

Decision No. 40983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of United Parcel Service of Los)
Angeles, Inc. for authority under) Application No. 28809
Section 63-A of the Public Utili-)
ties Act to establish certain)
amended rates.)

Appearances

Preston W. Davis, for applicant,

John E. Hunt, for Goodman Delivery
Service, interested party,

A. L. Russell, for Sears, Roebuck
and Co., interested party.

OPINION

By this application United Parcel Service of Los Angeles, Inc., a corporation conducting public utility operations as a highway common carrier, seeks authority to establish, on less than statutory notice, increased rates, and to make certain adjustments in its tariff.

Public hearing of the matter was had before Examiner Bryant in Los Angeles on November 12, 1947.

Applicant's highway common carrier operations consist of delivering packages of 100 pounds or less from retail and wholesale stores in Los Angeles, Long Beach, and Pasadena to various points of destination within the southern California area. Different scales of rates are maintained and assessed for the two classes of services.

According to the application, sharp increase in costs of operation during the past six years have brought about an urgent need for the rate increase herein sought. Exhibits were introduced and explained by witnesses for applicant to show the amount of such increases and the effect thereof upon net operating results. Labor

costs, which comprise about 70 per cent of applicant's total operating expenses, have risen 97.8 per cent over those in 1941; during the last fifteen months the company found it necessary to grant three wage increases; the present wage level is now 33 per cent over that prior to September 5, 1946. Other operating costs, such as rent, truck and license fees, tires, and depreciation as a result of increased costs of equipment, have likewise advanced substantially.

Despite increases in operating costs the company has not made corresponding increases in its rates. A witness for applicant stated that the company's rates for most of its highway common carrier services are unchanged from the levels which were established in 1937. He said that the company has resisted rate increases, and has tried to meet the higher operating costs by constantly striving to effect all possible operating economies through the installation of labor saving devices and efficiencies in procedures. He declared, however, that the company cannot cope with present costs in this fashion and is now faced with an emergency need for additional revenues through higher rates.

Applicant proposes herein to increase only its rates for deliveries from wholesalers.¹ Its rate witness stated that the rate scale applicable to retail deliveries is complex, that these deliveries amount to not more than 15 per cent of the total, and that the company has elected temporarily to forego increasing the retail rates until it can develop an equitable rate scale after careful study and analysis. Comparing the proposed wholesale rates with

¹ Applicant's tariffs currently provide a rate of 14 cents per package plus one cent per pound or fraction thereof for deliveries from wholesale firms. An additional charge of one-half cent per pound or fraction thereof also applies to packages weighing more than 25 pounds each. For packages of all weights delivered from wholesale firms applicant proposes to provide a uniform rate of 16 cents per package plus 1½ cents per pound or fraction thereof. Applicant also proposes to cancel a rate applicable to wholesale deliveries, which rate applies only under certain agreed conditions. Applicant's witness said that the latter rate should be cancelled because it has never been used since it was established in February, 1946, and because certain of the agreed conditions could not, as a practical matter, be enforced.

present railway express and with insured parcel post rates, the witness introduced an exhibit to show that the proposed increased rates would be generally lower. For shipments of less than 15 pounds (shipments which were said to comprise about 75 per cent of applicant's wholesale business) the proposed rates represent increases from 17 to 33 per cent.

According to an exhibit furnished by applicant's principal accountant, the proposed rates would increase the company's gross revenues from its wholesale deliveries by approximately 20 per cent. After allocating to the wholesale operation all expenses applicable thereto, the accountant developed the following tables to show estimated operating results from present and proposed rates for a typical three month's period.

	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Revenues</u>	\$224,664	\$270,188
<u>Expenses</u>	<u>224,134</u>	<u>254,685</u>
<u>Net Operating Revenue</u>	\$ 530	\$ 15,503
<u>Operating Ratio</u>		
Before Income Taxes	99.76%	94.26%

No one appeared in opposition to the granting of the application.

From all of the evidence of record it is clear that applicant should be permitted to increase its rates in order to meet operating expenses and earn some profit from its wholesale service. It appears that excessive revenue would not accrue from the proposed rates. The other tariff changes appear proper in view of the circumstances disclosed. Therefore, we conclude and find as a fact that applicant has shown the proposed rate increase and other tariff changes, as specifically set forth in the following order, to be justified. The application will be granted.

O R D E R

Public hearing having been had in the above-entitled application, full consideration of the matters and things involved having been had and the Commission being fully advised,

IT IS HEREBY ORDERED that applicant be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, increased rates by amending tariff items as specified below, in so far as such items apply to deliveries for wholesale firms:

Increase the rate in Items 260 and 280 of Local Parcel Tariff C.R.C. No. 13, and in Item 1-D, paragraphs (aa) and (c) of Local Parcel Tariff C.R.C. No. 6, to 16 cents per package plus $1\frac{1}{2}$ cents for each pound or fraction thereof of its weight.

IT IS FURTHER ORDERED that applicant in publishing the above authorized increased rates be and it is authorized concurrently to cancel from its tariffs the following items:

Item 115 of Local Parcel Tariff C.R.C. No. 13 and Note 2 in Item 1-D of Local Parcel Tariff C.R.C. No. 6.
Item 252 of Local Parcel Tariff C.R.C. No. 13.

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

Dated at San Francisco, California, this 1st day of December, 1947.

Harold Kule
Justin J. Gallivan
Paul J. Cull
R. Z. ...

Commissioners