

ORIGINAL

Decision No. 71660

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of RAILWAY EXPRESS)	
AGENCY, INCORPORATED, to increase)	Application No. 48900
the air express minimum charge)	(Filed October 28, 1966)
for transportation to \$5.20.)	

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 charge for all air express traffic moving in California intrastate commerce to \$5.20 per shipment from \$4.70 per shipment. Applicant also requests authority to increase such charge on ten days' notice to the Commission and to the public.

The proposed minimum charge of \$5.20 per shipment is the same as the minimum charge 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 March 16, 1966.

Air express service is a joint undertaking by applicant and certain air carriers, and is conducted pursuant to an Air Express Agreement, dated July 31, 1964. Under the terms of that Agreement, the 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 1965 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 1965 and the estimated current expenses and the revenues under the proposed increased charge are set forth in the following table:

Estimated Revenues and Expenses for
Air Express Operations within California

	<u>Actual</u>	<u>Projected</u>
Revenues	\$609,282	\$704,865
REA Expenses	511,604	511,604
Airline Expenses	272,884	272,884
Total Expenses	784,488	784,488
Net Profit (Loss)	(175,206)	(79,623)
Operating Ratio	128.76	111.30

According to the application, the estimated average cost per shipment for the pickup, delivery, billing and collecting incurred by applicant on California intrastate shipments is \$4.10. 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 28 pounds. The application avers that air carriers also incur substantial terminal expenses in connection with

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the handling of air express shipments, and that such terminal expenses do not vary with length of haul. The airlines' average estimated cost per shipment for handling California intrastate air express traffic, as developed in the application, is \$2.19. The combined average estimated cost per shipment for applicant and underlying air carriers is \$6.29.

The application was listed on the Commission's Daily Calendar of November 1, 1966. No objection to the granting of the application has been received.

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

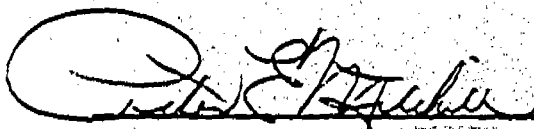
IT IS ORDERED that:

1. Railway Express Agency, Incorporated, is authorized to establish the increased charge as proposed in Application No. 48900. 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 of this order on not less than ten days' notice to the Commission and to the public.

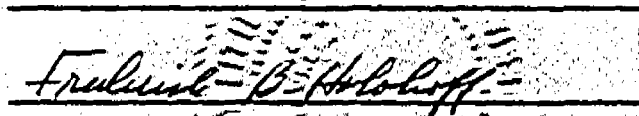
2. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

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

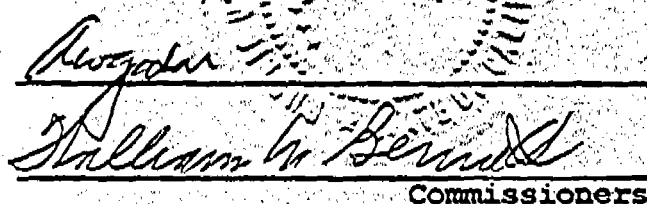
Dated at San Francisco, California, this 6th day of December, 1966.



President



Commissioner



Commissioner

Commissioner George G. Grover did not participate in the disposition of this proceeding.