

ORIGINAL

Decision No. 42903

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
Railway Express Agency, Incorporated,)	Application No. 28008
a corporation, for an order allowing)	(Fourth Supplemental)
it increases in express rates and)	
charges.)	

Appearances

Eugene M. Prince, Noel Dyer and Edward
Stern, for applicant.

FOURTH SUPPLEMENTAL OPINION

Applicant is an express corporation operating over the lines of railroads and other common carriers. Decisions Nos. 41030 of December 17, 1947, and 41463 of April 13, 1948, in this proceeding, authorized temporary increases in certain of applicant's intrastate rates and charges pending final determination of its revenue needs.¹ With certain exceptions, the adjustments were similar to those on interstate traffic granted by interim orders of the Interstate Commerce Commission in Ex Parte No. 163, Increased Express Rates and Charges, 1946. By final order dated December 29, 1948, that Commission modified the interstate interim increases theretofore granted and authorized their establishment on a permanent basis. Applicant now seeks authority to make comparable final adjustments in its intrastate rates and charges.

¹ The temporary intrastate adjustments were authorized for a one-year period ending December 22, 1948. By Decision No. 42083 of September 20, 1948, continuance of the increased rates was authorized for a further period of one year for the reason that this proceeding could not be concluded prior to the expiration of the temporary adjustments.

A public hearing on the intrastate proposals was had at San Francisco before Examiner Jacopi.

The record made before the Interstate Commerce Commission was incorporated in the record in this proceeding and was supplemented by oral and written evidence pertaining to the California intrastate situation. Representatives of state regulatory bodies sat with the Interstate Commerce Commission during the interstate² hearings.

Applicant formerly maintained two scales of first and second class rates and charges. One applied in Eastern-Southern Territory. The other, a different and somewhat higher scale, applied in Western Territory, including California. In its final order, supra, the Interstate Commerce Commission authorized applicant to establish the western scale, with some further advances in rates for shipments weighing less than 100 pounds, for nation-wide³ application on interstate traffic. Under the adjustment, substantial increases resulted from the establishment of the higher western scale for the Eastern-Southern Territory. Except for rates on the small shipments, no advances resulted in the rates applicable in Western Territory. The California intrastate rates as temporarily increased under prior orders herein are now generally on the level of the western scale that has been adopted as the new nation-wide interstate rate structure. Under applicant's proposals herein, the temporary adjustments in the intrastate rates would be retained on a

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Commissioner William T. Brooks of Arizona represented the western states on the cooperating committee of state commissioners.

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Applicant was directed in the Interstate Commerce Commission's interim orders to develop a single scale of nation-wide first and second class rates to take the place of the two scales in question. Applicant subsequently submitted the western scale as increased under the interim orders for adoption on a permanent basis with further adjustments in the rates on small shipments.

permanent basis, and the rates for shipments weighing less than 100 pounds would be further increased by amounts ranging from one cent to three cents per shipment. These adjustments are identical with those authorized on interstate traffic. No other changes in the intrastate rates and charges are proposed.

Applicant's general auditor pointed out that the temporary intrastate increases heretofore authorized in this proceeding would do little more than cover substantial advances in applicant's own operating expenses and that only a small amount of revenue would be available for compensating the railroads for their services.⁴ He testified that the payments made to the railroads still failed to cover the cost of handling the express traffic by a substantial amount, and that the granting of the sought authority was necessary to enable applicant to effect some reduction of the deficit.

In support of the proposed establishment of the temporary increases on a permanent basis, the general auditor testified that there has been no material change in the circumstances that justified these higher rates; that the need for additional revenue is as great now as it was when the increases were granted; and that without these adjustments in rates the intrastate revenues would fail to cover applicant's own operating expenses and no payments whatsoever could be made for the railroad services. He asserted that no material improvement could be anticipated in the near future in traffic and other conditions now prevailing in applicant's intrastate

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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. After deducting applicant's own 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 total territorial revenue. The amounts so paid constitute the compensation of the railroads for handling the express traffic.

operations. The witness further testified that applicant's capital stock is owned by the railroads. He asserted that unless the increased rates were continued in effect the railroads would have to absorb the deficit in applicant's operations as well as the entire rail cost of performing the express service. He urged that the rail lines cannot afford to assume this burden.

In regard to the further increases proposed in rates for shipments weighing less than 100 pounds, the record shows that, since the temporary adjustments were authorized, the average cost of performing express terminal services on such shipments has advanced from 82.5 cents to 85 cents per shipment; that the shipments in question involve substantially more terminal service than is required for heavier shipments; and that the sought increases would bring the rates into substantial conformity with costs. The general auditor submitted exhibits showing that the proposed adjustments would provide \$36,173 additional revenue per year, and that this amount was no greater than necessary to offset the added costs.

The general auditor also submitted exhibits showing the estimated results of operation for the twelve months ending October 31, 1949. The estimates were based upon operations in the previous twelve months adjusted to reflect increases experienced in operating expenses, decline in the volume of traffic, operating economies effected, and the additional revenues under the sought increases in rates. On this basis, the exhibits showed the express revenues as \$6,092,726, express operating expenses including taxes as \$5,822,509, and the amount of revenue available for compensating the railroads for their services as \$270,217.⁵

⁵ The amount of revenue indicated as available for compensating the railroads is somewhat greater than the estimates submitted at previous hearings in this proceeding. The auditor explained that the increase was accounted for by operating economies recently made as a result of a decline in traffic amounting to about one million shipments per year. He asserted that economies as drastic as those now in effect could not be made under the previous level of intrastate traffic without materially impairing the service. He indicated that no substantial improvement in traffic conditions was anticipated in the near future.

The witness asserted that the latter amount would fall far short of meeting the railroads' cost of performing intrastate express services. He pointed out that the amount in question represented only 4.44 per cent of the estimated gross revenue whereas the record showed that western district railroads required an average payment 72.62 per cent of the express revenues earned in that district to cover the full cost of performing express services.

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

It is clear from the record that the proposed rate adjustments would do no more than enable applicant to defray its own intrastate operating expenses and to make some payment for the railroad express services. It is also clear that the amount of revenue that would be available for the latter purpose under the sought rate structure would fall short of that necessary to compensate the rail lines fully for the substantial services they render in connection with the express traffic.

Upon consideration of all of the facts and circumstances of record, we are of the opinion and hereby find that the increases in rates and charges involved herein are justified. The sought adjustments will be authorized.

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

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 establish the intrastate express rates and charges as proposed in the above entitled supplemental application, 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 the rates and charges herein authorized, authority for such departure be and it is hereby granted.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

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 twenty (20) days after the date hereof.

Dated at San Francisco, California, this 24th day of May, 1949.

R. F. Zimmerman
James F. Cassen
Walter H. Russell
Harold P. Auler
Samuel H. Fetter
Commissioners