

ORIGINALDecision No. 69240

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.

Application No. 47396
(Filed March 9, 1965)

Pillsbury, Madison & Sutro, by Noel J. Dyer and
Dudley A. Zinke, for applicant.
Arlo D. Poe, J. C. Kaspar and H. F. Kollmyer,
for California Trucking Association,
interested party.
John F. Specht and Charles J. Astrue, for the
Commission staff.

O P I N I O N

This application was heard and submitted April 6, 1965 before Examiner Thompson at San Francisco. Copies of the application and notice of hearing were served in accordance with the Commission's procedural rules. At the beginning of the hearing California Trucking Association protested some of the proposed rates for shipments weighing over 100 pounds on the ground that such rates may be lower than the minimum rates established by the Commission. Upon assurance by counsel for applicant that Railway Express Agency, Incorporated is subject to the minimum rate order in the Commission's Decision No. 31606, as amended, and will, when it is notified to so do, change any of said proposed rates so as to comply with said order, California Trucking Association removed its protest.

Applicant seeks authority to increase rates and charges for surface express. The increased rates and charges are in effect on interstate commerce and have been made effective on intrastate commerce throughout the United States except in California, Florida

and Louisiana. The proposed rates are set forth in Railway Express Agency Class Tariff 18-F, which contains its first class and second class express rates; in Commodity Tariff 37-C, which contains commodity rates and charges on miscellaneous merchandise; and in Supplement 42 to applicant's Official Express Classification 36. The proposed tariff changes result in a somewhat different structure of rates than that in applicant's presently effective tariffs.

Applicant proposes to set forth charges for first class and second class shipments weighing less than 100 pounds in five-pound weight brackets instead of naming a specific charge for each pound up to 100 pounds as is presently provided. The proposed charges reflect increases of at least 15 cents over the present charges. It is also proposed to increase by 10 cents the rates for shipments weighing 100 pounds or more. A traffic study was prepared by applicant to show the average revenue effect of the proposed rates and charges for first class and second class shipments. The present average charge per shipment transported under class rates is \$5.33 and the average charge per shipment under the proposed rates and charges is \$5.56, an average increase of 23 cents per shipment.

In connection with the rates on miscellaneous commodities (Tariff 37) applicant proposes to replace the graduated charges based on one-pound increments up to 100 pounds with charges based upon five-pound weight brackets and to increase the charges by 15 cents in the same manner proposed for class rates. It is proposed to increase the rate per 100 pounds for shipments weighing 100 pounds or more by five cents instead of the ten cents in connection with the class rates. The traffic study disclosed that the present average revenue per shipment under miscellaneous commodity

rates is \$3.91 and the average revenue under the proposed rates would be \$4.02 for an average increase per shipment of 11 cents.

There are 74 changes proposed in Supplement 42 to Official Express Classification 36 of which 70 result in increases in rates or charges. Twenty-nine of these changes consist of rounding off charges upwards to the nearest even multiple of five cents. Thirty-five of the changes result from providing uniformity in rates, rules and charges throughout the United States. Six of the changes involve increases in classification ratings on certain articles. The remaining four do not result in any increase in rates or charges. The traffic study revealed only 22 shipments out of a total of 1,290 to which the changes in Supplement 42 would apply. With respect to the 22 shipments the study disclosed the present average revenue per shipment to be \$4.58 and under the proposed changes the average revenue per shipment would be \$4.97.

Supplement 42 became effective on interstate commerce on July 13, 1964; Tariff 18-F became effective January 4, 1965, and Tariff 37-C became effective January 18, 1965. Shipments from California origins in interstate commerce have been subject to said increased rates and charges since the aforementioned dates. Applicant has not received a protest from any California shipper.

According to applicant the reasons for the proposed tariff changes and increases in rates are:

(1) To provide rate uniformity throughout the United States, thereby reducing the number of tariffs required to determine rates.

(2) To reduce the sizes of the tariffs (the class rate tariff is reduced from 53 pages to 32 pages) and to provide for greater ease and simplification in the use of the tariffs.

(3) To simplify and speed up applicant's computer pricing system through the adoption of fewer rate scales. The proposed five-pound weight bracket scales will reduce by more than 50 percent the number of rate tables which must be fed into the computer. The changes proposed in Supplement 42 to provide charges in multiples of five cents will also simplify the use of computer pricing.

