's risk. This express service is utilized to a large extent by firms having emergency shipments. It is increasing in volume and the company derives a substantial revenue therefrom. Another witness described the method of handling shipments at the Los Angeles office, stating that as a rule shipments can be billed out in 10 or 15 minutes, and in any event they are not delayed more than one-half or three-quarters of an hour. A wide range of commodities are handled, the company having facilities for transporting all express shipments offered. At present these shipments are limited in weight to 40 pounds per package, but an application is now pending (App. No. 11502) to increase this limit to 150 pounds per package, over protestant's system.

It is contended that applicant has unlawfully linked up and consolidated the operative rights vested in the applicant itself and the City & Suburban Package Delivery. The applicant has succeeded to the rights originally granted to Joseph S. Meiklejohn, operating as Meiklejohn's Delivery, (Decision No. 9313, in Application No. 6781, dated August 5, 1921; Decision No. 10255, in Application No. 7697, dated March 29, 1922; Decision No. 13429, in Application No. 9934, dated April 17, 1924) and the City & Suburban Package Delivery, formerly known as United Parcel Service, is the successor of Russell A. Peck (Decision No. 10886, in Application No. 7979, dated August 19, 1922).

The Meiklejohn certificate (Decision No. 9313) which has not since been modified, authorized the operation "of an automobile truck service as a common carrier of packages, parcels and cartons under 100 pounds each in weight between Los Angeles, Long Beach, San Pedro, Redondo, Venice, Ocean Park, Santa Monica, Alhambra, Pasadena and Glendale and intermediate points," pick ups for delivery being limited to the district in Los Angeles bounded "on the North by Sunset Boulevard; on the West by Vermont; on the South by Santa Barbara; and on the East by Alameda," with the exception of goods delivered to a wrong address or returned to the shipper. No lateral rights were expressly granted.

The Peck system comprehended nine routes, specifically described in Decision No. 10886, between Los Angeles and Long Beach, Compton; San Pedro; Redondo; Venice, Ocean Park and Santa Monica; Sawtelle; Glendale and Burbank; Pasadena; and Alhambra and San Gabriel, respectively, and certain specified intermediate points, including also the right to serve territory within five miles on either side of the main routes. Parcels up to fifty pounds in weight may be transported over these routes, there being no limitation as to the pick-up area in Los Angeles.

In conducting its service under the Meiklejohn rights, applicant operates over ten routes between the respective points described in its certificates. For the purpose of accomplishing direct deliveries to residences in this general territory, applicant deviates from the main highways traversed, Mr. Casey testifying that the routes are prescribed in a general way and that divergencies for a reasonable distance are essential. The City & Suburban Package Delivery operates over the routes des-

cribed above, which expressly include lateral rights. It serves a greater area than applicant, but does not handle so large a volume of business. The companies maintain separate offices in Los Angeles, and operate separate fleets of pick-up and delivery trucks. Applicant handles no parcels for the City & Suburban Company, but the latter acts as forwarding agent for applicant to points on its lines not served by applicant. The relationship between the two carriers has not changed substantially since our decision in the matter of In re Casey was rendered on October 13, 1923, (Dec. No. 12694, App. No. 8975) denying an application for an extension of operative rights. In that proceeding Mr. Casey's method of operations was investigated in a manner quite similar to the present application. In the opinion it is stated:

"It is not clear, however, that these acts on the part of applicant and the United Parcel Delivery are inconsistent with the proper relationship existing between common carriers, except in the matter of special trips, which seem to have been made under the impression that such trips may be made as a non-utility service to points where the applicant has no certificate to operate upon demand of a shipper, some of the points being those applied for in the present proceeding."

Objection was made to applicant's present rates, which it proposes to project into the territory for which a certificate is sought.

