

ORIGINAL

Decision No. 85684

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Air California under	}	
the Shortened Procedure Tariff Docket		(SPT) Application No. 56232
to make increases and changes des-		(Filed February 19, 1976)
cribed below as soon as possible on		(Amended March 11, 1976)
not less than ten (10) days' notice.)	

O P I N I O N A N D O R D E R

By this application, Air California requests authority to cancel its Air California Air Freight Tariff No. 1 (Cal P.U.C. No. 2) and to issue its proposed Air California Air Freight Tariff No. 2 (Cal P.U.C. No. 9) as outlined in Appendix A to the application,

Concurrently, it requests authorization to increase its rates for Assembly and Distribution Service, Storage, Military Shipments and Broad Specific Commodity Rates, and make any other technical increases which may have been inadvertently omitted.

The carrier submits the following as justification for the sought increases:

1.	<u>Assembly and Distribution Service</u>	
	<u>Present Charge</u>	<u>Proposed Charge</u>
	\$0.25 per part	\$0.50 per part
	\$1.00 Minimum	\$2.00 Minimum

The carrier maintains that the major expense of Assembly and Distribution Service is the salary of the freight agent. It further states that agent salaries have increased approximately 153% since 1968 (\$2.77/hr. - 1968 vs. \$7.00/hr. - 1976), and that the amount of time involved to transact these services is extremely long, resulting in a considerable expense to Air California. No increase has been made in these charges since 1968.

2.

Storage Charges

<u>Present Charge</u>	<u>Proposed Charge</u>
\$0.25/cwt per day	\$0.50/cwt per day
\$0.50 Minimum	\$5.00 Minimum

The applicant asserts that the present charge for storage is definitely an incentive for shippers to use its facilities as a warehouse. It claims the shipper benefits from an extremely inexpensive storage rate, insurance coverage and warehouse space, all at the expense of Air California. The proposed increase will eliminate this incentive because of the minimum charge. Air California states that it will not gain that much additional revenue due to the fact that shippers will pickup up their freight more promptly. The advantage to Air California will be the lower number of claims (damage and theft) due to a shortened period of time the freight is in its possession.

The carrier further states that the proposed increases described above (1 and 2) will align Air California's rates with other airlines whose rates are currently on file with the Commission.

3.

Specific Commodity Rates for Shipments of the
U. S. Government (SCR)

<u>Present Charge</u> <u>(Military Impedimenta)</u>	<u>Proposed Charge</u> <u>(All Shipments)</u>
\$5.00 Minimum	\$6.00 Minimum
0-999 Lbs.-\$4.50/cwt	0-999 Lbs.-\$6.00/cwt
1,000 Lbs. plus \$4.00 cwt	1,000 Lbs. plus \$5.50/cwt

Air California maintains that the Specific Commodity Rate for military impedimenta is restrictive in the sense that the majority of U.S. Government agencies are not allowed to ship at the SCR. The proposed tariff changes will allow all U.S. Government agencies to utilize the SCR

on all points serviced by Air California. Even though the SCR is to be increased, an overall decrease to the U. S. Government will occur as all its agencies will be able to utilize the SCR.

4.

Specific Commodity Rates for Bread

<u>Present Rate</u>	<u>Proposed Rate</u>
50% of GCR* (\$3.50/cwt)	100% of GCR* (\$7.00/cwt)

The company asserts that the Specific Commodity Rate for Bread is proving to be costly to it, as the present rate of \$3.50 per hundred pounds does not allow for any profit. Bread is a perishable, timely commodity that must be at its destination within hours. In 1975, the average load factor between San Francisco and Santa Ana was 76.1%. Coupled with this high load factor was a 21% increase over 1974 in freight tonnage of which bread contributed a substantial percentage. The extremely heavy demand at San Francisco caused handling problems; namely, loading bread, because of its perishable nature, ahead of other freight. This problem, along with increased operating and handling costs, does not make the SCR for bread economically feasible.

The carrier states that it has one of the lowest General Commodity Rates in the California corridor, so the requested increase would not cause its customers to suffer any undue harm. Likewise, Air California avows that it would not suffer any massive diversion.

*General Commodity Rate.

By Amendment filed March 11, 1976, the carrier further stated that it is its belief that a public hearing is not required. This belief is based on the following:

- a. The increase in revenue to the carrier is very insignificant.
- b. The increases will not cause any undue harm to any shipper.
- c. The proposed increases are less than one percent of gross revenues as required by Rule 25 of P.U.C. Rules of Practice and Procedure, inasmuch as the proposed increases will raise Air California's revenues by approximately \$11,500, as compared with its forecasted 1976 gross revenues of \$43.6 million.

The application was listed on the Commission's Daily Calendar of February 20, 1976. No objection to the granting of the application has been received.

The Commission finds that the increases resulting from reissuing its freight tariff, as proposed in the application, are justified. A public hearing is not necessary. The Commission concludes that the application should be granted.

IT IS ORDERED that:

1. Air California is hereby authorized to reissue its Air Freight Tariff No. 1, Cal. P.U.C. No. 2, and concurrently increase certain rates, as specifically proposed in the application.
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 five days after the effective date of this order on not less than five days' notice to the Commission and to the public.
3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 13th day of APRIL, 1976.

President
William S. Quince Jr.
Vernon L. Stinson

Robert Bateman
Commissioner's

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