

**ORIGINAL**Decision No. 52786

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of UNITED PARCEL SERVICE to extend )  
service for delivery of small )  
packages and parcels to additional )  
points in California. )

Application No. 37150

Roger L. Ramsey and Preston W. Davis, for applicant.  
George W. Tackabury, for Railway Express Agency;  
Edward M. Berol and Bertram S. Silver, for High-  
way Transport, Inc., and Highway Transport  
Express; Robert W. Walker and Matthew H. Witteman  
for The Atchison, Topeka and Santa Fe Railway  
Company and Santa Fe Transportation Company;  
protestants.  
H. C. Bischoff, for Southern California Freight  
Lines and Southern California Freight Forwarders,  
interested parties.

O P I N I O N

United Parcel Service requests authority to extend its service for the delivery of small packages to the area north of Sacramento to and including Redding, the coast area between San Jose and Santa Barbara, the area south and east of Riverside to and including Calexico as well as to points northwest of Napa and in the vicinity of Fresno and Ventura.

Public hearings were held before Commissioner Hardy and Examiner Daly at Los Angeles and San Francisco. The matter was submitted on November 15, 1955, upon briefs since received and considered.

Applicant is presently rendering a certificated service for the delivery of small packages and parcels for manufacturers, manufacturers' agents, wholesalers, jobbers and commercial distributors between various points within the State. Service is limited to packages not exceeding 70 pounds in weight, 120 inches in length

and girth combined and 8 feet in length. The rules, regulations, form of rates and features of service of the proposed service are the same as those applying within the territory presently served.

The basic rate to be charged is 16 cents a package plus rates varying from 2 cents to 5 cents per pound depending upon the point of destination. This would include insurance up to \$100 per package. An additional charge for C.O.D. collections is 20 cents for each \$100 or fraction thereof.

Applicant has provided a specialized small package service for many years. Its equipment and facilities are particularly designed for the purpose of rendering an efficient and expeditious service at the least possible cost.

Numerous public witnesses testified and the testimony of many more was stipulated. In brief, they testified that they use applicant's service to presently certificated points and desire to use its service to the proposed areas; that on light shipments they use parcel post, but find it unsatisfactory because of delays in transit, the inconvenience of having to deliver to the post office and the necessity of splitting larger packages into smaller ones in order to meet the new parcel post weight restrictions; that if the application is granted such shipments would be diverted to applicant; that on shipments over 40 pounds they would use the general freight carriers because of cheaper rates, except on those occasions when the general freight carriers had completed their pickups and applicant was yet to call.

Protestants introduced evidence both oral and documentary relating to their respective operations. Railway Express Agency offered the testimony of numerous public witnesses. The testimony of many more witnesses was stipulated. They testified that they

presently use the service of Railway Express Agency and find it completely satisfactory, but that they would divert traffic to applicant if certificated in the proposed area because of the cheaper rates. Exhibits were introduced to show that Railway Express Agency had lost a considerable amount of selective traffic (shipments from 1 to 70 pounds) in various areas after applicant was authorized to serve them.

Railway Express Agency argues that applicant seeks to serve a limited portion of the public; that applicant proposes to transport traffic that is highly profitable and easy to handle; that with the exception of lower rates applicant proposes no feature of service that is not presently being afforded; that its own operations are truly those of a common carrier in that it offers to serve the public without discrimination as to the size of the shipment or the person served; that a great deal of money has been spent, is being spent and will be spent in maintaining and improving a highly efficient and modern service, and that if the application is granted Railway Express Agency will suffer a severe and material loss of revenue in the small package field as it has each time applicant has been authorized to extend its operations in the past.

Highway Transport, Inc., also contends that the proposed service would divert a substantial amount of traffic and thus impair its operations between San Francisco and the Monterey Peninsula.

