

ORIGINAL

Decision No. 44719

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. 31360

Appearances

E. M. Prince, Noel Dyer and Douglas Zinke,
for applicant.

O P I N I O N

Applicant is an express corporation operating over the lines of railroads and other common carriers. By Decision No. 42903 of May 24, 1949, in Application No. 28008, it was authorized to make certain increases in its first and second class intrastate express rates and charges.¹ Applicant now seeks a further increase in these rates amounting to 10 percent. The sought adjustment corresponds with that authorized by the Interstate Commerce Commission's order of March 6, 1950, in Ex Parte No. 169, Increased Express Rates and Charges, 1949.

A public hearing on the intrastate proposals was had at Los Angeles before Commissioner Huls and Examiner Jacopi.

The record made before the Interstate Commerce Commission in Ex Parte No. 169 was incorporated in the record in this proceeding and was supplemented by oral and documentary evidence pertaining to the California intrastate situation.

¹ The adjustments were similar to those authorized on interstate traffic granted by the Interstate Commerce Commission's order dated December 29, 1948, in Ex Parte 163, Increased Express Rates and Charges, 1946.

Applicant alleges that its intrastate operating expenses have further increased since its rates and charges were last adjusted under Decision No. 42903, supra, that the revenues under the present rates and charges 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.²

The evidence of record in this proceeding shows that wages of applicant's operating employees were increased by 7 cents per hour effective October 1, 1948, and that the employees were placed on a 40-hour week effective September 1, 1949.³ These adjustments 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 by the employees in question for a period of six months ended February 28, 1950, it was estimated that the cost of the wage increase, the 40-hour week and additional payroll taxes would amount to about \$338,000 per year for California intrastate operations.

Applicant's general auditor submitted an exhibit showing estimated revenues and expenses under the present rates based on operations for the six-month period ended February 28, 1950. The cost of the aforesaid wage increase, the 40-hour week and additional payroll taxes were given effect in these estimates. These calculations, projected for a period of one year, show that the intrastate express

² 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 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.

³ The wage increase was retroactive to October 1, 1948. The award was made after the showing involved in Decision No. 42903, supra, and its effect was not included in the cost calculations submitted at that time.

operations would be conducted at a substantial loss as indicated in the tabulation that follows:

Express Revenues	\$4,004,080
Express Operating Expenses, including taxes.	<u>4,166,046</u>
Revenue available for compensating railroads for express services.	<u>(161,966)</u>

() - Indicates Loss

The proposed rates, according to the auditor, would produce additional revenues amounting to about \$280,000 per year. This figure was based upon the traffic level for the six-month period ended February 28, 1950, projected for twelve months. The auditor indicated that with this increase the intrastate revenue would exceed applicant's own operating expenses by \$117,760 per year and that this amount would be available to compensate the railroads for their services on express traffic. He asserted, however, that the amount in question would fall short of covering the rail cost of performing the intrastate express service. He pointed out that the amount that would be available to pay the railroads was equal to 2.75 percent of the intrastate express revenue whereas the record showed that 79.95 percent of the express revenue was required to cover the rail costs exclusive of income tax and return on investment.

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

The record shows that applicant has experienced substantial increases in the cost of operation since the class rates were last adjusted by Decision No. 42903, supra. It is clear that its intrastate revenues under the present rates are insufficient to offset its own operating expenses in the face of the increased costs. The proposed

class rates would offset applicant's own expenses and would make available \$117,760 per year for compensating the railroads for the line-haul and other services performed on intrastate express traffic. In considering the relationship between the rail costs and the revenue available for paying the railroads, the increases authorized in applicant's intrastate commodity rates by Decision No. 44718 issued today, in Application No. 30784, must also be taken into consideration. The additional revenue that would be provided under the adjusted commodity rates amounts to \$182,216 per year. The increases granted in the commodity rates together with those herein authorized in the class rates would produce additional revenue that would cover applicant's own expenses and would make available \$299,976 per year for compensating the railroads for their services. This amount is equal to 6.72 percent of the increased total intrastate express revenue. As hereinabove indicated, the record shows that 79.59 percent of the express revenue is required to cover the rail costs, exclusive of income taxes and return on investment. It appears that the additional revenue in question would not enable applicant fully to compensate the rail lines. The sought increase in the class rates should be authorized.

Upon consideration of all of the facts and circumstances of record, we are of the opinion and hereby find that the proposed increase in express class rates and charges is justified.

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, within sixty (60) days after the effective date of this order and on not less than five (5) days' notice to the Commission and to the public, to increase by 10 percent its first and second class rates and charges as proposed in the application filed in this proceeding.

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 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 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 th29 day of August, 1950.

James J. Caswell

Harold F. Kille

Kenneth J. Potter
Commissioners