

Decision No. 66340

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of RAILWAY EXPRESS)
AGENCY, INCORPORATED, to)
increase certain air express)
minimum charges to \$4.)

Application No. 45828
Filed October 2, 1963

OPINION AND ORDER

Railway Express Agency, Incorporated, is an express corporation engaged in the transportation of express over the lines of common carriers, including air transportation companies. It operates within California, as well as between California and other states and within and between other states. By this application it seeks authority to increase from \$3.50 to \$4.00 its minimum charge per shipment applicable to all air express moving in California intrastate commerce, except shipments of live animals and birds. The proposed minimum charges will result in an approximate eight percent increase in California intrastate air express revenues. The minimum charges were last increased pursuant to Decision No. 61100, dated November 22, 1960, in Application No. 42713.

The proposed minimum charges of \$4.00 per shipment are the same as minimum charges applicable on interstate air express traffic throughout the United States and on intrastate traffic in all states except California. The increased minimum charge became effective on interstate traffic on January 15, 1963.

Air express is a joint undertaking of applicant and scheduled air carriers, and is conducted pursuant to an Air Express Agreement, dated September 4, 1949. Under the terms of that agreement, the scheduled air carriers have the responsibility of

transporting shipments by aircraft between airports, and applicant has the responsibility of picking up the shipments and transporting them to originating airports, transporting the shipments from destination airports to consignees, issuing shipping documents and collecting charges. Air carriers share with applicant the gross revenues received on the bases set forth in a settlement formula contained in the Agreement. Under the Agreement, the cost for providing air express service is the sum of costs incurred by applicant and costs incurred by the air carriers performing the air transportation.

The application contains a development of the estimated expenses for performing air express service within California for the year 1962 and restated expenses which reflect current expense levels. Various allocations of expenses were necessary to separate from total expenses those which are applicable to California air express operations. The estimated expenses and the revenues actually received for the year 1962, and the estimated current expenses and the revenues under the proposed increased rates, are set forth in the following table:

Estimated Revenues and Expenses for
Air Express Operations within California

	<u>Actual</u>	<u>Projected</u>
Revenues	\$532,112	\$575,680
REA Expenses	363,776	384,664
Airline Expenses	256,676	256,676
Total Expenses	<u>620,452</u>	<u>641,340</u>
Net Profit (Loss)	(88,340)	(65,660)
Operating Ratio	116.6%	111.4%

According to the application, the estimated average cost per shipment for the pickup, delivery, billing and collecting costs incurred by applicant is \$3.35. The application states that

applicant's cost for handling a minimum charge shipment is not substantially less than its average cost per shipment, inasmuch as (1) applicant performs only terminal services and its costs do not vary with length of haul, and (2) the average air express shipment weights only about 25 pounds. The application avers that air carriers also incur substantial terminal expenses in connection with the handling of air express shipments, and that such terminal expenses do not vary with length of haul. The airlines' average cost per shipment for handling California intrastate air express traffic, as developed in the application, is \$2.23. The combined average cost per shipment for applicant and the underlying air carriers is \$5.58. The proposed increased charges should be authorized.

We find that the increased charges as proposed in the application in this proceeding are justified. We conclude that the application should be granted. A public hearing in this matter is not necessary. The application requests authority to make the increased charges effective on five days' notice. In view of the indicated need for additional revenue, the order will provide for publication of the proposed increased charges on ten days' notice.

O R D E R

IT IS ORDERED that:

1. Railway Express Agency, Incorporated, is authorized to establish the increased charges as proposed in Application No. 45828. Tariff publications authorized to be made as the result of the order herein may be made effective not earlier than ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

2. The authority granted herein shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 14th day of NOVEMBER, 1963.

William M. Bennett
 President

Robert J. [unclear]

Robert W. [unclear]

George T. Grover

Frederick B. Hallock
 Commissioners