

Decision No. 39754

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 RAILWAY EXPRESS AGENCY, INCORPORATED, )  
 a corporation, for an order allowing )  
 it increases in express rates and }  
 charges. }

**ORIGINAL**

Application No. 28008

Appearances

Eugene M. Prince, Hugh Fullerton and Edward  
 Stern, for applicant.  
 J. J. Deuel, for California Farm Bureau  
 Federation, interested party.

O P I N I O N

By this application, Railway Express Agency, Incorporated, seeks authority to (1) increase all less-than-carload first-class and commodity rates stated in amounts per 100 pounds by 20 cents and related second-class rates by 15 cents, (2) revise graduated charges on shipments under 100 pounds to the basis of the pound rate, plus 50 cents, (3) increase all minimum and all package charges other than first and second-class graduated charges by 30 cents and (4) increase money rates by 20 cents per \$1,000 and all money classification charges by 30 cents. No increase is proposed on daily newspapers, milk and related products and returned empty containers. In the event that the sought increases are authorized, applicant proposes to substitute them for the emergency charges established in 1942<sup>1</sup> on less-than-carload traffic, except returned empty containers.

1

In Re: Application of Ry. Express Agcy., 44 C.R.C. 31 (February 10, 1942), applicant was authorized to increase charges for transporting less-than-carload shipments moving at first, second and third-class rates, or multiples thereof, and of less-than-carload shipments of money by the addition of a charge of 10 cents per shipment. A like increase on less-than-carload shipments moving under commodity rates was denied in Re: Application of Ry. Express Agcy., 44 C.R.C. 551, (December 15, 1942).

A public hearing was held before Examiner Bradshaw at San Francisco, on December 6, 1946.

The proposed increases are identical to those which were authorized by the Interstate Commerce Commission on interstate traffic for a period of one year in Ex Parte No. 163, Increased Express Rates and Charges, 1946, decided October 28, 1946. In approving the increases, that Commission found that the present revenues of applicant were inadequate to meet increased costs of operation and taxes and to make reasonable payments to the railroads and other carriers for the facilities furnished and the service rendered by them. The establishment of the authorized increases is subject to a condition that applicant will, within 6 months after the new rates become effective, make a test covering representative days, for the purpose of showing, among other things, the revenue effect of the increased rates, and submit within that time the results of the traffic test, together with its permanent proposal of revised rates for the future. Applicant alleges that the conditions which justify and require changes in its interstate rates and charges apply equally to its intrastate rates and charges and that increases therein corresponding to those authorized for interstate application are essential to a fair and equitable distribution of the added cost of conducting express operations.

The petition filed by applicant in the proceeding before the Interstate Commerce Commission, the transcripts of testimony taken at hearings held at Chicago, Ill., Buffalo, N.Y., Atlanta, Ga., Salt Lake City, Utah and Houston, Texas, and of oral argument at Washington, D.C., certain exhibits introduced at the Chicago hearing, applicant's brief and the report and order of the Interstate Commerce Commission, were introduced as exhibits in this proceeding.

Except for the emergency charge of 10 cents established in 1942, applicant's intrastate rates are upon the levels authorized in Decision No. 31889 of April 4, 1939, in Application No. 22204. According to data presented before the Interstate Commerce Commission, and testified to by applicant's general auditor in this proceeding, the average cost of handling express shipments, considering applicant's operations as a whole, increased from 71 cents in 1940 to \$1.35 during the first 5 months of 1946.

Employees' wages, the record indicates, constitute more than 80 per cent of applicant's operating expenses without including compensation to railroads and other carriers for the service they perform. It was stated that, when wage increases, which were required to be made during 1946, are taken into consideration, the average pay of employees per straight-time-hour is now more than 53 per cent greater than in 1939. Based upon the number of straight-time and overtime hours worked during the first 3 months of 1946, the increase in wage costs since 1942 would be approximately \$58,000,000 per year. Adding to this amount, retirement and insurance taxes and increased costs of materials and supplies, office rents and drayage, applicant estimates that increased costs for 1946 aggregate about \$63,500,000 per year more than the cost of handling traffic in 1942. It anticipates that the total increased costs for 1947 over 1942 will be about \$70,000,000, after additional retirement and insurance taxes, prescribed by the Railroad Retirement and Unemployment Law, effective January 1, 1947, are paid. The increase in payroll costs in California since 1942, based upon the time actually worked by express employees, not including supervisory forces, during the year ended July 31, 1946, according to the testimony, was \$3,369,409. When present payroll taxes and those which will be in

effect in 1947 are included, the amount of the increase will be \$3,934,839.

