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Decision No. _____

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of RAILWAY EXPRESS)	
AGENCY, INCORPORATED, to increase)	
intrastate rates and charges)	
for surface express service by)	Application No. 46229
25 cents per shipment.)	(Filed February 25, 1964
		Amended March 13, 1964)

Pillsbury, Madison & Sutro, by Noel Dyer and
Dudley A. Zinke, for applicant.
C. D. Gilbert, J. X. Quintrall and A. D. Poe for
 California Trucking Association, interested
 party.
Henry E. Frank and Chas. J. Astrue, for the
 Commission staff.

O P I N I O N

This application was heard and submitted March 17, 1964, before Examiner Thompson at San Francisco. Copies of the application and notice of hearing were served in accordance with the Commission's procedural rules. There were no protests.

Railway Express Agency, Inc., is engaged in the transportation of property over the lines of common carriers within California and throughout the United States. Its California operations are conducted as an express corporation, a highway common carrier, a highway permit carrier and a city carrier.

On December 20, 1963, applicant published a special supplement to its express tariffs providing for an additional charge of 25 cents per shipment on all less-than-carload shipments moving in surface express service except that the maximum charge for a one-pound shipment shall not exceed \$3.00. Said supplement became effective on interstate traffic on January 27, 1964, and is now effective on all intrastate commerce in the Mountain Pacific States Territory except within the States of California and Nevada. It here seeks authority to make said increase effective in California except in connection

with less-than-carload shipments of daily newspapers.

The evidence consists of exhibits and testimony presented by applicant's regional marketing manager, its district accountant and its general superintendent of transportation. The Commission staff participated through questioning applicant's witnesses. It did not offer direct evidence.

Applicant contends that the revenues it derives from the transportation of less-than-carload surface express shipments within California are insufficient to cover the cost of performing the service and that the present rates, to the extent that they are below interstate rates for the same service, are insufficient, unreasonable, discriminatory and impose an undue burden upon interstate commerce.

Applicant presented an estimate of the results of California intrastate surface express operations for the year ended October 31, 1963 and adjusted revenues and expenses to show the results of operation at present expense levels under present rates and under the proposed rates. Table I is a summary of those estimated results.

TABLE I
Estimated Results of Railway
Express Agency (R.E.A.) California
Intrastate Surface Operations for
Year Ended October 31, 1963, at
Present and Proposed Rates.

	Recorded Revenue and Expense Levels	Adjusted to Present Expense Levels	
		Present Rates	Proposed Rates
Revenue	\$ 1,797,124	\$1,831,641	\$1,936,448
Expense			
R.E.A. Operations	1,665,735	1,675,171	1,675,171
Line Haul (Railroad)	240,778	240,778	240,778
Total Expense	\$1,906,513	\$1,915,949	\$1,915,949
Net Revenue	\$ <u>109,389</u>	\$ <u>84,308</u>	\$ 20,499
Income Taxes	-	-	8,815
Net Income from Operations	\$ <u>109,389</u>	\$ <u>84,308</u>	\$ 11,684
Operating Ratio, %	106.1	104.6	99.4
Estimated Rate Base	-	-	\$ 705,592
Rate of Return, %	-	-	1.66

As may be seen from Table I, applicant estimates that the proposed increases will provide \$104,800 additional revenue.

The procedures and methods used to develop the estimates were the standard ones used by applicant in other proceedings before the Commission and other regulatory bodies. In this instance the revenue estimates are overstated because the proposed increases were applied to all traffic except shipments transported for the United States under Government Quotation Rates. The proposed increases are not applicable to carload traffic or to less-than-carload shipments of daily newspapers. We also note that while applicant gave effect to the new income tax reductions and to investment tax credits, interest was not considered in developing the estimate for income taxes resulting in some overstatement of the item. All of the figures shown in Table No. 1, including those shown under recorded revenue and expense levels, were developed from separation and allocation of California intrastate surface express revenues and expenses from recorded amounts that included revenues or expenses attributable to other services, such as air express and interstate surface express.

Even so, the foregoing deficiencies in Table I are not, taken as a whole, substantial, and we find that the estimates of operating revenues and expenses, including taxes, set forth in Table I reasonably represent the results of applicant's California intrastate surface express operations for the purpose of this proceeding and that the increases in rates and charges proposed by applicant are justified.

Applicant requests authorization to make the proposed increases effective on five days' notice. The evidence shows, and we find, that the present rates are not sufficient. A delay of thirty days before the published rates could be made effective would be an unwarranted hardship. There are a number of tariffs involved here. We find that at least ten days will be required to examine the tariff filings for compliance with the authority to increase the rates.

Applicant has been authorized to depart from the long- and short-haul provisions of the Constitution and the Public Utilities Code in the publication of certain rates now maintained in some of the tariffs. The proposed increases would apply to those rates so that the long- and short-haul departures would continue. The conditions which justified the authorization of such departures would not be changed by the increases in rates.

Applicant proposes to establish the increases by the issuance of supplements to its tariffs. Some of its tariffs are loose-leaf in form. Authorization to depart from the requirements of General Order No. 80-A is required to permit the establishment of the increases by supplements to those tariffs.

We conclude that applicant should be authorized to establish the proposed increase on not less than ten days' notice and that it should also be authorized to continue departures from the long- and short-haul provisions of the Public Utilities Code and to depart from the requirements of General Order No. 80-A to the extent necessary to establish the increases in the form proposed in the application herein.

O R D E R

IT IS ORDERED that:

1. Railway Express Agency, Inc., is authorized to establish the increased rates as proposed in Application No. 46229. Tariff publications authorized to be made as a 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 herein granted shall expire unless exercised within ninety days after the effective date of this order.

3. In establishing and maintaining the rates authorized hereinabove, applicant is authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorizations.

4. Applicant is authorized to depart from the requirements of General Order No. 80-A to the extent necessary to establish the increased rates authorized hereinabove by special supplements to its tariffs.

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

Dated at San Francisco, California, this 28th day of April, 1964.

William J. Deard
 President

Richard E. [unclear]

Everett [unclear]

George L. [unclear]

 Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.