

Decision 89 02 033 FEB 8 1989

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
UNITED PARCEL SERVICE, INC. for )  
authority to increase certain of )  
its rates for common carrier parcel )  
delivery service. )

Application 88-12-039  
(Filed December 20, 1988)  
Mailed

FEB 9 1989

O P I N I O N

United Parcel Service, Inc. (UPS) conducts intrastate parcel delivery service pursuant to a certificate of public convenience and necessity issued by this Commission. It also holds a permit to operate as a contract carrier. A certified copy of UPS's articles of incorporation has previously been filed with this Commission in Application 42372. UPS can be identified by its California T-No. 68,429.

UPS has applied for authority to increase the rates and charges in the following items of its Local Parcel Tariff No. 20:

- a. Amend Item 45-G - Correction of Wrong  
Address

Increase the rate from \$2.20 to \$2.50 per item.

- b. Amend Item 80-G - Charge for Cash on  
Delivery (C.O.D.) Collection

Increase the rate from \$2.20 to \$2.75 per item.

- c. Amend Item 86-A - Electronic Call Return  
Service

Increase the rate for a regular request from \$1.15 to \$1.25 per request. If the requests are submitted on electronic data processing tape, the charge of \$.85 will increase to \$.90 per request.

d. Amend Item 100-E - Acknowledgement of Delivery

Increase the rate from \$.35 to \$.40 per each A.O.D. form.

e. Amend Item 150-P - Package Charges and Service Charge

1. Increase each weight and zone increment. Refer to Appendix A, Exhibit 1, Page 2 for detail of changes.
2. Note 1: Increase Service Charge for automatic daily pickup call from \$3.75 to \$4.00 per week.

f. Amend Item 160-A - Expedited Delivery Charges - Next Day

1. Increase each weight and zone increment. Refer to Appendix A, Exhibit 1, Page 3 for detail of charges.
2. Note 1 - Increase Service Charge for automatic daily pickup call from \$3.25 to \$4.00 per week.

UPS's rates have not been increased since February 1, 1988. UPS's rates are not subject to the provisions of General Order 147-A, and were therefore not increased by 2.4% under the Truck Cost Index mandated in July 1988.

It is alleged that UPS's labor costs increased in August and December of 1988 under the terms of its contract with the Teamsters. It is requested that the augmented rates become effective on February 6, 1989 to conform with the terms of a petition to increase its interstate rates filed with the Interstate Commerce Commission under the "Zone of Rate Freedom" provisions of the Motor Carriers Act of 1980.

UPS has furnished financial data for the 12-month period ending June 30, 1988, setting forth actual revenue and expenses, as

well as projected results under the proposed rates. The result of this effort can be summarized as follows:

	<u>Test Period Ending June 30, 1988</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenue	\$330,543,638	\$354,604,920
Current Expenses	342,674,017	342,674,017
Profit (Loss)	(12,130,379)	11,930,903
Operating Ratio	103.7%	96.6%

UPS's revenue will be increased 7.3% under the proposed rates. The operating ratio of 96.6% is reasonable.

The application was listed on the Commission's Daily Calendar of December 27, 1988. A protest was filed on January 25, 1988 by Neal Siegel (DBA Nesco Electronics) of San Francisco, to express opposition to applicant's proposal to raise C.O.D. rates 25%. The other rate increases requested in the application concern raises of approximately 7%. The protest is limited to the cash on delivery rate increase, which protestant terms excessive.

A supplementary pleading was filed by the applicant on January 26, 1988, which is termed a Response to the protest. This document alleges that Siegel is one of applicant's 136,000 California shippers, an individual whose weekly C.O.D. charges will increase \$32.45 if the proposed rate is authorized. It is further alleged that a delay in approving the new rates will cost applicant \$103,555 in weekly C.O.D. revenue and \$466,304 in total weekly revenue. It is further alleged that Space Age Delivery Service, Inc., Roadway Package System, Inc., and Local Parcel Delivery Service, all maintain tariffs listing the same service provided by UPS at rates lower than the current UPS rates. The Commission staff has recommended that the application be granted.

A delay in granting the application will result in applicant's continuing to operate at a financial loss. The application should therefore be granted and a hearing scheduled to

consider the C.O.D. rates, which should be collected subject to possible refund.

Findings of Fact

1. UPS has experienced an increase in operating expenses.
2. UPS is seeking increases for specific rate items that would result in a 7.3% increase in its operating revenue.
3. UPS's rates were last increased February 1, 1988.
4. UPS was not a participant in the recent increase in truck rates due to its authority to depart from the provisions of General Order 147-A.
5. The proposed rates will increase UPS's annual revenue by approximately \$24,061,282.
6. The increases resulting from this proposal are justified.
7. The application should be granted and a hearing scheduled for the limited purpose of further considering the increase in the C.O.D. rate.
8. UPS should be authorized to publish its tariff revisions immediately to conform with corresponding rate increases throughout the United States, which will be made effective on or about February 6, 1989.

Conclusions of Law

1. The application should be granted with a subsequent hearing to consider C.O.D. rates.
2. This order should be made effective today, since there is an immediate need for rate relief.

O R D E R

IT IS ORDERED that:

1. United Parcel Service, Inc. (UPS) is authorized to increase its rates and charges in its Local Parcel Tariff No. 20 as specifically provided in the body of the opinion.

2. Tariff publications authorized to be made as a result of this order shall be filed on or after the effective date of this order and may be made effective immediately.

3. UPS, in establishing and maintaining the rates authorized by this order, is authorized to depart from the provisions of PU Code § 461.5 to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorizations; such outstanding authorizations are modified only to the extent necessary to comply with this order; and schedules containing the rates published under this authority shall be made reference to the prior orders authorizing long- and short-haul departures and to this order.

4. A hearing is hereby granted for the limited purpose of considering the C.O.D. rates.

5. Intrastate rates collected by UPS for cash on delivery service on and after the effective date of the rate increase hereby authorized, shall be subject to refund for the limited purpose of accounting for our further consideration of the C.O.D. rate.

6. This authority shall expire if not exercised within 60 days from the effective date of this order.

7. The application is granted as set forth above.

8. This order is issued pursuant to Section 308 of the  
PU Code and Resolution TS-678.

This order is effective today.

Dated FEB 8 1988, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DODA  
STANLEY W. HULETT  
JOHN B. CHANIAN  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

  
Victor W. Wilson, Executive Director