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Decision 91-01-034 January 25, 1991

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.)

ORIGINAL

Application 90-12-017
(Filed December 7, 1990)

OPINION

By this application, United Parcel Service, Inc. (UPS) seeks authority to increase certain of its rates for common carrier delivery service. According to UPS, its California intrastate operations for the base year ended June 30, 1990, will be conducted at a loss (102.6 operating ratio) if the increased rates requested are not approved. The proposed rates are expected to yield an operating ratio of 92.8 and to increase intrastate annual revenues by \$48.0 million or 10.6%.

UPS' intrastate rates were last increased effective February 12, 1990. UPS asserts that the proposed increases in rates are necessary to partially offset increases in labor and other costs incurred since the last increase. Justification for the relief sought is set forth in Appendix A to the application.

Specifically, UPS requests that the Commission authorize the following changes in CA PUC 22, Local Tariff No. 1:

A) Amend Item 40 - Acknowledgement of Delivery (A.O.D.)

Increase the rate from \$0.45 to \$0.50 per A.O.D. form.

B) Amend Item 80 - Charge for C.O.D. Package

Increase the rate from \$3.30 to \$3.75 per package.

C) Amend Item 120 - Correction of Wrong Address

Increase the rate from \$2.75 to \$3.25 per package.

D) Add Item 145 (New) - Delivery Confirmation Service

A shipper may request confirmation of the delivery of a package by attaching a special label, approved by the carrier, to the package at the time of tender. A charge of \$.75 will be assessed for each request.

An additional charge of \$.25 will be assessed if the recipient's signature is requested and obtained. An additional \$.25 will also be assessed if the shipper requests that the confirmation response be sent to a different return address.

E) Amend Item 160 - Electronic Call Return Service

Increase the rate for a regular request from \$1.35 to \$1.50 per request. If the requests are submitted on electronic data processing tape, the charge of \$.95 will increase to \$1.00 per request.

F) Amend Item 210 - Method of Determining Rates

Increase the rate per unit of Declared Value from \$.25 to \$.30.

G) Amend Item 300 - Standard Delivery Service to Business Locations

Increase weight and zone increments and service charge. Appendix A, Exhibit 1, Page 2 of the application shows the present and proposed charges.

H) Add Item 301 (New) - Standard Delivery Service to Residential Locations

Appendix A, Exhibit 1, Page 3 of the application shows the present and proposed charges for this item.

I) Amend Item 310 - Expedited Delivery Charges

1) Next-Day Service

Increase the rate for each weight increment and service charge. Appendix A, Exhibit 1, Page 4 of the application shows the present and proposed charges.

2) Second-Day Service

Increase the rate for each weight increment and service charge. Appendix A, Exhibit 1, Page 4 of the application shows the present and proposed charges.

Also, UPS proposes certain minor changes in tariff language, format, and application. The proposed tariff pages for California intrastate operations are attached to the application as Appendix B.

To coincide with a nationwide rate change for intrastate operations, UPS requests that its application be granted immediately, and the proposed intrastate rates should be made effective on or before February 18, 1991.

UPS will institute the proposed rates on all interstate traffic effective February 18, 1991, under the Zone of Rate Freedom provision of the Motor Carrier Act of 1980. According to UPS it is critical that it be able to increase its California intrastate charges simultaneously. UPS asserts that absent the authority to charge uniform intrastate and interstate rates, its ability to maintain an efficient rating and auditing system will be severely jeopardized. Further, UPS believes that a single rate structure accords California shippers and consignees substantial savings, for example, shippers can maintain uniform rating and auditing procedures in preparing shipments of both intrastate and interstate packages. Also, in order to maintain its competitive position with the United States Postal Service, UPS contends that it must maintain uniform nationwide interstate and intrastate rates.

Lastly, UPS believes that the proposed rate increases will have no significant impact on highway common carriers within California or on any other individual, and, therefore, requests that it be granted on an ex parte basis.

Protest of CAL PAK DELIVERY, Inc.

