

Decision No. 52725

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DELIVERY SERVICE COMPANY for author-)
 ity to establish certain increased)
 rates applicable to retail and whole-)
 sale service between points within the)
 East Bay drayage area and El Cerrito.)

Application No. 37505

In the Matter of the Investigation)
 into the rates, rules, regulations,)
 charges, allowances and practices of)
 all common carriers, highway carriers)
 and city carriers relating to the)
 transportation of property in the)
 City and County of San Francisco and)
 the Counties of Alameda, Contra Costa,)
 Santa Clara, San Mateo, Marin, Monterey,)
 Napa, Santa Cruz, San Benito, Solano)
 and Sonoma.)

Case No. 5441
 Petition for Modification
 No. 18

Phillip A. Winter for Delivery Service Company, applicant
 and petitioner;
Maurice A. Owens for Draymen's Association of Alameda
 County and Edward J. Maurer for General Delivery
 Service, interested parties;
A. R. Day and J. R. Laurie for the Commission's staff.

O P I N I O N

Delivery Service Company, a California corporation,
 operates as a highway common carrier, a highway contract carrier
 and a city carrier in the transportation of packages and parcels
 between points in East Bay cities and surrounding territory. The
 highway common carrier operations consist of both retail and whole-
 sale parcel delivery service between El Cerrito, Albany, Berkeley,
 Emeryville, Oakland, Piedmont and Alameda, hereinafter termed
 Zone 1, and wholesale parcel delivery between Zone 1 and surrounding
 territory in Alameda and Contra Costa Counties and Vallejo and
 vicinity, such latter territory hereinafter termed Zone 2. The

city carrier operations involve both retail and wholesale parcel delivery within the cities comprising Zone 1. The highway contract carrier operations consist of retail parcel delivery from Zone 1 to Zone 2.

In these proceedings Delivery Service Company, hereinafter for convenience called applicant, seeks authority to increase by 8 per cent its common carrier rates for Zone 1 and to increase its rate for immediate special delivery in wholesale parcel service from Zone 1 to Zone 2 from 78 cents to 84 cents. It also seeks an upward adjustment of 8 per cent in the minimum rates for wholesale parcel delivery service in the East Bay drayage area¹ and a cancellation of minimum rates in City Carriers' Tariff No. 2A-Highway Carriers' Tariff No. 1A for transportation of packages in retail parcel delivery. The application and the petition were consolidated for convenience of hearing and decision.

Public hearing was held January 19, 1956 before Examiner J. E. Thompson at San Francisco. Evidence was presented by applicant in the form of exhibits and testimony by its executive vice-president and by its auditor. In general the evidence is calculated to show that with respect to transportation performed within Zone 1 that operating costs, particularly labor expense, have risen to such extent that operations at present rates are conducted at a loss. With respect to transportation between Zone 1 and Zone 2, the present rates provide a reasonable return because favorable conditions such

¹ The East Bay drayage area is comprised of all of the cities in Zone 1 except El Cerrito.

as increased volume of traffic have to a great extent offset the added costs. As shown by the exhibits the operating results of applicant are as follows:

<u>Delivery Service Company</u> <u>Revenue and Expenses</u>		
	Jan. 2 to Nov. 4	Full Year
	<u>1955</u>	<u>1955</u>
Revenue		
Zone 1	\$ 116,162.01	\$ 139,755.26
Zone 2	80,096.24	97,247.66
Overnight	7,091.25	8,906.67
Contract	<u>1,595.53</u>	<u>2,813.54</u>
Total Revenue	\$ 204,945.03	\$ 248,723.13
Expenses		
Equipment Maintenance	\$ 11,012.19	\$ 13,032.16
Transportation Expense	119,883.32	146,535.75
Terminal Expense	6,458.27	7,717.79
Traffic Expense	9,795.05	12,328.64
Insurance and Safety	5,139.43	6,279.56
General and Administrative	27,593.66	33,391.21
Depreciation Expense	6,279.58	7,674.31
Operating Taxes and Licenses	<u>6,053.19</u>	<u>7,024.21</u>
Total Expenses	\$ 192,214.69	\$ 233,983.63
Net Profit	\$ 12,730.34	\$ 14,739.50
Operating Ratio		
Before Income Taxes	93.8%	94.1%

