

Decision No. 39765

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of )  
United Parcel Service of Los Angeles, )  
Inc. for authority to establish an )  
additional charge on heavy or over- )  
sized packages. )

Application No. 27756

Appearances

Preston W. Davis, for applicant.

H. P. Merry, for Southern California Freight Forwarders and Southern California Freight Lines, protestants.

Wallace K. Downey, for Pacific Freight Lines, interested party.

John E. Hunt, in propria persona, interested party.

O P I N I O N

United Parcel Service of Los Angeles, Inc., is a highway common carrier engaged principally in the business of delivering parcels from retail and wholesale stores in Los Angeles, Long Beach and Pasadena to various points in the surrounding territory. By this application it seeks authority under Section 63(a) of the Public Utilities Act to increase certain of its published rates on packages weighing in excess of 25 pounds and on packages over 84 inches in length and girth combined.

Hearing was had before Examiner Bryant at Los Angeles on September 23, 1946, and the matter is ready for decision.

The primary purpose of the rate increases proposed in this proceeding, as explained by applicant, is to divert the heavier and larger packages back into what it terms normal truck and express channels. Applicant alleges that it has, since its inception,

specialized in the delivery of small packages and parcels which could be sorted by means of its multiple-belt conveyor system and which could be picked up and delivered in light panel delivery cars. In order to attract a maximum number of small parcels and a minimum number of heavy or large packages, its rates were made relatively low on small packages, increasing sharply with added weight so that on heavier articles the charges intentionally exceeded those offered by other carriers. For a number of years, however, and particularly since 1937, the charges of other carriers have gradually increased without corresponding change in applicant's rate structure. As a result of the changing rate relationship, according to the application, the number and percentage of larger and heavier packages received by applicant have increased to the point that they constitute a threat to the continuance of its own specialized delivery service.

Three officers of United Parcel testified in support of the application. According to the testimony, applicant's operation is not designed to accommodate any substantial percentage of the larger and heavier packages. Of the several conveyor belts by which it sorts packages at its main Los Angeles terminal, all but one belt can be used for small packages only. When the belt used for larger packages becomes overloaded, as is frequently the case under current conditions, applicant is forced to introduce manual sorting, hand trucking, and other costly and inefficient procedures. In addition to the terminal difficulties, the testimony shows that the large packages constitute a delivery problem and are the cause of delays in handling other merchandise. Whereas applicant has normally been able to load a vehicle with sufficient packages to constitute a full period of delivery work on most of its routes, the introduction of

any considerable number of oversize packages has been found to make this result impossible. It was testified that the oversize packages have increased damage claims, have made it difficult for the drivers to keep their uniforms in the clean condition expected by the patrons, and have greatly increased applicant's expenses in various ways. The witnesses described in some detail these and other difficulties encountered in attempting to handle the growing percentage of heavier and larger packages.

The witnesses explained that, before filing this application, consideration was given to the alternatives of (1) redesigning applicant's operation to accommodate the traffic now being offered, or (2) seeking a certificate restriction so that only the smaller packages could be accepted. Neither alternative was found to be feasible. Under the first, it was developed that successful handling of the oversize packages would require a new size of delivery vehicle as well as substantial changes in the terminal distribution system, and would result in serious loss of efficiency on the specialized delivery of small parcels. Under the second, applicant would lose its ability to offer a complete distribution service to firms having for delivery a large volume of small parcels and relatively few packages of larger size. It was concluded by applicant that, since it is able to accommodate a small percentage of oversize package without difficulty, the solution to the problem was to adjust the rate structure to the end that the shipper having many small parcels and only a few larger ones would not be penalized, while the shipper having a high percentage of larger and heavier packages would find it more economical to use the services offered by other carriers.

Under the revised rates herein proposed, United Parcel

would establish (1) an additional charge of one-half cent per pound on packages weighing in excess of 25 pounds, and (2) a minimum charge based upon a weight of 50 pounds on packages having a combined length and girth in excess of 84 inches. Since applicant is not certificated to transport packages which exceed 100 pounds in weight, or which have a combined length and girth in excess of 160 inches, the proposed higher charges would be applicable only to packages weighing more than 25 but not more than 100 pounds, and to those having a combined length and girth of more than 84 but not more than 160 inches. The tariff revisions would apply in connection with designated rate items only, principally those governing transportation performed for wholesale establishments, and would not apply in connection with deliveries performed for retail stores.<sup>1</sup>

