

ORIGINAL

Decision No. 6746

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the applications of Associated Terminals Co., The Haslett Warehouse Co., The Hutton Warehouse, Peninsula Warehouse, San Francisco Warehouse Co., Seawall U. S. Bonded Warehouse, South End Warehouse Co., Vallejo Bonded & Free Warehouses, De Rue Warehouse Co., Turner-Whittell Warehouse, Natoma Warehouses, and Lawrence Warehouse Co., for authority to increase charges for handling, weighing and storing commodities in warehouses at San Francisco, Oakland and Sacramento, California.

APPLICATIONS NOS. 3703-3704  
3711-3712 and 3736  
(Supplemental)

C. W. Durbrow for applicants.  
Henry P. Dimond for California Bean Dealers Assn.

DEVLIN, Commissioner,

THIRD SUPPLEMENTAL OPINION

The original applications of which the present supplemental petition forms a part, were filed on April 27, 1916, based primarily upon the alleged necessity for granting at that time an increase in the wages of warehouse employees from \$3.00 per day of nine hours to \$4.00 per day. Upon the showing made in said applications, the Commission, in its Decision No. 5427 of May 25, 1916, authorized the following rates for the services indicated:

- 1- 75 cents per hour per man for special labor in connection with the handling of commodities.
- 2- 45 cents per ton for handling commodities, with a minimum charge of 25 cents.
- 3- 35 cents per ton for weighing commodities with a minimum charge of 15 cents.

- 4- 30 cents per ton for loading into cars packages weighing 150 pounds each, or less; 40 cents per ton for loading into cars packages weighing in excess of 150 pounds each.
- 5- 25 cents per ton for unloading cars containing packages weighing 150 pounds each or less; 32 $\frac{1}{2}$  cents per ton for unloading cars containing packages exceeding 150 pounds each in weight; the same charges to apply for loading or unloading gondola cars.
- 6- 75 cents per hour for loading or unloading from cars iron, machinery and other heavy and bulky articles.
- 7- That the labor charge for repiling merchandise in warehouse be the same as the handling charge."

On June 6, 1918, applicants presented their first supplemental petition alleging that by reason of increase in wages to \$4.00 per day of 8 hours and 75 cents per hour for overtime, an additional operating expense had been incurred which necessitated higher charges for handling commodities offered for storage in applicants' warehouses; an approximation placed the proposed increase at 20% for the service of loading or unloading cars, weighing, and handling commodities into and from warehouses. In its Decision No. 5514 dated June 25, 1918, the Commission granted a further increase of 20% in said handling charges. The new schedule effective July 1, 1918, was as follows:

Unloading cars,-

Packages weighing	150 lbs. or less	-	30¢	per	ton
"	"		over 150 lbs.	-	39¢ " "

Loading cars,-

Packages weighing	150 lbs. or less	-	56¢	"	"
"	"		over 150 lbs.	-	48¢ " "

Weighing	-	-	-	-	-	42¢	"	"
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Handling commodities into and from								
			warehouse	-	54¢	"	"	

Again, on November 18, 1918, applicants presented their second supplemental petition alleging new demands on the part of their employees involving a modification of the then existing wage scale to a basis 25% higher, - or \$5.00 per day of 8 hours, - which demands were later modified, under a six months agreement, to an increase of 12½%, or \$4.50 for an 8 hour day. Said second supplemental application sought to advance again rates for loading and unloading cars, weighing and other incidental handling of commodities, to cover the additional outlay necessary to meet the new demands of said employees. After a careful review of the matters involved and due consideration of the testimony and facts, the Commission on January 14, 1919, issued its Decision No. 6053 declining to authorize the increases requested and denying the petition, - partly on the grounds that up to that time the higher rates already authorized had not been given a fair test, and also

"because of the large increase in gross business, the entire year of 1918 will produce a satisfactory and reasonable net profit, even under the higher cost of operation."

The present proceeding is in the nature of a third supplemental petition, and recites in part that since February 5, 1919, petitioners have been paying to their employees engaged in common warehouse labor \$4.50 per day of 8 hours, and to so-called gang-bosses, weighers and checkers \$5.00 per day of 8 hours; that due to the cessation of war activities transportation facilities have greatly improved, drawing from warehouses their excess stock and reducing the demand for storage space; that as a result, during the present year petitioners' earnings have steadily declined month by month, whereas their operating costs show no material changes; and that their present earnings are not sufficient to pay the wage increase effective February 3, 1919, and allow a reasonable profit to petitioners. It is further alleged in the application that petitioners are now con-

fronted with a demand from their warehouse employees for an advance of \$1.00 per day in the existing wage rate of \$4.50 for eight hours work, plus time-and-a-half for overtime, the alternative being a withdrawal of said employees from their present occupation to engage in other lines of employment where higher wages prevail; and that the present revenues of applicants are not sufficient to enable them to pay the increased wages demanded.

