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ORIGINAL

Decision No. ~~23343~~

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of OVERLAND TERMINAL WAREHOUSE COMPANY, a corporation, for authority to engage in the warehousing business.) Application No. 16935
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In the Matter of the Application of OVERLAND TERMINAL WAREHOUSE COMPANY, a corporation, for authority to issue and sell certain of its shares, and of Los Angeles & Salt Lake Railroad Company for authority to purchase and acquire such shares.) Application No. 16937
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- A. S. Halsted, Harry B. Ellison and E. E. Bennett, by E.E. Bennett for Applicants.
- Gibson, Dunn & Crutcher, by Paul R. Watkins, for Los Angeles Warehousemen's Association, Star Truck & Warehouse Company, Metropolitan Warehouse Company, Los Angeles Warehouse Company and Santa Fe Warehouse Company, Protestants.
- LeRoy M. Edwards, for California Warehousemen's Association, Union Terminal Warehouse Company, Chaffee Warehouse Company and Westland Warehouse, Inc., protestants.
- L. A. Bailey, for Jennings Nibley Warehouse Company, Protestant.
- W. E. Fessenden, for California Warehouse Company, Protestant.
- Harry B. Fogarty, for Modern Warehouse, Inc., Protestant.
- O. E. Hadstrom, for Colyear's Van & Storage Company, Protestant.

BY THE COMMISSION:

O P I N I O N

Overland Terminal Warehouse Company, a corporation, hereinafter referred to as the warehouse company, in application No. 16935 requests of the Railroad Commission a certificate of public convenience and necessity to operate a public utility warehouse in the City of Los Angeles, and in Application No. 16937.

an order authorizing it to issue and sell 250 shares of its common capital stock without nominal or par value, for \$100. per share.

Los Angeles & Salt Lake Railroad Company, hereinafter referred to as the railroad company, asks permission to purchase the shares of stock of the warehouse company.

The two applications were consolidated, public hearings were held by Examiner Cannon at Los Angeles on November 13, December 15 and December 16, 1930, and the matters were submitted on briefs.

The record shows that Overland Terminal Warehouse Company was organized on or about September 18, 1930, under the laws of the State of California, primarily for the purpose of engaging in the business of public and private storage and warehousing in Los Angeles. It seems that the warehouse company was organized by those in control of the affairs of the railroad company for the purpose of providing warehouse space adjacent to its lines, and that it will be controlled, through stock ownership, by the railroad company.

It appears that it is the intention of the railroad company to construct, on certain property owned by it and located at Ninth and Alameda Streets, Los Angeles, to be served by its line of railway, a reinforced concrete building of class "A" construction with six stories and basement, having a total gross area of 435,450 square feet, and to lease such building in its entirety, and the land on which it is to be situated, to the warehouse company. A copy of the proposed agreement between the two companies, filed as Exhibit No. 17, provides for the leasing of the properties for a period of twenty years at an annual rental of \$7,771.50, plus an annual amount equivalent to five percent of the construction cost of the building, which is estimated at

about \$750,000., plus all taxes levied on the leased premises and upon any buildings and improvements thereon.

The net area of the building available for storage is estimated at 300,000 square feet. The warehouse company proposes to lease 150,000 square feet for private storage purposes and to devote 150,000 square feet to public utility warehousing. It is the intention of the company to provide cooling facilities through the construction of a corrugated and insulated room, with mechanical attachments which will control the temperature for the handling of certain commodities that require cooling but not cold storage, and to install the so-called vacufume process for the fumigation and sterilization of food stuffs. Considerable testimony was given at the hearings concerning these two features of applicant's proposed operations. They are, however, in our opinion, only of incidental interest in the determination of these proceedings. The one issue presented is whether public convenience and necessity require the additional space for warehousing as here proposed.

