

ORIGINAL

Decision No. 79683

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of REA EXPRESS,  
INCORPORATED, to increase  
rates and charges applicable  
to air express service. }

Application No. 52845  
(Filed September 3, 1971)

Eugene Garfinkle, Attorney at Law, for applicant.  
Alan Silvius, for the Commission staff.

O P I N I O N

REA Express, Incorporated (REA) is an express corporation operating throughout the United States, including Hawaii and Alaska, in both surface and air express service. By this application REA seeks to increase its California intrastate rates and charges applicable to air express traffic.

Public hearing was held before Examiner O'Leary at San Francisco on November 15, 1971 at which time the matter was submitted. Applicant presented evidence through two witnesses: a traffic consultant and a regional auditing manager. A member of the Commission's Transportation Division assisted in the development of the record through the examination of applicant's witnesses.

Applicant's traffic consultant testified that because of increased expenses applicant made application with the Civil Aeronautics Board (CAB) seeking authority to increase its interstate air express rates. Said increases were granted by the CAB and became effective on September 25, 1970. Similar authorization was granted on intrastate traffic by states other than California which regulate said rates and charges.

The increases proposed herein raise the minimum charge applicable to air express traffic from the present \$6.00 to \$8.50, except for rates applicable to animals and birds, live, where the

minimum charge now is \$6.25. Additionally increases are proposed in air express rates so as to produce a curve of progression as weight and distance increase, in amounts which in no case exceed \$2.50 per shipment. The application also seeks to establish the following new charges:

1. A manifest fee of \$1.00 to be assessed on payment for advancing charges to a prior carrier.
2. An excess waiting time charge of \$3.50 for each 15 minutes (or fraction thereof) in excess of the first 15 minutes.
3. A storage charge of \$1.00 per day for each day after two free days a shipment is held at one of applicant's terminals subject to a minimum charge of \$2.00.

Applicant also seeks authority to increase the charge for a certificate of delivery from \$.30 to \$1.00. Authority is also sought to change the basis of charges for protective signature service and armed surveillance service which are presently assessed on a weight and distance basis. Applicant proposes to provide protective signature service for a flat charge of \$5.00 per shipment and armed surveillance service for \$30.00 per shipment. These flat charges may result in a rate increase, no change or a rate reduction. Applicant also seeks to cancel commodity rates for magazines, newspapers and periodicals.

Exhibit 4 sets forth the results of REA's California intrastate air operations for the year ended December 27, 1970 at present and proposed rates. The exhibit discloses that during said period applicant handled a total of 71,826 shipments and sustained a loss of \$92,646. Said loss averages \$1.29 per shipment. Under the proposed rates applicant estimates additional revenues of \$197,522. The additional revenue will be offset by \$73,794 in increased cost of airline transportation. The exhibit estimates that for the same number of shipments during the period under the proposed rates and additional cost of airline transportation its profit would have been \$31,082 on an average of 43 cents per shipment.

After consideration the Commission finds that:

1. Applicant is presently sustaining operational losses in its California intrastate air express operation.
2. The increased rates and charges proposed in Application No. 52845 are justified.
3. Under existing federal guidelines the proposed increases would appear to be consistent with the Federal Government's economic stabilization program. Data for the Federal Price Commission are shown in Appendix A.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Applicant is hereby authorized to increase its tariff rates and charges as proposed in Application No. 52845.
2. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and 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 the public.
3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.
4. 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 consent to this condition.

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

Dated at San Diego, California, this 8<sup>th</sup> day of FEBRUARY, 1972.

William Aguirre Chairman  
John P. Vukasin, Jr.  
James P. Shugart  
Edward J. Dolan Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

DATA REGARDING RATE INCREASE  
AUTHORIZED FOR  
REA EXPRESS, INCORPORATED

Pursuant to provisions of Section 300.16 of the Economic Stabilization Act Amendments of 1971, the Public Utilities Commission of the State of California does hereby certify to the Federal Price Commission as follows:

- (1) For the year ended December 27, 1970, carrier transported 71,826 shipments on which it sustained a loss of \$92,646, an average of \$1.29 per shipment. Based upon the same number of shipments the rates authorized herein will realize a profit of \$31,082, an average of 43 cents per shipment.
- (2) The increased rates are expected to provide increased revenue of \$197,522, offset by additional expenses of \$73,794. This represents a 20 percent increase in gross revenue.
- (3) Net revenue as a percent of gross revenue is expected to be 4 percent as compared with a loss of 16 percent under present rates, a difference of 20 percent.
- (4) Operating ratio is expected to be 92 percent as compared with 110 percent under present rates, a difference of 18 percent.
- (5) Sufficient evidence was taken in the course of the proceeding that determined that the criteria set forth in paragraph (d), (1) through (4) of Title 6, Chapter III, Part 300, Sect. 300.16 of the Code of Federal Regulations, as amended effective January 17, 1972, were met by the rate increase.
- (6) The increase is cost-based, and does not reflect future inflationary expectations; the increase is the minimum required to assure continued, adequate and safe service and to provide for necessary expansion to meet future requirements; the increase will achieve the minimum rate of return needed to attract capital at reasonable costs and not to impair the credit of the public utility. This Appendix to the rate decision constitutes the certification required by the Code of Federal Regulations.