

ORIGINAL

Decision No. 41030

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) Application No. 28008
 it increases in express rates and) (First Supplemental)
 charges.)

Appearances

Eugene M. Prince, Hugh Fullerton and Edward Stern,
 for applicant,
 R. E. Wedekind, for Southern Pacific Company,
 interested party.

FIRST SUPPLEMENTAL OPINION

Applicant is an express corporation operating over the lines of other common carriers. By Decision No. 39754 of December 16, 1946, in this proceeding, it was authorized to make certain increases in its less carload intrastate express rates and charges for a period of one year. These increases are scheduled to expire December 23, 1947. Applicant now seeks authority to maintain the increased less carload commodity rates, minimum charges, package charges, and money rates and charges, on a permanent basis. It also seeks authority to make further increases in first and second class rates and charges for a period of one year.¹ Applicant desires to make the proposed changes on less than statutory notice and not later than December 23, 1947.

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It is proposed to increase first class rates in effect prior to the 1946 adjustment by percentages ranging from about 53 per cent on the shortest hauls to about one half of 1 per cent on the longer hauls, and to increase related second class rates by basing them on 75 per cent of the proposed first class rates. These increases are sought in lieu of the 20 and 15 cent per-shipment increases authorized by Decision No. 39754, supra.

The proposed intrastate adjustments are identical with those authorized on interstate traffic by the Interstate Commerce Commission's supplemental order of September 23, 1947, in Ex Parte No. 163, Increased Express Rates and Charges, 1946.² That Commission found that applicant's system-wide revenues were insufficient to provide for adequate compensation to railroads and other carriers for transportation services performed and facilities furnished in connection with express operations.

A public hearing on the intrastate rate proposals was had at San Francisco on November 24, 1947, before Examiner Jacopi.

The record made before the Interstate Commerce Commission was introduced as part of the record herein and was supplemented by ~~oral~~ and written evidence pertaining to the California intrastate situation. The interstate proceeding was conducted with the cooperation of representatives of state regulatory bodies under the provisions of Section 13(3) of the Interstate Commerce Act.³

The record made here shows that applicant's capital stock is owned by the railroads. Its operations over the railroads are generally conducted under a standard operating agreement which provides for segregation of express revenues and operating expenses

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The Interstate Commerce Commission required (1) that applicant develop a single scale of nation-wide rates in lieu of the scale now applicable in Eastern-Southern Territory and of the different and somewhat higher scale applicable in Western Territory, (2) that it make traffic studies within 6 months after the authorized rates are established for the purpose of showing the effect on applicant's traffic and revenues of these increased rates and of the effect of the rates in whatever single scale is developed, and (3) that it submit the results of such studies, together with the proposed single rate scale, to the Commission not later than July 1, 1948.

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Commissioner William T. Brooks of Arizona represented the western states on the cooperating committee of state commissioners. The Interstate Commerce Commission's decision points out that the cooperating state commissioners concurred in its findings.

according to territories in which they accrue.⁴ After deducting the expenses, the remainder of the territorial revenue is distributed to the individual railroads in the proportion which express revenue over each line bears to the total territorial revenue. The amounts so paid constitute the compensation of these railroads for handling express traffic.

Applicant alleges that its California intrastate revenues are insufficient to offset its own operating expenses, that no revenue whatsoever is available to compensate California railroads for the services they render on express traffic, and that the railroads cannot continue to maintain adequate service for express under such conditions.

Applicant's general auditor submitted estimates of revenues and expenses for California intrastate operations for 1947.⁵ They indicate that such operations will show a substantial deficit for the year as follows:

Express Revenues	\$5,885,550
Express Operating Expenses, including taxes	\$6,373,653
Revenue available for compen- sating railroads for express services	(<u>\$488,103</u>)

() - Deficit

Based on 1947 operations, the auditor estimated that the proposed rates would produce approximately \$794,400 additional intrastate express revenue per year. The estimated financial

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More than 95 per cent of applicant's system-wide revenue is earned on railroads that are parties to the standard agreement.

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The showing for the year 1947 embraces the data previously furnished the Commission in compliance with Decision No. 39754, supra, showing the effect of the temporary increases authorized by said decision based on a six-week test period.

results of intrastate operations under the proposed rates are as follows:

Express Revenues	\$6,679,994
Express Operating Expenses, including taxes	\$6,373,653
Revenue available for compen- sating railroads for express services	\$ 306,341

The auditor claimed that revenue available for compensating the railroads under the proposed rates would not offset their cost of performing intrastate express services. He pointed out that this revenue amounts to only 4.59 per cent of the estimated gross revenue, whereas the record made in the interstate proceeding shows that western district railroads require an average payment of 68.35 per cent of state and interstate express revenues earned in that district to cover the full cost of performing the express services.

Applicant's superintendent of traffic explained the sought increases in detail. He pointed out that terminal costs constitute a greater proportion of total expenses on short-haul traffic, that the greater increases proposed for that traffic are designed to compensate for the higher terminal expenses, and that a uniform percentage increase would burden long-haul traffic with part of the costs of short-haul movements.

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

The record shows that applicant is in need of additional revenue from intrastate operations. It is reasonably clear that the sought increases are not higher than necessary in the face of applicant's operating experience.

Upon consideration of all the facts and circumstances of record, we are of the opinion and hereby find that the proposed

increases in express rates and charges are justified. The supplemental application will be granted: Traffic studies similar to those the Interstate Commerce Commission directed be made will be required for the purpose of determining the effect of the increased rates upon applicant's intrastate traffic and revenues, and the effect of the rates in any single nation-wide scale which applicant may develop.

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 for the purpose of determining the reasonableness or lawfulness thereof. In authorizing the increases herein involved the Commission does not make a finding of fact of the reasonableness or lawfulness of any particular rate or charge, as so increased.

O R D E R

A public hearing having been had in the above-entitled application and, based upon the evidence of record 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 its intrastate rates and charges 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 September 23, 1947; and that the increase herein authorized may be established within sixty (60) days from the effective date hereof on not less than one (1) day's notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that the increases herein authorized in first and second class rates and charges and multiples thereof, including graduated charges on shipments under 100 pounds,

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 to the extent departure from the terms and rules of Tariff Circular No. 2 of this Commission is required to accomplish publication of increases herein authorized, authority for such departure be and it is hereby granted.

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 traffic studies similar to those required by the Interstate Commerce Commission in Ex Parte No. 163, supra, for the purpose of determining the effect on applicant's intrastate traffic and revenues of the increases herein authorized and of whatever rates may be submitted to the Interstate Commerce Commission in response to its direction to applicant to formulate a single scale of rates for nation-wide application; and that the data covering the results of such studies shall be presented to this Commission not later than July 1, 1948.

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.

The effective date of this order shall be December 22, 1947.

Dated at San Francisco, California, this 17th day of December, 1947.

Harold A. Kula
Justice F. Gallivan
Paul A. Howell
A. I. ...
Commissioners