

Decision No. 90915 OCT 10 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. 59074
(Filed August 16, 1979)

OPINION AND ORDER

By this application, United Parcel Service, Inc. (UPS) seeks authority, under Section 454 of the Public Utilities Code, to increase certain rates applicable to its intrastate common carrier parcel delivery service between points in California.

UPS proposes and seeks authority to make the following changes in its Local Parcel Tariff No. 20:

- A. Amend Item 45-A by increasing the charge for correction of wrong address from \$1.00 to \$1.15.
- B. Amend Item 80-A by increasing the charge for C.O.D. collection from \$1.00 to \$1.15.
- C. Amend Item 150-F:
 - 1. Paragraph (a) by increasing the rate per package from 84¢ to 97¢ and the rate per pound from 7.0¢ to 8.1¢.
 - 2. Paragraph (b) by increasing the rate per package from 84¢ to 97¢ and increasing the rates per pound as follows:

	<u>Present</u>	<u>Proposed</u>
Zone 2	7.6¢	8.8¢
Zone 3	9.8¢	11.3¢
Zone 4	12.5¢	14.5¢
Zone 5	15.3¢	17.7¢

The present level of rates and charges as shown were authorized by Decision 89889, dated January 16, 1979 in Application 58414. The tariff changes requested are necessary to offset further increases in wage rates, fringe benefits and non-payroll expenses as well as the other costs of doing business which are not covered by UPS's present parcel rates.

UPS certifies that the increases sought comply with the President's anti-inflation guidelines. Assuming that the concepts of the present guidelines will carry into a second year, UPS believes the proposal herein will comply in all respects with the new guidelines.

UPS reports that fuel purchase price increases amounting to 38 percent during the period January 1, 1979 to July 25, 1979 were experienced. Pursuant to the Commission's Order in Decision 90325, UPS filed a 7/10 percent fuel surcharge. The anticipated revenues from the proposed surcharge have not been included in the exhibits detailing projected revenues nor have the higher than normal fuel costs presently being incurred been projected in the expense exhibits. UPS proposes to end the fuel surcharge concurrently with the effective date of the proposed increased rates.

Based on 1978 volume counts, UPS projects that operating results under the proposed rates for the year ending December 31, 1980 would be increased by \$19,241,837 or a 12.1 percent increase over the December 31, 1979 year ending revenue projection. This revenue increase would allow UPS an operating ratio of 95.7 before taxes (97.3 after taxes). Without the increase in rates UPS would be conducting operations at a substantial loss during the year 1980 with a projected operating ratio of 110.1.

UPS rate of return on the rate base during the program year would be approximately 7.29 percent, a lower rate of return than the Commission has approved for it in past increase proceedings (Only Application 58414 was lower - 5.26 percent).

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

Copies of the application were furnished to the California Trucking Association, California Manufacturers Association, California Retailers Association, Western Traffic Conference, Sears, Roebuck & Co., Duracell Products Company, Sunset House, J.C. Penney Company, Inc., Bullocks Distribution Center, Buffum's Dept. Store, Marshall G. Berol, Esquire and various cities' chambers of commerce. The application was listed on the Commission's Daily Calendar of August 20, 1979. No protest to the granting of the application 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 should be granted.

Since applicant is seeking a November 1, 1979 effective date for its rate increase application filed with the Interstate Commerce Commission, we will set the effective date for this order sixteen days after the date hereof, with the tariff pages to become effective November 1, 1979

IT IS ORDERED that:

1. United Parcel Service, Inc. (UPS) is authorized to establish the increases as proposed in this application.
2. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than November 1, 1979, 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 461.5 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 shall be sixteen days after the date hereof.

Dated OCT 10 1979, at San Francisco, California.

John E. Byron
President

Vernon L. Sturgeon

Richard D. Gravelle

Leonard J. ...
Commissioners

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.