Applicant presented an exhibit showing the revenues and expenses separately for Zone 1 and Zone 2 operations. The applicant maintains records so that the revenues for each operation can be directly taken from the books of accounts. Where the records would permit, the expenses were allocated directly from the books. In cases where the expenses for each zone could not be taken directly,

the expenses for the combined operations were allocated on the basis of mileage, time, units of equipment and packages handled. The results shown by the exhibit follows:

Delivery Service Company

Revenue and Expenses for Zone 1 and Zone 2 Operations

January 2 to November 4, 1955

	<u>Zone 1</u>	<u>Zone 2</u>	<u>Combined</u>
Revenue	\$ 120,890	\$ 84,055	\$ 204,945
Expense	<u>122,121</u>	<u>70,094</u>	<u>192,215</u>
Net Profit	(<u>\$ 1,231</u>)	\$ 13,961	\$ 12,730
Operating Ratio			
Before Income Tax	101.2%	83.4%	93.8%

(Red Figure)

The evidence shows that as a result of recently negotiated labor contracts effective November 1, 1955, wage expense for drivers increased by \$1.20 per day and that effective June 1, 1956 because of pension benefits included in the contract with the Brotherhood of Teamsters such expense will increase an additional 10 cents per day. The wages of mechanics have also been increased. Applicant presented an exhibit showing the effect of the increased wage expense upon operating results and also the results that are estimated under the proposed increased rates. A summary of the exhibit follows:

Effect of Increased Costs and Proposed Increased Revenue upon Operating Results

Jan. 2, 1955 to Nov. 4, 1955

	<u>At Present Rates</u>	<u>At Proposed Rates</u>
Revenue	\$ 204,945.00	\$ 212,844.00
Expense	<u>199,604.00</u>	<u>199,604.00</u>
Net Profit	\$ 5,341.00	\$ 13,239.60
Operating Ratio		
Before Income Tax	97.39%	93.78%
After Income Tax	98.28%	95.89%

Evidence offered by applicant supporting individual tariff changes will be discussed later in this opinion.

The Draymen's Association of Alameda County gave a statement in support of applicant's proposals. The Commission's staff did not present direct evidence in the proceedings but assisted in the development of the record through cross-examination of the applicant's witnesses. No one appeared in opposition to the granting of the application or of the modifications in the minimum rates proposed in the petition.

Conclusions

The proposals except for one small item contemplate increases in rates in Zone 1 and not Zone 2. The evidence offered by the applicant permits an analysis of the effect of the proposed increase in rates and the increase in cost upon Zone 1 and Zone 2 operations in that practically all of the additional revenue would result from Zone 1 operations, and the exhibits offered by applicant show the allocation of wage expense to Zone 1 and Zone 2 operations.

	<u>Zone 1</u>	<u>Zone 2</u>	<u>Combined</u>
Revenue	\$ 128,789	\$ 84,055	\$ 212,844
Expense	<u>127,044</u>	<u>72,560</u>	<u>199,604</u>
Net Profit	\$ 1,745	\$ 11,495	\$ 13,240

With respect to the authority sought in the application the proposed increase in rates in Zone 1 is justified. The Commission in its prior proceedings has found that this carrier is the principal carrier within the territory covered by Zone 1 engaged in parcel delivery service in the wholesale field. The evidence in this proceeding shows that such is still the case. On the basis of this record we find that the operating results of the applicant provide a reasonable test of the sufficiency of the minimum rates

prescribed for parcel delivery, wholesale service in City Carriers' Tariff No. 2A-Highway Carriers' Tariff No. 1A. The evidence shows that the proposed increase in minimum rates is justified.