Although the proposed rates are designed to repel rather than attract the classes of packages affected, applicant considers that they would be reasonable for the services performed. It was shown that for packages of less than 30 pounds the rates would be lower than those currently maintained by any of the other classes of carriers, and for packages of greater weight the proposed charges would be generally below those maintained for railway express or parcel post service. Witnesses testified also that the United Parcel rates cover a more complete service than do those of the other agencies, including delivery direct to the consignee throughout the entire territory served, as many as three attempts at delivery when required, and a very low charge for making C.O.D. collections. It was explained that, by reason of applicant's graded rate structure which permits shippers to obtain reduced rates upon guaranteeing to

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<sup>1</sup> It was testified that relatively few heavy or oversize packages are received from retail stores.

meet specified traffic minima, the proposed rate increases would have little or no effect upon the charges of many of applicant's regular patrons. With specific reference to the proposed 50-pound minimum charge on packages measuring over 84 inches in length and girth, it was declared that such packages must be sorted manually, just as a 50-pound package must be sorted, and that they displace more space in the delivery car than would be required for an average package of that weight. The evidence submitted in this proceeding is convincing that applicant should be permitted to adjust its rates and charges as proposed, and that such adjustment will be in the public interest. No shipper appeared at the hearing or otherwise offered any objection to the granting of this application. A representative of two other carriers, Southern California Freight Lines and Southern California Freight Forwarders, entered an appearance as a protestant but did not introduce evidence or explain the basis of protest.

This Commission has previously recognized that the specialized parcel delivery service of this applicant is essentially different in many respects from the transportation services offered by other carriers, one of the differences lying in the relative rate structures which have the effect of attracting to applicant only the smaller parcels. Because of the several increases in the charges of other carriers during recent years, as disclosed in some detail

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A factor considered by the Commission in authorizing this applicant to extend its territory in 1928 was stated as follows: "We have already noted herein that, by reason of the higher rates of applicant for the heavier parcels weighing approximately from 50 to 100 pounds, the truck lines will, in our opinion, continue to carry, as in the past, these heavier parcel shipments under the long established truck line minimums and obviously suffer no serious detriment." (Decision No. 20003, 32-C.R.C. 82, 98; see also Decision No. 16425, 27-C.R.C. 874.) (3) of Tariff C.R.C. No. 6.

*CORRECTION*

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TO ASSURE LEGIBILITY**

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This Commission has previously recognized that the specialized parcel delivery service of this applicant is essentially different in many respects from the transportation services offered by other carriers, one of the differences lying in the relative rate structures which have the effect of attracting to applicant only the smaller parcels.<sup>2</sup> Because of the several increases in the charges of other carriers during recent years, as disclosed in some detail

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A factor considered by the Commission in authorizing this applicant to extend its territory in 1928 was stated as follows: "We have already noted herein that, by reason of the higher rates of applicant for the heavier parcels weighing approximately from 50 to 100 pounds, the truck lines will, in our opinion, continue to carry, as in the past, these heavier parcel shipments under the long established truck line minimums and obviously suffer no serious detriment." (Decision No. 20003, 32 C.R.C. 82, 98; see also Decision No. 16425, 27 C.R.C. 874.)

on the present record, the rate relationships previously existing have been greatly altered. As might be expected, and as the evidence shows, the changes in rate relationships have had a serious effect upon the distribution of traffic. As a result, applicant's operating efficiency has been undermined and its specialized service of distributing small parcels has been impaired.

The evidence adduced in this proceeding is convincing that applicant should be permitted to adjust its rates and charges as proposed, and that such adjustment will be in the public interest. Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds as a fact that increases in applicant's rates and charges as specified in the following order are justified. The application will be granted.

O R D E R

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 United Parcel Service of Los Angeles, Inc., be and it is hereby authorized to establish, on not less than thirty (30) days' notice to the Commission and to the public, the following changes in its tariffs:

1. Establish a rule providing that an additional charge of one-half cent per pound will be assessed on packages weighing in excess of 25 pounds, such additional charge to apply only in connection with rates published in Sections III, IV and V of Local Parcel Tariff C.R.C. No. 12, and Items 1(aa) and 1(c) of Tariff C.R.C. No. 6.



2. Amend the oversize rules in said tariffs to provide that the minimum charge for a package over 84 inches in length and girth combined will be the charge provided in the applicable rate item for a package weighing 50 pounds.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void except to the extent that the rates and charges published pursuant to this authority are filed and made effective within ninety (90) days from the effective date of this order.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 23<sup>rd</sup> day of December, 1946.

Harold P. Kule

Justus F. Coe

Frank Powell

R. I. [Signature]

Commissioners