

**ORIGINAL**Decision No. 76978

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of AIRBORNE FREIGHT CORPORATION  
for an order authorizing an  
increase in tariff rate between  
the herein named points, pursuant  
to the provisions of P.U. Code,  
Sec. 454.

Application No. 51477  
(Filed November 13, 1969)

Dann H. Thompson, for Airborne Freight Corpora-  
tion, applicant.  
George B. Dill, in propria persona, interested  
party.  
B. I. Shoda, for the Commission staff.

O P I N I O N

Airborne Freight Corporation, a Delaware corporation (Airborne - Delaware), is the successor of Airborne Freight Corporation, a California corporation, and Pacific Air Freight, Inc., a Washington corporation. By Decision No. 71452, dated October 25, 1966, in Application No. 48603, the former Airborne Freight Corporation of California was issued a certificate of public convenience and necessity to operate as an air freight forwarder of general commodities between various points within California. For such freight forwarder service common carrier tariff rates and rules were established assertedly competitive with the then effective rates and rules of Emery Air Freight Corporation, as set forth in the latter's Air Freight Tariff No. 2, Cal. P.U.C. No. 2. On May 10, 1968, Pacific Air Freight, Inc., and Airborne Freight Corporation of California were both merged into Airborne-Delaware. By Decision No. 75528, dated April 8, 1969, in Application No. 50907, the certificate previously issued to the former Airborne Freight Corporation of California was revoked and the

certificate then held by Pacific Air Freight, Inc., was transferred to Airborne-Delaware, which has its principal place of business in Seattle, Washington.

Applicant is currently certificated to operate as an air freight forwarder of general commodities between all points within the State of California, subject to the restriction that said property shall have transportation by aircraft originate at specified airports and terminate at designated points served by air common carriers. Airborne-Delaware also provides an air freight forwarder service throughout the United States and in foreign commerce. Applicant's California intrastate air forwarder rates and rules are contained in the adopted Pacific Air Freight, Inc., Rate Tariff No. 1-A, Cal. P.U.C. No. 3 and Airborne Freight Corporation Official Airfreight Forwarder California Intrastate Rate Tariff No. 1, Cal. P.U.C. No. 1.

In this application, Airborne-Delaware requests authority to cancel its air freight tariffs on file with this Commission and to publish a single new tariff in lieu thereof. In publishing its new California tariff applicant seeks authority to increase its current rates to the level authorized Emery Air Freight Corporation by Decision No. 74989, dated November 26, 1968, in Application No. 50389. While rate increases will predominate, in some instances rate reductions will occur should Airborne-Delaware's efforts to reestablish its competitive rate equality with Emery Air Freight Corporation be authorized.<sup>1/</sup> It is proposed that applicant's present rates applicable between noncompetitive points with Emery Air Freight Corporation be increased to the same general level as the latter air freight forwarder's rates were

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<sup>1/</sup> The increased rates authorized Emery Air Freight Corporation by Decision No. 74989 were published, effective February 13, 1969, in said air forwarder's California intrastate Airfreight Tariff No. 1, Cal. P.U.C. No. 6 (Air).

authorized to be increased. Airborne-Delaware also requests appropriate relief for the long- and short-haul departures resulting from the publication of the proposed rates.

Public hearing was held before Examiner Gagnon at San Francisco on January 23, 1970. Oral and documentary evidence was introduced on behalf of applicant by its Director of Tariffs. The matter was taken under submission without opposition to the sought increase.

Applicant, operating as an air freight forwarder, assembles many small shipments of the users of its service, and, as a carrier, arranges for their transportation from origin to destination principally through the facilities of other air and motor common carriers. In certain instances Airborne-Delaware performs its own pickup and delivery service. Applicant's motor carrier equipment and terminals used in its California operations are generally operated under lease arrangements. Applicant does not separate its expense accounts for interstate and intrastate traffic. The California intrastate operations of Airborne-Delaware are estimated by its Director of Tariffs to be approximately one percent of its overall operations.