The record shows that at present there are only three public utility warehousemen, relatively small, located along the lines of the railroad company in Los Angeles, namely, the Salt Lake Warehouse, with an area of 15,000 square feet; the Western Warehouse & Transfer Company, with an area of 25,000 square feet; and the Pacific-Southwest Warehouse Company, with an area of 84,000 square feet. The testimony would indicate a demand for additional warehouse space along the rails of the company. R. B. Robertson, vice-president of the warehouse company and assistant traffic manager of the railroad company, testified on this point that he had repeatedly received requests for such storage; that during the last two or three years he had rejected applications for approximately 2,000,000 square feet of leased

and public space; that he had before him, at the time of the hearing, applications for general public storage for something like 80,000 or 90,000 square feet, and that in his opinion those occupying space under lease arrangements would have need of the public utility areas to take care of any overflow of their quarters. In addition, it was the opinion of this witness that the operation of the warehouse company on the lines of the railroad company would not deprive existing warehouses of business so much as it would develop new storage through the activities throughout the country of agents of the Union Pacific System, of which the railroad company is a part, in encouraging eastern concerns who are now shipping goods to Los Angeles in less than carload lots, to ship in carload quantities to the warehouse for distribution from that point. It appears in this connection that a similar project established along the rail lines in Kansas City was highly successful, being filled through solicitation within six weeks after inception of its operations.

Mr. Robertson and E. L. Begun, agent for the railroad company, testified further that the operation of the warehouse, as proposed herein, will be a benefit through the saving of certain switching charges and the elimination of delays in switching. In this connection it appears that there is assessed a charge of \$2.70 a car on each car originating on the railroad company's lines in non-competitive territory and switched to an industry in Los Angeles, and a premium of \$3.60 a car as a minimum, for each car so originated and switched to an industry on the lines of other rail carriers. These charges, it is

stated, would not be assessed if the goods were stored in warehouses along the applicant railroad company's lines. In addition, it appears that at present from twenty-four to thirty-six hours are lost in switching cars between the lines of the applicant railroad company and the lines of other carriers or industries, and that this time would be saved by delivery of goods to the warehouse now proposed to be constructed. This, so it seems from the testimony, should also be in the public interest by releasing railroad equipment earlier than at present and would facilitate the handling of outbound less than carload lot shipments in that the time for trucking to the rail lines would be saved, and would thus make more expeditious trap-car movements. Mr. Begun also stated that the location of the proposed warehouse in the city would eliminate a certain amount of traffic congestion now met in other locations.

Other witnesses testifying in support of the applications included a number of traffic managers of industrial concerns located in Los Angeles who gave testimony along the same lines as that of Mr. Robertson and Mr. Begun, namely, that the proposed warehouse adjacent to the rails of the applicant railroad company would be a convenience and a benefit, chiefly by reason of the saving in switching time and charges referred to in the preceding paragraph.

The applications were protested by the Los Angeles Warehousemen's Association, the California Warehousemen's Association and a number of warehousemen individually. It appears to be the contention of the protestants that there is at present ample warehouse space in Los Angeles available for storage, that the present operators have substantial amounts of vacant areas and are suffering losses in their public utility

warehousing operations, and that therefore the additional facilities proposed by applicant warehouse company are neither necessary nor desirable. A group of merchandise brokers engaged in business in Los Angeles and having occasion to patronize existing public warehousemen testified, on behalf of protestants, that they had experienced no difficulty in obtaining space and had no objection nor criticism to make concerning the service given them and that in their opinion there was no need for more warehousing area in Los Angeles. It developed, however, with each witness, that this opinion was based not so much on an inspection and actual knowledge of the warehouses as on the fact that each had received considerable solicitation from existing warehousemen which led to the belief that there must be ample storage space.

Other witnesses representing warehouse companies now in operation testified that they had heard few complaints with regard to the switching charges and delays. Allegations were made, also, that there was considerable vacant space in existing warehouses and that the present operators were not enjoying profits on their utility operations. Similar statements were made by L. A. Bailey, secretary and manager for the Los Angeles Warehousemen's Association, and connected with other warehousemen's organizations. His Exhibit No. 9 shows the available space in twenty-two warehouses in the neighborhood where applicant proposes to operate, as of November 1, 1930, at 2,244,563 square feet and the empty space at 643,344 square feet. Exhibit No. 11 shows a total net loss from operation during the first nine months of 1930 of eighteen warehouses at \$76,078.24. Exhibit No. 12 sets forth a total net loss for the calendar year 1929 of eighteen warehouses at \$32,897.10.

