

Decision No. 89889 JAN 16 1979

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 No. 58414  
 (Filed October 17, 1978;  
 amended December 13, 1978)

OPINION AND ORDER

By this application, as amended, United Parcel Service, Inc. (UPS) seeks authority, under Section 454 of the Public Utilities Code, to increase certain of its rates and charges for common carrier parcel delivery service between points in California as follows: 1/

- A. Amend Item 45 by increasing the charges for correction of wrong address from 85¢ to \$1.00.
- B. Amend Item 80 by increasing the charge for C.O.D. collection from 85¢ to \$1.00.
- C. Amend Item 150-E as follows:
  1. Paragraph (a) by increasing rate per package from 77¢ to 84¢ and the rate per pound from 6.5¢ to 7.0¢.
  2. Paragraph (b) by increasing the rate per package from 77¢ to 84¢ and increasing the rates per pound as follows:

	<u>Present</u>	<u>Proposed</u>
Zone 2	7.0¢	7.6¢
Zone 3	9.0	9.8
Zone 4	11.5	12.5
Zone 5	14.0	15.3

1/ The rates and charges are maintained in United Parcel Service Local Parcel Tariff 20.

3. Amend the rule for computing charges to read as follows:

In computing the charge for an individual package shipment, fractions of 1/10 or .1 of a cent or greater will be increased to the next whole cent.

The original application, filed on October 17, 1978, proposed rates which UPS stated would produce a 13.8 percent increase over current rates during a test year commencing May 1, 1979. UPS stated that the rate increase was necessary to offset further increases in wage rates, fringe benefits, and nonpayroll expenses which would be experienced upon signing of a new labor agreement covering its Teamster employees in California and which increased costs are not reflected in UPS's present parcel rates. UPS expected its costs to increase in two increments, first, on November 1, 1978, when its Southern California wage rate would increase to the level of the wage rate in effect in Northern California on that date and, second, on May 1, 1979, when it anticipated that its statewide wage rates and retirement contributions would increase pursuant to a new agreement covering all of UPS's Teamster employees in this State.

Subsequent to the original filing, UPS met with the Commission staff and discussed its rate increase request in relation to the President's anti-inflation program as announced in his white paper dated October 24, 1978. On December 13, 1978, UPS amended its application and proposed increases which are in conformance with the President's guidelines. The application, as amended, alleged that the revised rates will produce an annual increase in revenue of 8.6 percent.

Exhibits attached to the application, as amended, show results of operations under the revised rate proposal. They demonstrate that the proposal complies fully with the Presidential guidelines and that the operating results will be substantially less favorable for UPS than results approved by the Commission in past UPS rate increase proceedings.

UPS states that its average price (revenue per package) was \$1.281 during the last quarter of 1975 and \$1.527 during the last quarter of 1977, which is an average annual rate of change of 9.18 percent, and that under Section 705A-1 of the guidelines an increase of 8.68 percent in the program-year rate of price change would satisfy the price deceleration standard. UPS further states that its average price during the base quarter ending September 30, 1978 was \$1.697 and that under the revised rate increase proposal the average price during the last quarter of the program year (the quarter ending September 30, 1979) will be \$1.843. This represents a program-year rate of price change of 8.60 percent, which is below the 8.68 percent permitted under the guidelines.

The application, as amended, shows the results of UPS's California intrastate operations during the program year ending September 30, 1979, under the reduced rate increase proposal. UPS pointed out that, in arriving at these projected results, it computed income taxes in accordance with provisions of the Revenue Act of 1978, which reduced corporate income taxes as of January 1, 1979. UPS declares that its operations will be conducted at a substantial loss during the program year unless a rate increase is authorized.

UPS states that the revenue increase would produce an operating ratio of 97.82 percent before tax on the 1977 base year volume, and that with an estimated increase in volume handled during the program year ended September 30, 1979, the operating results would improve slightly to a before tax operating ratio of 97.75 percent. This is a considerably lower operating ratio than this Commission has approved for UPS in prior rate increase application proceedings.

The amended application shows that under the reduced rate increase proposal UPS's rate of return on rate base during the program year would be 5.26 percent, again lower than has been approved for it in past rate increase proceedings. UPS is to be commended for its voluntary compliance with the President's anti-inflation program.

The Commission staff has reviewed the application, as amended, and the exhibits appended thereto and recommends that the increases be granted.

Copies of the application and amendment thereto were furnished to the California Trucking Association, California Manufacturers Association, California Retailers Association, Sears, Roebuck & Co., Duracell Products Company, Sunset House, J. C. Penney Company, Inc., Western Traffic Conference, and various cities' chambers of commerce. The application and amendment were listed on the Commission's Daily Calendars of October 18, 1978 and December 14, 1978, respectively. No protest to the granting of the application, as amended, has been received.

In the circumstances, the Commission finds that the increases resulting from the proposal herein are justified. A public hearing is not necessary. The Commission concludes that the application, as amended, should be granted. In view of the need for immediate rate relief the effective date of the order should be the date of issuance.

IT IS ORDERED that:

1. United Parcel Service, Inc. (UPS) is authorized to establish the increases as proposed in this application, as amended.
2. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof, on not less than five days' notice to the Commission and to the public.
3. The authority granted herein shall expire unless exercised within ninety days after the date hereof.
4. Common carriers are authorized to increase their rates to the level authorized UPS in Ordering Paragraph 1 hereof. Common carriers maintaining rates under outstanding authorizations permitting the alternative use of common carrier rates and parcel delivery rates comparable to the rates maintained by UPS, but otherwise less than the minimum rates established by the Commission applicable thereto, are directed to increase such rates to the level of the rates authorized in Ordering Paragraph 1 hereof. Tariff publications authorized and required to be made by common carriers as a result of this ordering paragraph may be made effective not earlier than the effective date of the tariff publications authorized by Ordering Paragraph 2, on not less than five days' notice to the Commission and to the public, and shall be made effective not later than thirty days after the effective date of the tariff publications made pursuant to the authority granted in Ordering Paragraph 1.

5. Common carriers, in establishing and maintaining the rates authorized hereinabove, are hereby authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorizations; such outstanding authorizations are hereby modified only to the extent necessary to comply with this order; and schedules containing the rates published under this authority shall make reference to the prior orders authorizing the long- and short-haul departures and to this order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 11<sup>th</sup> day of JANUARY, 1979.

Robert Betts  
President  
Richard D. Howell  
Clair J. DeLoach  
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Commissioners