(4) To reduce expense in the weighing of shipments. Assertedly it takes less time to determine whether the weight of a shipment is within a range of five pounds than it does to determine the weight to the pound.

(5) To obtain additional revenue necessary to offset increases in the cost of providing service. It was estimated that the proposed increased rates will provide additional gross revenue of \$48,801 per year.

Applicant presented an estimate of the results of California intrastate surface operations at present rates and proposed rates based upon operations conducted during the year ended October 31, 1964. The estimates are shown below:

RAILWAY EXPRESS AGENCY, INCORPORATED
 Estimated Results of California
 Intrastate Surface Operations
 (Year Ended October 31, 1964)

	Actual Revenue And Expense	Adjusted to Present Levels	
		At Present Rates	At Proposed Rates
Intrastate Revenue	\$1,977,754	\$2,011,062	\$2,059,863
Expenses & Taxes ^{1/}	<u>1,888,861</u>	<u>1,945,443</u>	<u>1,945,443</u>
Net	\$ 88,893	\$ 65,619	\$ 114,420
Line Haul Cost ^{2/}	<u>229,574</u>	<u>229,574</u>	<u>229,574</u>
Deficit	\$ 140,681	\$ 163,955	\$ 115,154

^{1/} Expenses and Taxes do not include any expenses and taxes related to line haul performance by railroad. The contract between applicant and the railroads (which are its owners) for line haul has been described in prior decisions. The basic feature of the determination of the amount to be paid the railroad under the contract for line haul service is the cost under the car-foot mile formula.

^{2/} Estimated cost to the railroads in the Mountain Pacific Group, of which the California railroads are a part, based upon the unit cost per car-foot mile applied to the total California intrastate car-foot miles.

The evidence shows, and we find, that the proposed increases are justified.

Applicant requests authority to depart from the requirements of Rule 5.8 of General Order No. 80-A to the extent necessary to make Tariffs 18-F and 37-C and Supplement 42 applicable to California intrastate transportation. Said rule provides for the placing of appropriate symbols to designate changes in rates. Section 491 of the Public Utilities Code provides that whenever change is proposed in any rate, attention shall be directed to such change on the schedule filed with the Commission by some character immediately preceding or following the item. Other than

that it intends to make the tariffs effective by special supplement, applicant did not indicate what departure from Rule 5.8 consistent with the requirements of Section 491 of the Code would be necessary in order to make the tariffs effective. All of the rates in Tariffs 18-F and 37-C which would be applicable in California are increases from present rates. In the circumstances applicant may make those tariffs effective by the issuance of special supplements thereto which show thereon the appropriate symbol provided in General Order No. 80-A for increases in rates. With respect to Supplement 42, most of the proposed changes result in increases; however, some do not. In order to make Supplement 42 effective by the issuance of a special supplement, and in order to comply with the requirements of Section 491 of the Code, applicant must designate by appropriate symbols those items which result in increases, reductions or no changes in rates.

The requested departure from Rule 5.8 (not showing any symbols) is denied. Applicant will be relieved of the requirement of placing a symbol before each item of change in the tariffs by designating by appropriate symbol on the special supplements the changes resulting from the establishment of Tariffs 18-F, 37-C and Supplement 42.

O R D E R

IT IS ORDERED that:

1. Railway Express Agency, Incorporated, is authorized to establish the increased rates proposed in Application No. 47396 and, in the establishment of said rates, shall comply with the requirements of Decision No. 31606, as amended in Cases Nos. 4246, 4808 and 5432, by increasing any rate lower than the established

minimum rate for the transportation of shipments weighing 100 pounds or more up to the level of said minimum rate. 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. Applicant is authorized to establish the increased rates provided for in paragraph 1 hereof by the issuance of special supplements to its Tariff 18-F, Tariff 37-C and Official Express Classification 36 which shall clearly state thereon in bold print explanations of the changes in rates applicable to California intra-state commerce. Such explanations shall designate the changes in rates by the appropriate character or symbol provided for in General Order No. 80-A.

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

Dated at San Francisco, California, this 15th day of JUNE, 1965.

Frederick B. Hallock
President

George A. Brown
Commissioners

Augusta
Commissioners

William W. Bennett
Commissioners