Applicant's existing level of rates has remained unchanged since 1967 and does not reflect subsequent increased costs of operations which, according to the testimony of Airborne-Delaware's Director of Tariffs, the applicant air freight forwarder has experienced. The Director of Tariffs introduced (Exhibits 3 and 4) excerpts from Airborne Freight Corporation Rate Tariff No. 5-A, C.A.B. No. 22 (Pacific Air Freight, Inc. Series), which indicates that, effective March 2, 1970, the interstate rate scales contained therein are scheduled to be increased by approximately 5 percent. The witness

also estimated that the sought increase in its California intrastate rates amounted to a 15.8 percent upward adjustment in rates. Based upon a projection and expansion of applicant's 1969 quarterly report of California intrastate gross operating revenues, Airborne-Delaware's Director of Tariffs estimates that the sought increase will produce \$121,000 additional annual gross income for the year 1970.

The financial statements introduced by the Director of Tariffs indicate that for the first six months of 1969 Airborne-Delaware's domestic and international air forwarder services resulted in net operating losses of \$308,000. For the nine months ended September 30, 1969, a consolidated statement of earnings of Airborne Freight Corporation and subsidiary shows net earnings of \$221,169, which applicant indicates represents a 6.5 percent rate of return, after computed income taxes on a rate base having a net book value of \$3,404,920.01. Said net earnings include \$110,000 in income tax credit arising from a carryover of prior operating losses. While the combined financial results of Airborne-Delaware's predecessors reflected substantial losses for 1968, applicant has demonstrated that with the ensuing economies of its recent merger, the overhauling of the existing rate structure and the attainment of projected revenue goals since the formation of the new corporation, profitable system-wide results of operations are emerging.

Applicant's major justification for its sought relief rests upon the desire to maintain the same competitive level of California intrastate rates as was previously authorized Emery Air Freight Corporation. Secondly, the overhauling of the applicant's tariff rates, which were inherited from its predecessors, is an integral part of Airborne-Delaware's reorganization and modernization program which was

commenced subsequent to the 1968 merger of its former parent air freight forwarders. Said program appears to be attaining the desired objective of reversing historical deficit operating experiences.

While the sought increase in the established rates of applicant to the level previously authorized Emery Air Freight Corporation is not deemed to be excessive, we are concerned about Airborne-Delaware's failure to present any pertinent factual cost or expense data relevant to its California intrastate operations. Were it not for the fact that applicant's California intrastate operations constitute only about 1 percent of its total domestic and international air freight forwarder operations, we would be inclined to withhold approval of the sought increase until such additional cost and expense data were made available. Although Airborne-Delaware's expense showing is not separated as it relates to the California intrastate portion of its traffic, it is apparent that its costs of operations have increased and such cost changes should be reflected in applicant's California intrastate rate structure. To the extent that the increases proposed in this application do not exceed the level of increase previously authorized to be made in the like competitive rates of Emery Air Freight Corporation, the rate proposal of applicant is considered to be justified in the light of current economic conditions.

The Commission finds that:

1. Applicant operates as an air freight forwarder in intrastate transportation within California and in interstate and foreign commerce.
2. Applicant's current intrastate rates and rules have not been materially changed since 1967.

3. The principal elements of applicant's costs of providing air freight forwarder service within California have increased since applicant's current rates became effective.

4. The rate increases proposed in the application are justified to the extent such increases in rates do not exceed the level of increase authorized to be made in the like rates of Emery Air Freight Corporation by Decision No. 74989 of November 26, 1968, in Application No. 50389.

The Commission concludes that Application No. 51477 should be granted, and that applicant should be authorized to depart from the long- and short-haul provisions of Section 460 of the Public Utilities Code to the extent necessary to publish the revised rates authorized herein.

O R D E R

IT IS ORDERED that:

1. Airborne Freight Corporation, a corporation organized pursuant to the laws of the State of Delaware, is authorized to establish the increased rates as proposed in Application No. 51477.

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. Applicant, in establishing and maintaining the rates authorized hereinabove, is authorized to depart from the long- and short-haul provisions of Section 460 of the Public Utilities Code to the extent necessary to comply with this order. Schedules containing the rates published under this authority shall make reference to this order.

5. The authority granted herein 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 24<sup>th</sup> day of MARCH, 1970.

William J. Lyons Jr.  
President

J. P. [Signature]

[Signature]

Vernon L. Strawn  
Commissioners

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