Applicant in its petition proposes that the present minimum rates prescribed for parcel delivery retail service be cancelled. It was pointed out that the provisions of Notes (M) and (N) in Item 30 series of the Minimum Rate Tariff have for all practical purposes cancelled the application of the retail parcel delivery rates in Items Nos. 950 and 960. The proposal has merit and will be adopted. With the cancellation of the rates in Items Nos. 950 and 960 series, Item 940 series will no longer serve any useful purpose; it, too, will be cancelled.

The only rate applicant proposes to increase in Zone 2 is for immediate special delivery set forth in Item 90 of applicant's Tariff No. 8, C.P.U.C. No. 8. It is proposed to increase the rate from 78 cents to 84 cents as is proposed in the case of immediate special delivery within Zone 1. The proposal will obviate possible discrimination or violation of the long and short haul prohibitions of the Constitution and of the Public Utilities Code with respect to immediate special delivery service.

Upon consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that the increases in rates sought in the application are justified and that the increases and modifications in the minimum rates proposed in the petition are reasonable and are justified.

The increases sought in the application will be made effective on the same date as the effective date of the changes in the minimum rates and applicant will be granted authority to establish the proposed rates on less than statutory notice.

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 ORDERED:

1. That Delivery Service Company be and it is hereby authorized to establish in its Tariff No. 6, C.P.U.C. No. 6, and in its Tariff No. 8, C.P.U.C. No. 8 the increased parcel delivery rates as set forth in Exhibit A of Application No. 37505, as amended, filed in these proceedings to be effective not earlier than the effective date hereof on not less than five days' notice to the Commission and to the public and provided that such rates shall be made effective not later than April 1, 1956.

2. That the foregoing authority is subject to the express condition that applicant will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, 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.

3. That City Carriers' Tariff No. 2A-Highway Carriers' Tariff No. 1A (Appendix "A" of Decision No. 41362, as amended) be and it is hereby further amended by incorporating therein, to become effective April 1, 1956, the revised pages attached hereto and by this reference made a part hereof, which pages are numbered as follows:

Fourth Revised Page 6 Cancels Third Revised Page 6
Fourth Revised Page 38 Cancels Third Revised Page 38
Fourth Revised Page 39 Cancels Third Revised Page 39
Sixth Revised Page 40 Cancels Fifth Revised Page 40

4. That tariff publications required or authorized to be made by common carriers as a result of paragraph 3 of the order herein may be made effective not earlier than the effective date hereof on not less than five days' notice to the Commission and to the public, and that such required tariff publications shall be made effective not later than April 1, 1956.

5. That in all other respects the aforementioned Decision No. 41362, as amended, shall remain in full force and effect.

The effective date of this order shall be twenty days after the date hereof;

Dated at San Francisco, California, this 6th day of March, 1956.

[Signature]
President
Justin J. Cooney
Paul W. [unclear]
Walter [unclear]
[unclear]
Commissioners

INDEX OF COMMODITIES AND EXCEPTIONS TO CLASSIFICATION (Continued)			
Article	Item Numbers	Article	Item Numbers
Molasses	(1)	Parcel City Delivery (Wholesale)	990-995
Mouth Washes	340	Parts, Furniture	830
Mustard	(1)(2)	Paste, alimentary	(2)
Napkins, paper	440	Paste, Confectioners'	(2)
Noodles	(2)	Paste, Fig	(2)
Nuts	(2)	Paste, Tooth	340
Nut Meats	(2)	Patterns, Foundry	890
Oil, Castor	340	Peanut Butter	(1)
Oil, Cod Liver	340	Peas, dried	(2)
Oil, cooking	(2)400	Pectin	(1)
Oil, corn	400	Perfumery	340
Oil, Cottonseed	400	Peroxide Hydrogen	340
Oil, edible	(2)	Petrolatum	340
Oil, Fish	410	Petrolatum Preparations	340
Oil, Fusel	340	Petroleum	450
Oil, Lard	400	Petroleum Jelly	340
Oil, Linseed	410	Petroleum Products	450
Oil, medicinal	340	Petrolina	340
Oil, Olive	(1)	Pickles	(1)(2)
Oil, Salad	(1)(2)400	Piling, iron or steel	860
Oil, Soy Bean	400	Pipe, concrete	460
Oil, Vegetable	900	Plates, floor, iron or steel	860
Olive Oil	(1)	Polish, Shoe	(2)
Olives	(1)	Popcorn	(2)
Onions	(2)	Porter	(2)
Oxide of Tin	340	Potatoes	(2)
Paint Material	410	Poultry Dip	340
Paints	410	Powder, Baking	(2)
Paper Boxes	420	Powder, body, face, talcum, tooth	340
Paper, Printing	440	Preparations, Toilet	340
Paper, Toilet	440	Preserves	(1)(2)
Paper Towels	440	Printing Paper	440
Paper, Wrapping	440	Puddings	(1)
Paraffine	(2)	Puree, Tomato	(1)
***		Putty	410

