

Decision No. 55032

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
RAILWAY EXPRESS AGENCY, INCORPORATED,)	
a corporation, to increase intrastate)	
commodity rates and charges and to)	Application No. 38497
change certain classification pro-)	
visions applying to rail express)	
service within the State of California.)	

Eugene M. Prince, Dudley A. Zinke, and Pillsbury,
 Madison and Sutro, for applicant.
Timothy J. Canty and John R. Laurie, for the
 Commission staff.

O P I N I O N

By this application Railway Express Agency, Incorporated, seeks authority to effect a 7 percent increase in all of its commodity rates and charges applicable to its California intrastate traffic, except those applying on milk, cream and related products.¹ It also seeks to make certain changes in ratings, rules and regulations contained in its Official Express Classification No. 36. These changes result in both increases and reductions. By an amendment to the application filed December 21, 1956, authority is sought to increase the commodity rates by an additional 4 percent, except those applying on carload commodity-rated traffic, daily newspapers and milk, cream and related products. The amendment also seeks a 4 percent increase in all first and second class rates and charges, except those for the transportation of human remains and daily newspapers, and in various classification rates and charges applicable to California intrastate traffic.

¹ A sought increase in the rates for the transportation of milk, cream and related products is still pending in Application No. 38038.

Subsequent to notice to persons and organizations believed to be interested, public hearing on the application was held before Examiner Carter R. Bishop at San Francisco on January 10, 1957. Evidence was submitted in applicant's behalf by its regional traffic manager for the Mountain-Pacific States and by its auditor of express receipts. Members of the Commission's staff participated in the development of the record.

Applicant's regional traffic manager testified that the proposed increases in commodity rates are the same as those which applicant established in its commodity rates during last year for its interstate services. He stated that the proposed 7 percent increase is comparable to that established in the California intrastate first and second class rates and charges, which became effective October 5, 1956, under authority of Decision No. 53783 of September 18, 1956, in Application No. 33038. He said that the proposed increase in commodity rates is needed in order to make more adequate payments to the railroads for their transportation of express traffic and to enable the commodity-rated traffic to bear its fair share of the costs involved. The proposed further 4 percent increase, he asserted, is necessary to offset increases in operating costs which have been incurred. He testified that corresponding rate increases became effective on nationwide interstate traffic on December 27, 1956. He further asserted that the conditions which justified the increases for interstate traffic apply with equal force to California intrastate traffic.

The traffic manager also presented data regarding the proposed classification changes. He testified that of the 24 proposed changes, 9 result in increased charges, 3 result in reduced

charges and the remaining 12 result in neither increases nor reductions. He said that applicant is constantly reviewing the characteristics of express traffic in order to make sure that ratings are such that each type of traffic will bear its fair share of the cost of transportation. The proposed changes are a result of a recent review of the classification. He asserted that the proposed increased ratings are for commodities of low-weight density in which the relationship of weight to space is disproportionate, causing a higher cost for handling such commodities.² He also asserted that certain of the commodities involved are easily susceptible to damage and require special care in handling. The other changes resulting in increases involve collection and delivery charges on general carload traffic and in livestock carload traffic; and a restriction against the use of net weight on shipments of fish and related commodities when transported in containers weighing more than 125 pounds. The traffic manager stated that the proposed collection and delivery charges for the class-rated carload traffic are the same as those presently applying on carload commodity-rated traffic. He said that no carload traffic of any kind has moved in California intrastate service for several years but that applicant desires to maintain the same classification charges in both interstate and intrastate traffic. He testified that the costs of handling shipments in containers weighing over 125 pounds are much higher than those for shipments made in containers of lesser weight, and that in most cases lighter containers can be used.

² The commodities involved are Holly Branches, Gypsophila, Moss, Decorations or Decorative Material made of Fibreglass, Fibreglass or Glass Wool Insulating Material and Plastic Pipe.

The auditor testified that applicant incurred increases in wages and payroll taxes effective November 1, 1956. According to his estimate, these wage and tax increases will add approximately \$148,000 annually to applicant's intrastate operating costs. The record shows also that the carrier has experienced increases in unemployment taxes, effective January 1, 1957, and in the cost of materials and supplies, which the witness estimated would total approximately \$30,000 on an annual basis. Additional revenues anticipated under the increases sought herein, in the event that the sought relief is authorized, were estimated by the auditor to be approximately \$157,000 per year. According to the record applicant does not anticipate any substantial loss of traffic by reason of the rate increases herein sought.³

Evidence adduced by the auditor indicated that, even if the proposed rate increases were authorized, payments to the railroads for their services would fall substantially short of returning the cost of rendering these services. In this connection the evidence presented by rail witnesses in Application No. 38038 with regard to revenues received and operating expenses incurred by the rail lines in the handling of applicant's traffic was incorporated by reference into the record in the instant proceeding. That evidence is discussed at some length in Decision No. 53783, supra. In general, it shows that the revenue derived from express traffic does not return out-of-pocket costs to the rail carriers.

No one appeared in opposition to the sought increases and proposed classification changes.

³ The record bears witness, however, to a continuing downward trend in applicant's traffic.

The record demonstrates that the additional revenues anticipated from the sought rate increase would, at best, merely serve to offset the greater part of the increases in operating expenses which applicant has experienced since the class rate adjustment made pursuant to Decision No. 53783. The record, moreover, is persuasive that the proposed changes in classification provisions would bring those provisions into harmony with current conditions.

Upon careful consideration of all the facts and circumstances of record, we are of the opinion and hereby find that the proposed increases in intrastate express rates and charges and classification changes proposed in this proceeding have been justified. The application, as amended, will be granted. Applicant seeks relief from the long-and-short-haul provisions of Article XII, Section 21 of the Constitution of the State of California and of Section 460 of the Public Utilities Code, in order to establish the sought adjustment in connection with certain rates which are non-intermediate in application. Applicant also seeks relief from the provisions of the Commission's Tariff Circular No. 2 to the extent necessary to publish the increased rates and charges in the same form as tariffs filed with the Interstate Commerce Commission. These requests appear reasonable. They will be granted. Authority is sought also to make the proposed rate and classification adjustments effective on one day's notice to the Commission and the public. It appears that a minimum of five days' notice is, under the circumstances of record, proper. The order which follows will so provide.

In authorizing the increases involved herein, the Commission does not make a finding of fact of the reasonableness of any particular rate or charge as so increased.

O R D E R

Based upon the evidence of record and on the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED:

(1) That Railway Express Agency, Incorporated, be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, the increases in express rates and charges, and the classification changes as proposed in the application, as amended, filed in this proceeding.

(2) That applicant be and it is hereby authorized to depart from the long-and-short-haul provisions of Article XII, Section 21, of the Constitution of the State of California and of Section 460 of the Public Utilities Code to the extent necessary to adjust long-and-short-haul departures now maintained in Local Competitive Tariff 7, Cal. P.U.C. No. 231, under outstanding authorizations, and to depart from the terms and rules of Tariff Circular No. 2 of this Commission to the extent necessary to accomplish publication of the rate increases herein authorized in the same form as authorized by the Interstate Commerce Commission on interstate traffic. Applicant shall, thereafter, publish in its tariffs the specific increased rates and charges authorized herein not later than one hundred and eighty days after the effective date or dates of the rates and charges.

(3) That the authority herein granted is subject to the express condition that applicant will never urge before this Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitutes 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 shall be construed as consent to this condition.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty days after the effective date hereof.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 21st day of May 1957.

1957.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners