

Decision No. 41463

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.)	Application No. 28008 (Second Supplemental)
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Appearances

Eugene M. Prince, Hugh Fullerton and Edward Stern, for applicant.

ORIGINAL

SECOND SUPPLEMENTAL OPINION

Applicant is an express corporation operating over the lines of railroads and other common carriers. By Decision No. 41030 of December 17, 1947, in this proceeding, it was authorized to make certain increases in its first and second class intrastate express rates and charges for a one-year period; and to establish, on a permanent basis, increased less-carload commodity rates, minimum charges, package charges, and money rates and charges. Applicant proposes a further increase of 10 per cent in its intrastate rates and charges. At this time, however, it requests authority to establish the further increase only on the temporary first and second class rates and charges.

A public hearing was had at San Francisco before Examiner Jacopi.

¹ A similar temporary increase in interstate first and second class rates and charges was authorized by the Interstate Commerce Commission's supplemental order of December 16, 1947, in Ex Parte No. 163, Increased Express Rates and Charges, 1946. At the same time further hearing was scheduled relative to the proposed 10 per cent increase in rates and charges other than first and second class rates and charges. The Interstate Commerce Commission has not yet issued its decision in the matter. A like increase in applicant's intrastate rates and charges is sought if and when such an adjustment is authorized for interstate traffic.

The record shows that applicant's operations over the railroads are generally conducted under a standard agreement which provides for segregation of express revenues and operating expenses according to territories in which they accrue.² After deducting applicant's operating 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 operating expenses have further increased since its rates and charges were adjusted under Decision No. 41030, supra, that revenues are insufficient to offset its own operating expenses, and that no revenue is available to compensate California railroads for services they render on intrastate express traffic.

The evidence of record in this proceeding shows that wages of applicant's operating employees were increased 15 $\frac{1}{2}$ cents per hour effective September 1, 1947.³ The increase resulted from awards made by arbitration and emergency boards in proceedings under the Railway Labor Act. Based on the number of straight and overtime hours worked during 1947 by the employees in question, it was estimated that the wage increase and additional payroll taxes would amount to \$770,194 per year for California intrastate operations.

Applicant's general auditor submitted an exhibit based on 1947 operations and showing estimated revenues and expenses for 1948.

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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 wage increase was retroactive to September 1, 1947. The award was made after the showing involved in Decision No. 41030, supra, was submitted and the wage increase in question was not included therein.

The wage increase hereinabove referred to and the increase in revenue resulting from Decision No. 41030, supra, were given effect in these estimates. The exhibit indicates that express operations will show a substantial deficit for the year as follows:

Express revenues	\$6,679,944
Express operating expenses, including taxes	7,143,848
Revenue available for com- pensating railroads for express services	<u>(\$463,904)</u>

() - Deficit

The auditor testified that the proposed further increase in first and second class rates and charges would produce approxi-⁴mately \$473,742 additional intrastate express revenue per year. He stated that with this additional revenue \$9,838 would be available for compensating railroads for express services. This amount, he pointed out, would fall far short of meeting the railroads' cost of performing intrastate express services. He said that it is less than one per cent of the estimated gross revenue, whereas the record heretofore made in the interstate proceeding shows that western district railroads require an average payment of 63.082 per cent of state and interstate express revenues earned in that district to cover the full cost of performing express services.

No one opposed the granting of the supplemental applica-
tion.

The record shows that applicant has experienced a substan-
tial increase in operating expenses since Decision No. 41030, supra,
was issued. It is clear that its intrastate revenues are insufficient

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The record shows that revenue from first and second class rates and charges represents about 71 per cent of the total intrastate ex-
press revenue.

to offset its own operating expenses in the face of the increased costs. The record also shows that the proposed further increase would provide but little more revenue than that necessary to cover these expenses and that the revenue available for compensating the railroads for the substantial services they render in connection with express traffic would be negligible.

Upon consideration of all the facts and circumstances of record, we are of the opinion and hereby find that the proposed increase in express rates and charges is justified. The supplemental application will be granted. Applicant will be expected to include the increase herein authorized in the traffic study it was directed to make by Decision No. 41030, supra, for the purpose of determining the effect of increased rates on its intrastate traffic and revenues.

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 by 10 per cent the temporary first and second class rates and charges heretofore authorized by Decision No. 41030 of December 17, 1947, in this proceeding, within sixty (60) days from the effective date hereof on

not less than five (5) days' notice to the Commission and to the public.

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 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 twenty (20) days from the date hereof.

Dated at San Francisco, California, this 13th day of April 1948.

R. B. Anderson

Justus F. Coe

James H. Quinn

Harold A. Kild

Samuel H. Potter
Commissioners