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Decision No. 92334 OCT 22 1980

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of United Parcel Service, Inc. for) Application No. 59923
authority to amend certain of its) (Filed September 4, 1980)
rates for common carrier parcel)
delivery service.)

OPINION AND ORDER

By this application, United Parcel Service, Inc. (UPS) seeks authority under Sections 454 and 491 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-B by increasing the charge for correction of wrong address from \$1.15 to \$1.40.
- B. Amend Item 80-B by increasing the charge for each C.O.D. received for collection from \$1.15 to \$1.40.
- C. Amend Item 100 by increasing the charge for acknowledgement of delivery from 20 cents to 24 cents.
- D. Amend Item 150-G.
 - 1. Paragraph (a) by increasing the rate per package from 97 cents to 103 cents and the rate per pound from 8.1 cents to 8.7 cents.
 - 2. Paragraph (b) by increasing the rate per package from 97 cents to 103 cents, the service charge from \$2.00 to \$2.50 per week, and adjusting the rates per pound as follows:

	<u>Present</u>	<u>Proposed</u>
Zone 2	8.8 cents	8.7 cents
Zone 3	11.3 cents	11.1 cents
Zone 4	14.5 cents	14.3 cents
Zone 5	17.7 cents	17.8 cents

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The present level of rates and charges as shown were authorized by Decision 90915, dated October 10, 1979 in Application 59074. The tariff changes requested are necessary to offset increases in wages and non-payroll expenses which will be in effect as of November 1, 1980 which are not covered by UPS's present parcel rates.

UPS states that the Council on Wage and Price Stability authorized it the right to use the profit margin standards under Section 705.6(a) of the Council's regulations. For the second program year ending September 30, 1980, UPS's financial projections from May 1, 1980 (the effective date of UPS's last nationwide general rate increase) illustrates its compliance with the regulations. Regulations for the third year have yet to be announced, but UPS anticipates that the resulting increase sought herein if granted would yield a profit margin well within the Administration guidelines.

Prior to the last increase UPS was authorized a .7 percent fuel surcharge. This surcharge was cancelled as a part of the November 1, 1979 general increase granted by D. 90915. Thereafter, a 1.3 percent fuel surcharge was implemented on March 24, 1980 pursuant to Commission Order STD 9775 dated March 18, 1980. That surcharge is presently in effect and will continue to be applicable if this proposed increase is granted.

During the period since its last general increase, UPS has changed its method of negotiating labor agreements. Essentially, a nationwide labor agreement has been ratified by the union membership. As a result of this agreement, UPS is subject to a semi-annual cost of living adjustment (COLA) based on the Nationwide Consumer Price Index. The rise in the index during the period January 1980 through July 1980 obligated UPS to increase wage levels effective November 1, 1980. The impact of this increase would result in an operating ratio of 99.86 percent unless the rate relief sought by this application is granted.

UPS projects that the results on California intrastate traffic under the proposed rates would increase its annual revenue by \$8,767,232 or approximately 4.5 percent. This revenue increase would provide UPS with an operating ratio of 95.6 before income taxes.

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

Prior to this nationwide labor agreement, UPS maintained a separate tariff for its California intrastate traffic. The rates for the California traffic were maintained at different levels both above and below the rates for other intrastate or interstate parcel movements. UPS proposes to unify all of its rates nationwide. The rates proposed in this application are identical to those proposed

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in UPS's application filed with the Interstate Commerce Commission on August 29, 1980, to become effective November 1, 1980, covering UPS's nationwide interstate traffic.

UPS in order to achieve this uniformity in tariffs nationwide desires to make the increase sought herein effective November 1, 1980. Copies of the application were mailed to various chambers of commerce, shipper organizations and shippers, as well as the California Trucking Association on or about September 4, 1980.

The application was listed on the Commission's Daily Calendar of September 8, 1980. 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 UPS is seeking a November 1, 1980 effective date for its rate increase application filed with the Interstate Commerce Commission, we will make the effective date of this order the date hereof. Tariff pages may become effective not earlier than November 1, 1980.

IT IS ORDERED that:

1. United Parcel Service, Inc. is authorized to establish the increases as proposed in this application.

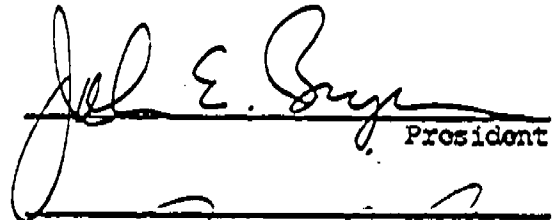
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2. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than November 1, 1980, on not less than five days' notice to the Commission and the public.

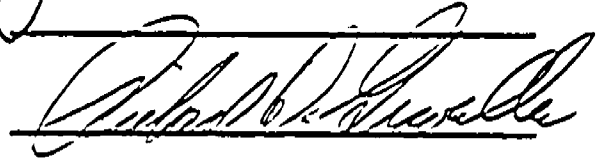
3. The authority granted herein shall expire unless exercised within ninety days after the date hereof.

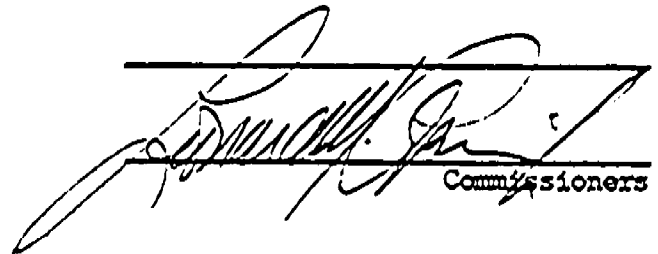
The effective date of this order is the date hereof.

Dated OCT 22 1980, at San Francisco, California.



President





Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

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