Applicant's general auditor undertook to determine costs chargeable to the handling of intrastate less-than-carload shipments by ascertaining the number of shipment handlings of intrastate and interstate traffic in California during the year ended July 31, 1946. Each shipment originated or terminated in the State was counted as a "handling". Since intrastate shipments originate and terminate within the State, they were regarded as entailing two "handlings". Interstate shipments, having either a point of origin or destination in the State but not both, were treated as having one "handling" in the State. The number of rail intrastate shipment handlings amounted to 38.84 per cent of the total shipment handlings in the State. On this basis, the proportion of the total payroll costs during the same period, and the payroll taxes which will be incurred in 1947, which applicant considers as attributable to intrastate traffic, would be \$1.287 per shipment, as compared with an average charge per intrastate shipment of \$1.009.

Besides failing to meet payroll costs and payroll taxes, the witness asserted, nothing is available from the revenue accruing under the present intrastate rates and charges to meet other expenses or to compensate the rail and other carriers for the transportation services they render in handling express traffic. On the assumption that 80 per cent of the total operating expenses in California are required for employees' wages, which is the proportion of wages to total expenses for applicant's system as a whole, computations were made which developed a total operating cost, plus additional payroll taxes to be met in 1947, chargeable to intrastate traffic, of \$1.582 per shipment.

For the purpose of estimating the annual net additional yield of the proposed rates, an analysis of one day's traffic handled on October 3, 1939, assertedly compiled in response to an order of the Interstate Commerce Commission, was used. The witness stated that, in his opinion, the distribution of that day's business, by classes, closely approximates the distribution of less-than-carload express traffic now being handled and expected to move in the near future. By applying this analysis to the number of intrastate shipments within California during the year ended July 31, 1946, and the charges thereon, it is estimated that the sought increases on intrastate traffic will produce additional revenue of \$1,533,700 per year. This figure is contrasted with the estimated increased wages and payroll taxes incurred since 1942, attributable to intrastate traffic, of \$1,528,292 per annum. While these computations indicate that the proposed rates are expected to produce about \$5,000 more than the additional wage and payroll tax costs, it was pointed out that increases have also occurred in the costs of materials and supplies, rents, drayage and general expenses.

Testimony was also presented by applicant's superintendent of traffic. He gave a detailed explanation of the application of the sought increases and of the exceptions which are to be made, as in the case of daily newspapers, milk and related products and returned empty containers. In his opinion, the proposed increases will not result in the diversion of traffic to competing carriers, because various highway carriers have been granted increases in rates; some of them are seeking authority to increase their minimum charges to \$1.00; and, prices generally having increased, it is believed that shippers will be able to pay higher rates for applicant's service.

No one protested the granting of the application.

The record is convincing that applicant is in need of additional revenue. Inasmuch as the bulk of the traffic transported by applicant consists of small shipments --- the average weight at present being approximately 50 pounds --- it would appear to be somewhat doubtful if the proposed rates and charges will provide the increased revenue applicant anticipates. Nevertheless, the exigencies of the situation require that immediate steps be taken to afford some measure of relief. Applicant will, therefore, be authorized to place the proposed increases in effect as a temporary measure for a period of one year, subject to change, cancellation, or extension upon further proceedings. A traffic test, similar to that required by the Interstate Commerce Commission, to determine the effect of the increases upon the movement of intrastate traffic will be required.

In this proceeding, consideration has been given to applicant's over-all revenue requirements. Of necessity no study has been made of each or any of the individual rates or charges published in applicant's tariffs for the purpose of determining the reasonableness or lawfulness thereof. In authorizing applicant to increase its present rates and charges, the Commission does not make a finding of fact of the reasonableness or lawfulness of any particular rate or charge.

Upon careful consideration of all of the facts and circumstances of record in this proceeding, the Commission is of the opinion and finds that the increases involved in this application are justified for the temporary period hereinbefore stated.

ORDER

A public hearing having been had in the above entitled application and, based upon the evidence received at the hearing and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Railway Express Agency, Incorporated, be and it is hereby authorized to increase rates and charges for the transportation of property within California to the same extent as authorized by the Interstate Commerce Commission in its report and order in Ex Parte No. 163, Increased Express Rates and Charges, 1946, decided October 28, 1946; and that the aforesaid increases may be established on not less than one (1) day's notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that the increases in rates and charges herein authorized shall be published and filed to expire one (1) year after the date they become effective; unless sooner changed, canceled or extended by order of the Commission.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the express condition that, within six (6) months from the effective date of such increased rates and charges, applicant will make a traffic test covering representative days within the six (6) months period for the purpose of showing, among other things, the revenue effect of the increased rates and charges herein authorized and present to the Commission the data covering the results of such test.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the further express condition that applicant will never urge before this Commission in any proceeding under

Section 71 of the Public Utilities Act, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as consent to this condition.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void unless the rates and charges authorized in this order are published, filed and made effective within sixty (60) days from the effective date hereof.

This order shall become effective upon the date hereof.

Dated at San Francisco, California this 16<sup>th</sup> day of December, 1946.

Harold Kula  
Justus F. Craven  
Francis J. ...  
John H. ...  
R. J. ...  
 Commissioners