In response, applicant argues that any diversion of traffic experienced by Railway Express Agency in the past several years was attributable to a series of rate increases, particularly in the selective traffic field where it priced itself out of competition. Applicant contends that it is cheaper to ship by

parcel post than by Railway Express Agency up to the break point with truck minimum rates at approximately 40 pounds and thereafter to use the truck carriers; that Railway Express Agency has failed to attract even a small portion of the traffic moving via parcel post, notwithstanding the inconvenience the public is put to in using such service; that the rate advantage offered by applicant is due to the lower cost resulting from a specialized and efficient operation; and that this Commission has recognized the merits of a specialized type of operation where the existing general truck and express carriers have not been able to meet the public's need at a reasonable cost.

The record clearly demonstrates that applicant is providing an efficient service in the transportation of packages up to 70 pounds. A large portion of the public is presently using the service and many have expressed their desire that it be extended to the proposed areas. Applicant possesses the necessary facilities, equipment and financial ability to extend its operations as requested. The only issue to be determined is whether the authority, if granted, would result in such a diversion of traffic from the existing carriers as to justify the denial of this application.

In an attempt to divert small packages to carriers engaged in public transportation, the Congress reduced the parcel post weight limit applicable to first class post offices, which went into effect January 1, 1952. Railway Express Agency was largely responsible for the new regulations. On March 26, 1952, Railway Express Agency was granted a rate increase wherein the minimum charge on selective traffic was increased 76 per cent and placed upon a parity with first

class traffic which had been increased 28 per cent.<sup>1/</sup> In its decision the Commission pointed out to Railway Express Agency that the increased rates could very well discourage any parcel post traffic that it might otherwise receive as a result of the amended parcel post regulations. Again, on December 11, 1954, Railway Express Agency was authorized to increase its rates.<sup>2/</sup>

The testimony of record indicates that the general public to a large extent still continues to use parcel post, notwithstanding the many inconveniences incurred, because of cheaper rates. Applicant, on the other hand, has provided a service that has immediately appealed to commercial shippers of small packages because it is simplified, expeditious and performed at reasonable rates. As a result it has successfully attracted traffic from parcel post. Railway Express Agency was afforded the first opportunity to capture the traffic which was made available by congressional action, but it immediately took steps which, instead of attracting such business, in effect discouraged its acquisition.

With respect to Highway Transport, Inc. and Highway Transport Express, the witnesses stated that they would use applicant instead of parcel post on shipments up to 40 pounds, and the truck carriers, with few exceptions, on packages over 40 pounds. It is reasonable to conclude, therefore, that the traffic which applicant would attract in the proposed areas would be diverted almost entirely from parcel post. Because of applicant's higher rates on shipments over 40 pounds it will divert very little from the general freight carriers.

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<sup>1/</sup> Decision No. 46799 in Application No. 32397.

<sup>2/</sup> Decision No. 50769 in Application No. 35267.

During the course of hearing a ruling was reserved on the admissability of Exhibit No. 23 for identification.<sup>2/</sup> After consideration, Exhibit No. 23 will not be received in evidence.

After full consideration of the record the Commission is of the opinion, and finds that public convenience and necessity require the granting of the authority sought.

O R D E R

Application having been filed, a public hearing having been held thereon and the Commission being informed in the premises,

IT IS ORDERED:

1. That a certificate of public convenience and necessity is hereby granted to United Parcel Service authorizing the establishment and operation of a service as a highway common carrier, as defined in Section 213 of the Public Utilities Code, for the transportation of property from Los Angeles, Pasadena and Long Beach, and from San Francisco and the East Bay Drayage Area, to the points set forth in Appendix A attached hereto and by reference made a part hereof.

2. That said certificate is subject to the following restrictions:

- a. Service shall be provided for manufacturers, manufacturers' agents, wholesalers, jobbers and commercial distributors only.
- b. Return movements shall be limited to the return of previously delivered packages to the consignor.

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<sup>2/</sup> A compilation of statements taken from post cards sent by applicant to many businesses which ship to the proposed areas.

- c. Packages shall not exceed 70 pounds in weight, 120 inches in length and girth combined or 8 feet in length.
- d. Rates shall be maintained on a "per package" basis as contrasted with the "per shipment" basis employed by general merchandise carriers, and for packages weighing more than 41 pounds, the rates shall not be lowered to a point where they are equal to or lower than the rates for common carriers of freight as prescribed in the minimum rate tariffs of this Commission.

