

ORIGINAL

Decision No. 59864

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
DELIVERY SERVICE COMPANY for Authority)
to Establish certain increased rates)
applicable to Wholesale Service within)
and between points in the East Bay)
Drayage Area and points in Alameda,)
Contra Costa and Solano Counties, and)
to Retail Service within and between)
points in the East Bay Drayage Area)
and El Cerrito.)

Application No. 41773
(As Amended)

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. 39

Phillip A. Winter, Wm. S. Tobin and
Maurice A. Owens, for applicant and
petitioner.
Grant L. Malquist and M. J. Gagnon, for
Commission 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 wholesale parcel delivery service between El Cerrito, Albany, Berkeley, Emeryville, Oakland, Piedmont and Alameda which applicant terms Zone 1, and surrounding territory in Alameda, Contra Costa Counties and Vallejo and vicinity, such latter territory being termed by applicant as Zone 2.

By the petition, filed December 21, 1959, Delivery Service Company seeks an upward adjustment in the wholesale parcel rates prescribed in Item 990 of City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A. Petitioner estimates that the proposed adjustments will result in an increase in revenues provided by those rates of about 12 percent.

By the application, filed the same date, Delivery Service Company seeks authority to make a number of adjustments in its rates and charges, some of which would result in reductions, the majority of which, however, would result in increases.

Public hearing was held in these matters February 5, 1960, before Examiner J. E. Thompson at San Francisco. Evidence was offered by applicant through the testimony of its executive vice president and of its accountant. The Commission's staff participated in the proceeding by examining applicant's witnesses. No one opposed the granting of the application and the petition.

Through its examination of the witnesses, the staff pointed out that in its Tariff No. 8 applicant maintains the rates prescribed in Item 990 of City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A, applicable not only within the East Bay Drayage Area but also within and to El Cerrito. Applicant thereupon requested leave to amend its application on the record by adding a request for authority to increase the rates in Item 75 of Delivery Service Company Tariff No. 8 to the same level as the rates which the Commission in this proceeding may approve as minimum rates in Item 990 of the said minimum rate tariff. Leave was granted and the amendment was received.

The record shows that since its last adjustment of rates, authorized by the Commission March 17, 1959, in Decision No. 58133 in Application No. 40662, applicant has incurred increased expenses

in the form of increased labor costs, higher fuel cost and equipment costs. On November 1, 1959, drivers' wages were increased \$2.00 per day and they were granted additional sick leave and vacation allowances. A profit and loss statement for the period December 26, 1958, to October 30, 1959, shows an operating ratio of 99.83 percent before taxes.¹ A similar statement for operations conducted during the period November 1, 1959, to December 31, 1959, shows an operating ratio of 104.04 percent. For the calendar year 1959 applicant conducted operations at a loss.

Applicant's accountant prepared an itemized statement of revenues and expenses for the period April 17, 1959, (subsequent to the most recent rate increase) to October 30, 1959, (prior to the wage increase) and expanded the figures to reflect increased expenses and the increased revenues which would result from the proposed rate adjustments. The following summarizes the results so shown:

REVENUES AND EXPENSES

April 17, 1959 - October 30, 1959

	<u>Actual</u>	<u>Increase</u>	<u>Pro Forma At Proposed Rates</u>
Revenue	\$197,642	\$22,148	\$219,790
Expenses	<u>194,479</u>	<u>12,866</u>	<u>207,345</u>
Net Income	\$ 3,163	\$ 9,282	\$ 12,445
Operating Ratio:			
Before Income Taxes	98.40%		94.34%
After Income Taxes	98.95%		96.25%

The revenues and expenses shown in the pro forma statement appear to be underestimated. No allowance was made for any diversion of traffic because of the rate increase. Applicant's executive vice president testified that, while it was expected that some traffic would be lost because of increases in rates, he hoped that additional

¹ Applicant's accounting is maintained on a weekly basis; its fiscal period is 52 weeks.

traffic resulting from the industrial and commercial growth of the area could be secured. Drivers' wage expense reflected increases of the \$2.00 per day only and no allowance was made for increased sick leave and vacation. No allowance was made for increases in mechanics' pay or increases in the cost of repairs and parts. While it has been customary to increase the salaries of administrative and clerical employees when drivers' wages have been increased, no such allowance has been made here. Applicant's vice president testified that the rate for workmen's compensation insurance was recently increased from 1.6875 percent to 1.94 percent. The pro forma expenses do not reflect this increase.