The principal attack is directed against the scale of graduated rates based on guaranteed minimum weekly shipments, which it is asserted operates to the advantage of larger shippers and is unduly prejudicial to smaller shippers. Section 3 of the tariff (C.R.C. No. 1) sets forth class rates embracing eight separate classes, each of which is dependent on the nature of commodities ordinarily forwarded by the shipper, the rates applying only where all such commodities are forwarded by the shipper over applicant's

line to all territory served. The rates vary in proportion to the minimum weekly business guaranteed by the shipper, decreasing as such minimum increases. This is shown in the following schedule, which although not complete is illustrative of the entire scale:

Guaranteed weekly minimum.	Class and Rate per Package (in cents)			
	1	3	5	8
\$ 2.00	20	22	24	27
7.50	19	21	23	26
25.00	16	18	20	23
57.00	14	16	18	21
85.00	13	15	17	20

These are blanket rates applying to all points on applicant's lines, distance being ignored entirely. In determining the weekly minimum, business originating and delivered in the City of Los Angeles is considered as well as that destined to points in suburban territory. Under this tariff the larger shipper pays a lower rate per package than a smaller shipper handling similar merchandise. Representatives of some of the larger firms availing themselves of these rates testified they did not consider themselves precluded from utilizing other carriers for parcel deliveries, particularly with respect to emergency shipments.

It is also contended that the rates provided in this tariff are inconsistent and conflicting. Section 2 specifies rates based on weight, a rate of 10 cents being imposed on packages weighing less than one pound, and on those weighing from 1 to 100, the rate is one cent per pound, plus nine cents, such rates being increased to one cent per pound, plus 34 cents where over 10% of the shipper's monthly business is consigned

to residential districts, other than stores or business houses. Protestants pointed out numerous instances where the rates under section 2 differ from those imposed under section 3 on the same commodities, a detailed statement of such inconsistencies having been submitted by Mr. Blair.

According to the testimony of Mr. Casey, under the practical application of this tariff, the rates in section 2 are utilized exclusively by wholesale shippers and the graduated rates specified in section 3 are used entirely by retail shippers.

Where shipments are delivered to the applicant, destined to points beyond its lines, it has made a practice of forwarding them over the lines of other carriers reaching such destinations. Where such shipments, originally accepted by applicant, are destined to points served by the City and Suburban Package Delivery, but not reached by applicant's lines, they are delivered to and forwarded by the City and Suburban to destination, and in like manner shipments are forwarded by other carriers such as the Motor Transit Company and other stage lines or by rail. In all such cases the applicant charges its tariff rates, and should the rates over the forwarding line be higher, it absorbs the difference and if they are lower than applicant's rates it retains the difference.

Objection was also made to the provision appearing on the last page of the tariff to the effect that 20% of any rate published therein represents the main line haul and that shippers delivering packages to the terminal depot in

Los Angeles which are to be called for by the consignee and delivery taken at a point nearest to destination on the main highway travelled will be given the benefit of 80% reduction in the published rates. It was contended by protestants that under this provision applicant could inaugurate and conduct an express service comparable to that maintained by the stage lines, a form of competition which they asserted they could not meet because of the low rates. In explanation of this item, Mr. Casey stated it was published in connection with the 4% tax on gross earnings. Under this provision the tax applies only to that portion of the service dealing with the main line haul, the terminal service being exempt from taxation. Applicant was advised by the State Board of Equalization, that unless it published some such provision its entire earnings would be subject to the 4% tax if its constitutionality were ultimately sustained. During the course of the hearing this provision in the tariff, in so far as it related to applicant's proposed offer of service, was amended so as to state that 80% of the published rates is computed for terminal pick-up and delivery service and 20% for the interurban line haul. This change appears to have been overcome the objections of protestants to this feature of the tariff.

