

ORIGINAL

Decision No. 76687

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. 51510  
(Filed November 26, 1969;  
Amended December 15, 1969)

O P I N I O N

Railway Express Agency, Incorporated (REA), is an express corporation operating throughout the United States, including Hawaii and Alaska, in both surface and air express service. Its surface express services utilize mainly railroads for long distance hauls and common carrier truck lines for local hauls. Collection and delivery are performed by applicant's own vehicles or by other for-hire motor carriers. By this application REA seeks to increase and restate its California intrastate class rates for surface express traffic. REA also proposes to establish an additional charge of 75 cents per shipment subject to an expiration date of August 31, 1970. The sought changes would parallel like adjustments which became effective with respect to applicant's interstate traffic on various dates beginning May 18, 1969. Applicant estimates that the increases sought herein will result in an increase in revenue of 9.58 percent for California intrastate surface express traffic, exclusive of the temporary surcharge. The estimated increase inclusive of said surcharge is 17.00 percent.

Specifically, it is proposed that class rates be restated in graduated charges based on 25-pound increments in lieu of the present 10-pound increments and then further increased. Increases in rates

and charges are also proposed in rules pertaining to merchandise classifications and money classifications, and charges for shipments delivered to an address other than the consignee's in the same city.

REA alleges that its California intrastate surface express operations are being conducted at a loss and will be only marginally profitable if the sought increases are authorized; that it is currently encountering serious losses on its nationwide operations as a whole, which losses threaten REA's solvency and its ability to continue rendition of its historic express service; and that the substantial parity between intrastate and interstate express rates, which the granting of the application will effect, is necessary to avoid undue and unreasonable prejudice against shippers and localities involved in interstate commerce. REA also alleges that its proposal will result in further simplification of its class tariff by reducing the present ten weight groupings to four weight groupings for shipments 100 pounds and under.

A summary of applicant's estimated revenues and expenses from California intrastate surface express operations, taken from the application, is set forth below:

California Intrastate Estimated  
Revenues and Expenses for Year  
Ended June 30, 1969

Revenue		\$1,498,521
Expenses and Taxes	\$1,484,647	
Purchased Transportation	<u>211,052</u>	
Total Cost of Service		<u>1,695,699</u>
Excess of Cost Over Revenue		\$ 197,178

Applicant's estimates of revenues and expenses for intrastate surface express operations, adjusted to give effect to rate increases sought herein and to known increases in expenses, are set forth below:

California Intrastate Estimated  
Revenues and Expenses Adjusted For  
Sought Revenue Increase and Known  
Changes in Expenses

Revenue from Increased Class Rates		\$1,771,331
Expenses and Taxes	\$1,637,998	
Purchased Transportation	<u>161,670</u>	
Total Cost of Service		\$1,799,668
Excess of Cost Over Revenue		<u>\$ 28,337</u>
Revenue from \$.75 per Shipment Special Additional Charge on All Shipments except Government Traffic, January 1, 1970 through August 31, 1970		\$ 120,244
Excess Revenue Over Cost (Before Income Taxes)		\$ 91,907

Statements attached to the application set forth the steps by which the estimates of operating results summarized in the tables above were developed. Applicant does not separate its California intrastate revenues and expenses from its total operations. It does, however, maintain records of all shipments handled at California stations (interstate and intrastate), as well as the revenue from such shipments and expenses incurred by those stations. The number of intrastate shipments and the intrastate revenue are then estimated by applicant on the basis of a four-month actual count of waybills covering intrastate shipments from all stations in California. Intrastate expenses are estimated by taking a percentage of the total California expenses, based on the relationship of the estimated intrastate shipment handlings to the total California shipment handlings. Total California expenses are those incurred at the California stations in handling shipments originating and/or terminating in California. The cost of purchased transportation is also an estimated figure based on the estimated number of intrastate shipments and the average cost per carfoot mile.

REA's surface express rates were last adjusted pursuant to Decision No. 76105, dated August 26, 1969 in Application No. 51207.

That application was carefully analyzed and additional data relative thereto was obtained by members of the Commission's Finance and Accounts Division and its Transportation Division staffs. The results of these separate studies were incorporated in two reports, which were received as exhibits in said application. Both staff divisions indicated that as a result of their studies they believe that the methods that consistently have been employed by applicant in estimating its intrastate revenues and expenses were reasonable and acceptable for the purposes of that proceeding, and recommended that said application be granted by ex parte order. No material changes in circumstances appear to have occurred in the period since that proceeding was decided.

REA requests that this application also be granted without hearing, because of the asserted urgent need for additional revenues. REA asks that it be permitted to establish the proposed increased rates on ten days' notice.

The application was listed on the Commission's Daily Calendar of November 28, 1969. No objection to the granting of the application has been received.

In the circumstances, it appears, and the Commission finds, that the proposed increases in rates are justified. A public hearing is not necessary. The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Railway Express Agency, Incorporated, is authorized to establish the increased rates and charges as proposed in Application No. 51510.

2. 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 of this order on not less than ten days' notice to the Commission and to the public.

3. The authority herein granted is subject to the express condition that applicant will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as a consent to this condition.

4. 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 20<sup>th</sup> day of JANUARY, 1970.

William S. Brown, Jr.  
President

William J. ...

Thomas L. ...  
Commissioners

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.