

ORIGINAL

Decision No. 69476

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of RAILWAY EXPRESS)
AGENCY, INCORPORATED, to)
increase air express minimum)
charges for transportation)
to \$4.70.)

Application No. 47649
(Filed June 8, 1965)

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 its minimum charges for all air express traffic moving in California intrastate commerce to \$4.70 per shipment from \$4.45 per shipment for animals and birds and from \$4.00 per shipment for all other commodities. Applicant also requests authority to increase such charges on five days' notice to the Commission and to the public.

The proposed minimum charges of \$4.70 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 charges became effective on interstate traffic on February 4, 1965.

Air express is a joint undertaking by applicant and scheduled air carriers, and is conducted pursuant to an Air Express

Agreement, dated July 31, 1964. 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, publishing tariffs 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.

The application contains a development of the estimated expenses for performing air express service within California for the year 1964 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 1964 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	\$520,253	\$581,844
REA Expenses	457,339	467,186
Airline Expenses	<u>197,181</u>	<u>197,181</u>
Total Expenses	654,520	664,367
Net Profit (Loss)	(134,267)	(82,523)
Operating Ratio	125.81	114.18

According to the application, the estimated average cost per shipment for the pickup, delivery, billing and collecting

incurred by applicant is \$4.19. 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 weighs only about 23 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 \$1.77. The combined average cost per shipment for applicant and underlying air carriers is \$5.96.

In the circumstances, it appears, and the Commission finds, that the proposed increased minimum charges are justified. A public hearing is not necessary. The application should be granted.

IT IS ORDERED that:

1. Railway Express Agency, Incorporated, is authorized to establish the increased charges as proposed in Application No. 47649. Tariff publications authorized to be made as the result of the order herein may be made effective not earlier than five days after the effective date of this order or not less than five 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.

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

Dated at San Francisco, California, this 27th day of July, 1965.

Fredrick B. Hallock
President
George J. Grover
Augusta

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.