On December 26, 1990, CAL PAK DELIVERY, Inc. (CALPAK) filed a protest opposing UPS' application. CALPAK argues that since UPS did not specifically request an increase in Hundredweight Service Rates in Item 320 of CA PUC 22 Tariff, UPS is attempting to perpetuate a rate that is discriminatory. According to CALPAK the Hundredweight Service Rate is discriminatory because it is not

compensatory, and it is being subsidized by 90% of parcel shippers who do not use the Hundredweight Service. Therefore, CALPAK argues that UPS is in violation of Public Utilities (PU) Code § 453 which states in part:

"(c) No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service."

CALPAK acknowledges that the same issues are raised by it in complaint case (C.) 89-11-021. Hearings were held, briefs were filed, and the complaint case is submitted for decision. Since the issues are the same, we see no need for additional hearings on the protest filed by CALPAK in this proceeding.

Further, since UPS is not requesting any change to its Hundredweight Service Rate in this proceeding, we will defer our decision on the issues raised by CALPAK to C.89-11-021. In the meantime, we see no justification to delay the rate relief requested by UPS.

Discussion

Notice of this application was published in the Commission's Daily Calendar dated December 11, 1990. Other than the protest filed by CALPAK, no protests were received. For the reasons set forth above, there is no need for a hearing.

UPS requests a waiver of California PU Code §§ 452, 454, and 461.5; Distance Table 8; and General Order 147-B. This Commission has previously found that the specialized small parcel delivery service offering of UPS justifies a departure from traditional rate regulations applicable to general commodities carriers (Decision (D.) 89-09-014 dated September 7, 1989). We believe that the departures from the requirements of the Commission's procedures for transportation rate regulation previously fashioned for UPS should continue. Accordingly, the requested rate relief should be granted on an ex parte basis.

Findings of Fact

1. Notice of this application was published in the Commission's Daily Calendar dated December 11, 1990.
2. The proposed rates are expected to increase intrastate annual revenues by \$48.0 million or 10.6%.
3. CALPAK filed a protest alleging that UPS' Hundredweight Service Rates are discriminatory.
4. UPS is not requesting any change to its Hundredweight Service Rates in this proceeding.
5. CALPAK raised the same issues concerning UPS' Hundredweight Service Rates in C.89-11-021 which is now submitted for decision.
6. There is no need for further evidentiary hearings on the issues raised by CALPAK.
7. Since UPS is not requesting any change to its Hundredweight Service Rates, and the issues raised by CALPAK will be addressed by the Commission in C.89-11-021, there is no justification to delay the rate relief requested.
8. In D.89-09-014 the Commission recognized the specialized services provided by UPS, and, in order to allow UPS to remain competitive with the United States Postal Service, the Commission adopted certain departures from its transportation rate regulation procedures.
9. There is good reason to continue the departures from standard rate regulation procedures adopted in D.89-09-014 so that UPS can remain competitive with the United States Postal Service and maintain uniform nationwide interstate and intrastate rates.
10. To avoid impediments in UPS' nationwide operations, the rate relief requested should be made effective on or after February 18, 1991. Therefore, this order should be effective today.

Conclusions of Law

UPS' request for ex parte relief should be granted.

2. To the extent necessary, UPS should be authorized to depart from the provisions of California PU Code §§ 452, 454, 461.5, Distance Table 8, and General Order 147-B.

ORDER

IT IS ORDERED that:

- 1. United Parcel Service, Inc. (UPS) is granted authority to increase its rates as set forth in the body of this decision.
- 2. UPS is authorized to file tariff revisions in the form attached as Appendix B to its application on not less than 5 days notice.
- 3. The proposed rates shall be effective on or after February 18, 1991.
- 4. The departure from Commission transportation rate regulations set forth in Decision 89-09-014, insofar as the departure relates to parcel operations remaining competitive with those performed by the United States Postal Service, shall be continued.
- 5. The issues raised by CAL PAK DELIVERY, Inc. concerning UPS' Hundredweight Service Rates shall be addressed in complaint case 89-11-021.

This order is effective today.

Dated January 25, 1991, at San Francisco, California.

PATRICIA M. ECKERT
 President
 G. MITCHELL WILK
 JOHN B. OHANIAN
 Commissioners

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

[Signature]
 Executive Director
 pb