

Decision No. 92963

APR 21 1981

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. 60362
(Filed March 13, 1981)
(Amended April 1, 1981)

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 150-H

1. Paragraph (a) by increasing the rate per package from 103 cents to 107 cents and rate per pound from 8.7 cents to to 9.1 cents.
2. Paragraph (b) by increasing the rate per package from 103 cents to 107 cents and increasing the rates per pound as follows:

	<u>Present</u>	<u>Proposed</u>
Zone 2	8.7 cents	9.7 cents
Zone 3	11.1 "	11.6 "
Zone 4	14.3 "	15.0 "
Zone 5	17.8 "	18.7 "

- B. Amend Item 155-C by increasing the fuel surcharge from 1.3 percent to 2.1 percent applicable to package and charges.

All other rates or charges in said tariff will remain the same.

The present level of rates and charges as shown were authorized by Decision No. 92334, dated October 22, 1980, in Application No.59923. The tariff changes requested by UPS are based upon increases in labor costs and the price of fuel.

UPS operates under a nationwide labor agreement with economic provisions essentially the same as those contained in the Teamsters Union National Master Freight Agreement. Under terms of the agreement, UPS is contractually obligated to increase wage levels and provide a semi-annual Cost of Living Adjustment (COLA).

The impact of the combined labor wage increase and the COLA amounts to an increase of 77 cents per hour. Added to this hourly increase are increases in fringe benefits and payroll costs. The proposed increases in package and poundage rates and charges as projected by UPS will produce approximately \$7.86 million in additional California intrastate revenue. UPS is seeking to have these increases become effective May 1, 1981. This date is the date UPS is contractually obligated nationally to increase wage levels.

UPS also seeks a one percent fuel surcharge increase on the present fuel surcharge of 1.3 percent. The present fuel surcharge was authorized by the Commission's Order STD 9575, dated March 18, 1980. This one percent increase should yield approximately \$2.03 million in additional annual California intrastate revenue. Because UPS maintains a uniform surcharge level nationally it has not previously

increased the surcharge despite experiencing escalating fuel costs. To prevent confusion UPS maintains the same level of rates for inter- and intrastate shipments. UPS's internal operations have benefitted from this rate uniformity through simplified billing and administrative procedures.

The total impact of the proposed increases (labor/fuel) would result in an overall 4.87 percent increase in intrastate revenue on an annual basis. Annual revenue would increase by \$9.5 million, providing UPS with an operating ratio of 96.5 before taxes.

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

UPS, by letter, states that the relief requested herein will have no energy efficiency impact and does not constitute a major action affecting energy efficiency under Section 3502.1 and 3502.2 of the Public Utilities Code.

Findings of Fact:

1. UPS operates as a highway common carrier pursuant to authority granted by Decision No. 88800, dated May 2, 1978, in Application No. 57776.
2. UPS seeks to publish increases in its Local Parcel Tariff P.U.C. No. 20.

3. The increases are needed to offset: (a) cost increases in fuel now being experienced and, (b) labor increases which will be incurred May 1, 1981. The sought increases have not been covered by any prior rate increase application.

4. The cost data submitted with the application describe the elements of increased UPS is and will continue to be experiencing. The costs increases being sought should yield approximately \$9.89 million in additional annual revenue for UPS.

5. Staff analysis of the application and the detailed financial support data submitted demonstrate that the granting of the increase is cost-justified and should result in an operating ratio of 96.4, before taxes, for UPS.

6. Notice of the filing of the application and amendment appeared on the Commission's Daily Calendar of March 19 and April 3, 1981, respectively.

7. No protests have been received.

8. Since UPS is already experiencing some of the increased operating costs, the order which follows should be made effective on the date of signature to meet the date on which the labor increase will be incurred.

9. Tariff pages containing the increase should be made effective no sooner than May 1, 1981.

10. The following order has no reasonably foreseeable impact on the energy efficiency of highway carriers.

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Conclusion of Law:

The application should be granted to the extent as set forth in the ensuing order and the effective date of the order should be on the date signed because there is an immediate need for the rate relief.

IT IS ORDERED that:

1. United Parcel Service, Inc. 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 May 1, 1981, 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 APR 21 1981, at San Francisco, California.

John G. Boyer
President
Richard J. ...
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Commissioners