3. That, in providing service pursuant to the certificate herein granted, applicant shall comply with and observe the following service regulations:

- a. Within thirty days after the effective date hereof applicant shall file a written acceptance of the certificate herein granted.
- b. Within sixty days after the effective date hereof, and on not less than five days' notice to the public, applicant shall establish the service authorized and file in triplicate and concurrently make effective appropriate tariffs.

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

Dated at San Francisco, California, this 13<sup>th</sup> day of March, 1956.

John E. Mitchell  
President  
Justin J. Callahan  
Ronald W. Linterman  
William B. Baskin  
R. H. Katz  
Commissioners

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APPENDIX A  
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UNITED PARCEL SERVICE

TERRITORY A

All points along the following routes including points within five miles of the main highway traveled:

- (a) From Ventura to Ojai via U.S. Highway 399 and State Highway 150.

TERRITORY B

All points along the following routes including points within five miles of the main highway traveled:

- (a) From Napa to Vallejo through St. Helena, Calistoga, Boyes Springs, and Sonoma via State Highway 29, unnumbered county road, and State Highways 12, 37 and 48;
- (b) From Santa Rosa to Cotati through Sebastopol via State Highway 12 and unnumbered county road.

TERRITORY C

All points along the following routes including points within two miles of the main highway traveled:

- (a) From Exeter to Visalia through Lemon Cove, Woodlake and Ivanhoe via State Highway 198 and unnumbered county roads.
- (b) From Dinuba to Reedley through Orosi and Orange Cove via unnumbered county roads;
- (c) From Fresno to Hanford through Kerman, Helm, Coalinga, Avenal, Kettleman City, Lemoore and Armona via State Highways 180, 145, 33, 41, 198 and unnumbered county roads; and to Fowler through Caruthers, Riverdale, Grangeville and Laton via State Highway 41 and unnumbered county roads.



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UNITED PARCEL SERVICE

TERRITORY D

All points along the following routes including all points within two miles of the main highway traveled:

- (a) From Goleta to San Jose via U.S. Highway 101;
- (b) From Lompoc to Pismo Beach via State Highway 1;
- (c) From Carmel to Santa Cruz via State Highway 1, including the off-route points of Pebble Beach, Asilomar and Pacific Grove via the most convenient direct roads;
- (d) From Monterey to Castroville through Salinas via unnumbered county road;
- (e) From Castroville to Hollister via State Highway 156.

TERRITORY E

All points along the following routes including all points within two miles of the main highway traveled:

- (a) From Sacramento to Vina through Roseville, Marysville, Yuba City, Gridley, Oroville, Paradise and Chico via U.S. Highway 99E, 40A and unnumbered county roads; Roseville to Nevada City through Auburn via U.S. Highway 40 and State Highway 49;
- (b) From Davis to Richfield through Woodland, Williams and Orlando via U.S. Highway 99W; Orlando to Chico via State Highway 32; Williams to Yuba City via State Highway 20; Woodland to Sacramento via State Highway 16;
- (c) All points within the territory north of the City of Sacramento bounded on the north and west by the Sacramento County line and on the east by U.S. Highway 99E, via the most convenient direct roads.

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TERRITORY F

All points along the following routes, including all points within two miles of the main highway traveled:

- (a) From Redding to Richfield and Vina through Red Bluff via U.S. Highways 99, 99E and 99W.

TERRITORY G

All points along the following routes including all points within two miles of the main highway traveled:

- (a) From Riverside to Murrieta through Morena, Lakeview, San Jacinto, Hemet, Winchester, Ferris and Elsinore via U.S. Highways 395 and 60, State Highways 71 and 74 and unnumbered county roads;
- (b) From Redlands to Brawley through Beaumont, Banning, Thousand Palms, Indio and Coachella via U.S. Highway 99, and through Palm Springs, Mecca, Niland and Calipatria via State Highway 111.

TERRITORY H

All points along the following routes including all points within two miles of the main highway traveled:

- (a) From Brawley to Calexico through El Centro via U.S. Highway 99; El Centro to Holtville via U.S. Highway 80.