The record indicates a demand for the service proposed by applicant. That it will meet the needs of the Los Angeles retail and wholesale establishments for a more efficient delivery system is apparent from the testimony showing the character of service rendered in the past and the requirements of these stores in the district proposed to be

served. Moreover, the service proposed is of a peculiar character, differing essentially from that of the Motor Stage lines in that regular scheduled pick ups are performed and direct delivery is made to the residences of consignees, applicant acting in this respect as a delivery facility for the stores. It is also a one-way service, no traffic being handled on the back haul to Los Angeles. The evidence almost overwhelmingly indicates that applicant's service is more efficient than that of the parcel post, and it also appears more desirable for the handling of parcels than the service of the American Railway Express. It is essentially different from the transportation performed by the track-lines, which haul principally heavy freight and supplies, a circumstance which mitigates against their handling light parcels likely to be injured when commingled with heavier commodities. Although it appears that the motor stage express and American Railway Express services are efficient, nevertheless they occupy an entirely different field and do not meet the requirements of the Los Angeles stores for an efficient delivery system. The other parcel lines have not confined their activities to light packages, handling heavier freight in addition. For this reason, although they have been in existence for some years, they have apparently been unable to meet the needs of the stores.

Protestants called many merchants and business men from suburban towns in the territory proposed to be served, all of whom endorsed the existing facilities and stated that no further transportation service was necessary. These stores and business establishments occupy a position substantially different from that of the Los Angeles stores. These witnesses appear to be divided in opinion as to the effect upon them from a competitive standpoint of a more efficient delivery system for the

Los Angeles stores, some expressing apprehension as to the ultimate consequences, while others stated this competition was a factor which must be dealt with and they were prepared to meet it. None of them, apparently, will have any need for this service, but this negative showing, we believe, does not overcome the affirmative proof offered by applicant as to the necessity for the proposed service.

Some of the protestants objected to the maximum weight limit of 100 pounds per package proposed by applicant. The evidence indicates that a very large proportion of applicant's business consists of packages under ten pounds in weight. However, there is a substantial movement of heavier shipments up to 100 pounds, thus indicating a need that this maximum weight limit be continued in effect. Applicant's rates on heavier packages, particularly wholesale shipments are higher than the rates established by the existing freight and express carriers on similar shipments; moreover the latter are able to handle heavy packages much more efficiently than applicant. Therefore, we do not apprehend such carriers will suffer any substantial injury by permitting the weight limit to remain as it is. If a weight limit lower than that effective in the territory now served were established over the routes embraced in this application, - the lack of uniformity in maximum weight would undoubtedly cause a serious inconvenience to applicant's patrons. Therefore, no change will be made in the weight limit.

Considerable objection was voiced by protestants to applicant's system of rates and to its method of operations. Since this proceeding is not in the form of a complaint against the applicant, nor a general investigation of its rates and practices, these matters can be considered only in determining



its fitness to operate as a carrier. Most of the matters discussed in this case were considered by this Commission in Application No. 8975, when applicant's predecessor, J. E. Casey, sought an extension of service. In our decision in that matter (Decision No. 12694, dated October 13, 1923) we held that the record did not establish the existence of any improper relations between the system operated by Mr. Casey and the United Parcel Delivery, the predecessor of the City and Suburban Package Delivery, other than the practice of making special deliveries to points not named in such applicant's certificate. In this case it appears that there has been no substantial change in applicant's operations since the rendition of that decision. In our judgment the record does not show that applicant and the City Suburban line have unlawfully consolidated their operations; to the contrary, we are of the opinion that each is confining its operations to the routes granted to these operators, respectively.

Objection was made to applicant's system of graded rates described above on the ground that these rates result in undue discrimination against the smaller shippers. The essential feature of this scale of rates is that the rate per unit (i.e., per parcel) decreases as the volume of business tendered by any given shipper increases. In this regard they are analogous to rates permitted by this Commission to be established with respect to the service performed by other utilities, such as gas, water and electrical companies. Railroad carriers have universally been allowed to distinguish between the rates on carload and less than carload shipments; and truck lines have been permitted to publish lower rates upon full truck loads than on less than truck load shipments, as well as on ton lot shipments. Because of the peculiarities of applicant's business, it will be impracticable for any shipper to tender at one time

a full truck load, but we see no substantial distinction between a truck-load rate and one based upon the volume of business tendered during a specified period, such as that contemplated by applicant's tariff. This involves the same principle as that invoked in the case of railroad carriers and other utilities. While it is true that more favored treatment is accorded the larger shipper under these rates, still this does not result in any undue preference to such shipper or any undue discrimination against the smaller shipper. All shippers are at liberty to avail themselves of the benefits of this tariff, and all alike may obtain rates as low as the volume of their shipments will permit. The evidence shows that the benefits of this tariff have been extended to all shippers without any favoritism or preference of one shipper to another. We, therefore, conclude that this objection is unfounded.