- (1) See Canned Goods, Pickles and Preserves, as described in Item No. 280 series.
 (2) See Groceries and Grocers' Supplies, as described in Item No. 370 series.

***Eliminated, Decision No. 52725

EFFECTIVE

APRIL 1, 1956

Issued by the Public Utilities Commission of the State of California,
 San Francisco, California.

Correction No. 164

Cancels

SECTION 3 - COMMODITY RATES (Continued)		
In cents per 100 pounds, except as noted		
Item No.	COMMODITY	RATE
*940-B Cancels 940-A	ITEM CANCELED	
* Change, Decision No. 52725		
EFFECTIVE APRIL 1, 1956		
Issued by the Public Utilities Commission of the State of California, San Francisco, California.		
Correction No. 165		

SECTION 3 - COMMODITY RATES (Continued)
 In cents per Unit

Item No.	COMMODITY	RATE
*950-C Cancels 950-B	& ITEM CANCELED	
*960-C Cancels 960-B	& ITEM CANCELED	

* Change)
 & Reduction) Decision No. 52725

EFFECTIVE APRIL 1, 1956

Issued by the Public Utilities Commission of the State of California,
 San Francisco, California.

Correction No. 166

SECTION 3 - COMMODITY RATES (Continued) In cents per 100 pounds, except as noted		
Item No.	COMMODITY	RATE
*990-D Cancels 990-C	<p>PARCEL CITY DELIVERY (Wholesale Only)</p> <p>Within and between all zones, and applies on packages containing property, weighing not to exceed (1)40 pounds per package, and only on deliveries from jobbers, wholesalers, industries and retail stores to other jobbers, wholesalers, industries and retail stores.</p> <p>1 to and including 50 packages per month Over 50 " " " 100 " " " " 100 " " " 400 " " " " 400 " " " *1600 " " " " *1600 packages per month -----</p> <p>(1) On all packages exceeding 40 pounds each in weight, each additional 25 pounds or fraction thereof shall be considered an additional package and charge will be at the rates applicable for a 40 pound package.</p>	<p>In Cents Per <u>Package</u></p> <p>◇59 ◇52 ◇41 ◇31 ◇30</p>
995	<p>PARCEL CITY DELIVERIES</p> <p>Within and between all zones, and applies on deliveries from manufacturers, manufacturers' agents, wholesalers, jobbers and commercial distributors. (See Notes 1 and 2.)</p> <p>Weight per package, 70 pounds or less-----</p> <p>NOTE 1.--The consignor must elect in writing in advance to utilize the rate in this item for all packages weighing 70 pounds or less tendered to the carrier during any calendar week.</p> <p>NOTE 2.--All charges must be prepaid.</p> <p>NOTE 3.--An additional charge of 20 cents for each \$100 or fraction thereof shall be assessed for each C.O.D. collected.</p>	<p>In Cents Per <u>Package</u></p> <p>16 Plus 2 cents for each pound or fraction thereof. (See Note 3.)</p>
<p>*Change) Decision No. 52725 ◇Increase)</p>		
EFFECTIVE APRIL 1, 1956		
<p>Issued by the Public Utilities Commission of the State of California, San Francisco, California.</p> <p>Correction No. 167</p>		