We find that the increases sought by applicant have been shown to be justified. In prior proceedings and decisions concerning the establishment of minimum rates in the East Bay Drayage Area, we have found that the parcel rates set forth in Item No. 990 of City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A should be predicated upon the operations of Delivery Service Company. Applicant is the rate-making carrier in the parcel delivery field for services for which rates are provided in Item 990. We find that the rates proposed in Petition No. 39 herein are the just, reasonable, and nondiscriminatory minimum rates for the transportation services described in Item 990 of said minimum rate tariff and that the increases resulting from the establishment of said rates are justified.

As part of its application, it is alleged that Pacific Motor Tariff Bureau Local Freight Tariff No. 8, Cal. P.U.C. No. 1, and S. B. Greig, dba East Bay Parcel Delivery Company Local Freight Tariff No. 1 maintain rates which were adopted from Delivery Service Company Tariff No. 9 as competitive rates. Applicant's vice president

testified that little, if any, traffic is transported under the parcel rates in those tariffs. The rates are the same as those maintained by applicant in February 1959. When applicant increased its rates pursuant to Decision No. 58133, Pacific Motor Tariff Bureau and East Bay Parcel Delivery Company did not increase the competitive rates in their tariffs. According to applicant's vice president, the amount of traffic transported under such rates in those tariffs is so small that the increase was of not enough importance to Pacific and East Bay to warrant changing their tariffs. Applicant avers that the publication of the lower rates by Pacific and East Bay is detrimental to it and that such rates are now and will continue to be unreasonably low. It asks that Pacific and East Bay be ordered to increase their rates to conform with whatever increased rates the Commission may authorize applicant in these proceedings. The relief sought may not be granted in an application proceeding. If applicant desires to pursue the matter, it may file a complaint as provided in Article 3 of the Commission's Rules of Procedure.

O R D E R

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

IT IS ORDERED:

1. That Delivery Service Company is authorized to establish the increased parcel delivery rates as set forth in its application, as amended, to be effective not earlier than the effective date hereof on not less than five days' notice to the Commission and to the public.
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 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 will be construed as consent to this condition.

3. That the authority conferred above will expire unless exercised within sixty days after the effective date of this order.

4. That in all other respects Application No. 41773, as amended, is denied.

5. That City Carriers' Tariff No. 2-A, Highway Carriers' Tariff No. 1-A (Appendix "A" of Decision No. 41362, as amended) is further amended by incorporating therein, to become effective May 20, 1960, Ninth Revised Page 40, which page is attached hereto and by this reference made a part hereof.

6. That tariff publications required to be made by common carriers as a result of paragraph 5 of this order 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 shall be made effective not later than May 20, 1960.

7. 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 29th day of March, 1960.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

SECTION 3 - COMMODITY RATES (Continued)			
In cents per 100 pounds, except as noted			
Item No.	COMMODITY	RATE	
*8990-F Cancels 990-E	<p>PARCEL CITY DELIVERY (Wholesale Only) (See Notes 1 and 2)</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>In Cents Per Package</p>	
	<p>1 to and including 100 packages per week -----</p>		52
	<p>Over 100 " " " 400 " " " -----</p>		38
	<p>" 400 " " " 800 " " " -----</p>		37
	<p>" 800 packages per week -----</p>		36
	<p>(1) On all packages exceeding 40 pounds in weight, an additional charge of 3 cents per pound shall be made for each pound or fraction thereof in excess of 40 pounds.</p> <p>NOTE 1.-The above rates are subject to a guarantee of ten parcels per week for regular pickup service.</p> <p>NOTE 2.-Where consignor does not guarantee a minimum of ten parcels per week, a charge of 25 cents will be added to the above rates for each pickup.</p>		
995-A Cancels 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>In Cents Per Package</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 \$1.00 or fraction thereof shall be assessed for each C.O.D. collected.</p>		<p>16 Plus 3 cents for each pound or fraction thereof. (See Note 3.)</p>
<p>* Change) ◊ Increase) Decision No. 59864 ◊ Reduction)</p>			
EFFECTIVE MAY 20, 1960			
<p>Issued by the Public Utilities Commission of the State of California San Francisco, California.</p>			
Correction No. 203			