However, we cannot look with favor upon applicant's practice, to which we have alluded, of forwarding shipments over the lines of other carriers. Applicant is authorized under its certificate to serve points upon its own lines and no others. If it desires to serve points on the lines of other carriers, not reached by its own lines, it must publish joint through rates with such carriers on authority first obtained from this Commission. In our view this method of forwarding shipments is unlawful and should be discontinued. However, as this practice appears to have been conducted in good faith and confined only to a relatively small volume of shipments, we do not believe it of sufficient importance to warrant a denial of the certificate sought.

Upon full consideration of the evidence, we are of the opinion and hereby find as a fact that public convenience and necessity require the extension by applicant of its present automotive parcel and delivery service between the points specified in the application.

An order will be entered accordingly.

## ORDER.

A public hearing having been held in the above entitled application, the matter having been duly submitted, the Commission being now fully advised, and basing its order on the findings of fact which appear in the opinion preceding this order,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby declares that public convenience and necessity require the operation by United Parcel Service of Los Angeles, Inc., a corporation, of an automotive truck service as a common carrier, for the transportation of packages and parcels of merchandise, not exceeding 100 pounds each in weight, as an extension of its present service of similar character from Los Angeles to suburban territory, to the following points and over and along the following routes, viz.:

1. An extension of the territory beyond Pasadena along the Foothill Boulevard to Upland, serving all intermediate points;
2. An extension of the territory beyond Alhambra along the Valley Boulevard to Ontario, serving all intermediate points;
3. An extension of the territory along the Whittier Boulevard to Whittier, and through La Habra, Fullerton, Orange and Santa Ana, serving all intermediate points;
4. An extension of the territory from Los Angeles over highways serving Downey, Riviera, Los Nietos, Santa Fe Springs, Norwalk, Artesia, Cypress, Stanton, Garden Grove, Santa Ana and Tustin, serving all intermediate points;

5. An extension of the territory beyond Glendale through Burbank, Roscoe, Pacoima to San Fernando, serving all intermediate points;

6. An extension of the territory beyond Pasadena through Flint Ridge, La Canada, Montrose, La Crescenta, Tujunga, Sunland and San Fernando, serving all intermediate points;

Also, in connection therewith, to make any necessary diversions to any points within five miles of the main highway travelled in all of the above named extensions.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and the same is hereby granted to said United Parcel Service of Los Angeles, Inc., a corporation, for the operation of the service hereinabove described, subject to the following conditions:

1. Applicant shall file its written acceptance of the certificate herein granted within a period of not to exceed ten (10) days from date hereof; shall file, in duplicate, its time schedules, and its tariff of rates in a form similar to the tariff of rates in effect in the territory now served by applicant and subject to the approval of the Commission, within a period of not to exceed twenty (20) days from date hereof; and shall commence the operation of the service herein authorized within a period of not to exceed thirty (30) days from date hereof.
2. The rights and privileges herein authorized may not be discontinued, sold, leased, transferred nor assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has first been secured.
3. No vehicle may be operated by applicant herein unless such vehicle is owned by said applicant or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

For all other purposes, other than hereinabove stated, the

effective date of this order shall be twenty (20) days from  
the date hereof.

Dated at San Francisco, California, this 7<sup>th</sup> day  
of ~~March~~ <sup>April</sup>, 1926.

H. B. Brundage  
C. S. Deane  
Edward A. Cots

Commissioners.