The testimony herein indicates that it is the practice of many of the warehousemen, when they are able to do so, to withdraw a portion of their space from the public use and lease it under private contracts, the revenue so received not being considered as public utility revenue. In said Exhibit No. 9, the number of square feet reported at 2,244,563 includes the amounts of floor space operated under private leases and the amounts available for public storage, whereas the empty space of 643,344 square feet is considered by Mr. Bailey as public utility space on the theory that having become vacant, whether theretofore leased or not, it is available for public warehousing. In connection with the reported losses from the utility operations, Mr. Bailey, was unable to advise the Commission what percentage of general and miscellaneous expenses had been allocated by the several warehousemen to their utility operations or to furnish other information that might aid in a determination of the reasonableness of the financial statements contained in the exhibits.

Giving full consideration to the record herein, it seems to us that it will be in the public interest for applicant warehouse company to operate its warehouse in the location referred to, and the order herein accordingly will grant the certificate requested. It appears that the rates to be charged by the company are those contained in Warehouse Tariffs Nos. 7-A (C.R.C. No. 29) and 8-A (C.R.C. No. 39), and supplements, of the California Warehouse Tariff Bureau.

Coming to the request of the warehouse company to issue its stock, it appears that it has an authorized capital stock of 15,000 shares without nominal or par value and that it is its desire at this time to issue and sell to the railroad company 250 shares, for \$100. a share, to obtain funds for the purchase of necessary facilities and other equipment and to

provide working capital. The record in our opinion justifies the issue in the amount requested and the order will so provide.

ORDER

Overland Terminal Warehouse Company, a corporation, having made application to the Railroad Commission for a certificate of public convenience and necessity to establish a public warehouse in the City of Los Angeles and for an order authorizing the issue of 250 shares of its capital stock, and Los Angeles & Salt Lake Railroad Company having made application to purchase said stock, public hearings having been held, briefs having been filed and the matters submitted, and the Commission being of the opinion that the applications should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expense or to income, therefore,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the operation by Overland Terminal Warehouse Company of not exceeding 150,000 square feet of warehouse space, as a public utility warehouseman in the City of Los Angeles at Ninth and Alameda Streets; and

IT IS HEREBY ORDERED that a certificate of public convenience and necessity, in accordance with the foregoing declaration, be, and it hereby is, granted to Overland Terminal Warehouse Company, provided that such operations as a public

utility warehouseman be inaugurated by said company on or before July 1, 1931.

IT IS HEREBY FURTHER ORDERED that Overland Terminal Warehouse Company be, and it hereby is, authorized to issue and sell, on or before December 31, 1931, not exceeding 250 shares of its common capital stock at not less than \$100 a share, and to use the proceeds to provide working capital and to finance the cost of warehouse equipment and office furniture and fixtures, and

IT IS HEREBY FURTHER ORDERED that Los Angeles & Salt Lake Railroad Company be, and it hereby is, authorized to purchase, acquire and hold the shares of stock which Overland Terminal Warehouse Company is herein authorized to issue and sell.

The authority herein granted is subject to the following conditions:

- (1) Overland Terminal Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.
- (2) Applicants shall enter into a written agreement covering the lease of the warehouse building referred to in this decision, which lease shall be substantially in the same form as that filed herein as Exhibit No. 17. Within thirty days after execution of the agreement, a certified copy shall be filed by the warehouse company with the Railroad Commission.

(3) Prior to the commencement of the operations by the warehouse company as a public utility warehouseman, it shall file with the Railroad Commission, in duplicate, copies of its proposed tariffs, which shall be identical with those filed by the company as Exhibit No. 2.

(4) The authority herein granted will become effective twenty (20) days from the date hereof.

DATED at San Francisco, California, this 11th day of

February, 1931.

C. J. Stewart
Leon J. White
W. J. Cunniff
M. B. Haines
J. G. Stewart
Commissioners.