To meet the foregoing situation, including increases which, as it is represented, will be necessary in the wages of other employees not directly involved, applicants pray that they be authorized to increase their present rates and charges as follows:

For handling and weighing commodities	-	25%
For special service	-	33-1/3%
For storage per month	-	5¢ per ton
For space rental per mo.	-	* 1/2¢ per sq.-ft.
Minimum storage charge per item	from 15¢ to 20¢	each.
Minimum storage charge per account	50¢ to \$1.00	each.

\*Space rental would also carry an increased minimum charge and reduced space allowance.

Following the usual press publicity and individual notice to each of petitioners' patrons, a hearing on the supplemental application was held at San Francisco on September 29, 1919, at which time, by stipulation, the testimony and exhibits produced by petitioners were also considered in evidence in the applications of Brannan Street Warehouse et al., Application No.4962, and Belshaw Warehouse Company, Application No.4964, which alleged the existence of practically the same conditions with reference to increased operating costs, and whose warehouses are conducted under practically the same conditions, rules, regulations and rates. These applications being original proceedings, however, while that now under consideration is supplemental, a separate order in each instance will issue.

No one appeared at the hearing to oppose the application, except the representative of the storers of a single commodity, no evidence whatever being offered in protest.

In support of their petition, applicants presented a series of eighteen exhibits showing, - (a) wage increases since the present rates were placed in effect; (b) details and summary of gross revenues, gross expenses and profit or loss for the period January 1, 1919, to July 31, 1919; (c) gross revenues for the twelve month period August 1, 1918 to July 31, 1919; (d) comparison of operating results for the two periods January 1, 1919-July 31, 1919 and January 1, 1918-September 30, 1918; (e) percentages of increase in various operating costs other than wages, 1918 against 1919; (f) estimate of increased earnings under rates proposed, and increased expenses under proposed wage increase. Exhibit No.1 shows that wages now demanded by truckers and pilots would involve an increase of 37 $\frac{1}{2}$ % over July 1, 1918 straight time, and 42 $\frac{1}{2}$ % for overtime; and for weighers and checkers 33-1/3% straight time, - 34% overtime. Exhibit No.6 aptly illustrates applicants' contention that while the expenses of operation have remained practically stationary since January 1919, revenues have steadily declined. Said exhibit, which includes the operations of Associated Terminals Company, The Haslett Warehouse Company and South End Warehouse Company follows:

Statement showing general decline in public storage and attendant decline in net profits.

<u>Month</u> <u>-1919-</u>	<u>Earnings</u>	<u>Expenses</u>	<u>Profits</u>	<u>Losses</u>
January	\$72689.12	\$57901.12	\$14788.00	
February	67557.78	55749.67	11808.11	
March	62589.08	56469.32	6119.76	
April	50892.93	53020.14	--	\$2127.21
May	47487.10	53032.91	--	5545.81
June	50079.24	56992.59	--	6913.35
July	57726.04	66258.24	--	8532.20

The above showing with reference to earnings and expenses for the first seven months of 1919, is emphasized, insofar as earnings are concerned, by applicants' Exhibit No.7 which covers a period of one year beginning August 1, 1918, and ending July 31, 1919. This exhibit represents 65% of the total warehouse

space controlled by all applicants and includes Associated Terminals Company, The Haslett Warehouse Company, San Francisco Warehouse Company and South End Warehouse Company. The total revenue of said companies, by months, is as follows:

August, 1918 -	\$107196.88	Feb. 1919 -	\$83534.60
Sept. "	91290.60	Mar. "	80359.60
Oct. "	93758.61	Apr. "	67884.47
Nov. "	91574.40	May "	63972.37
Dec. "	82065.24	June "	66979.16
Jan. 1919 -	90010.63	July "	74955.71

Exhibit No.8, which also embraces the last named four companies, or 65% of the total warehouse space under applicants' control, shows the following monthly averages for the periods named:

	<u>1918</u> <u>January 1 - Sept.30</u>	<u>1919</u> <u>January 1 - July 31</u>
Gross Earnings	\$91216.10	\$75663.20
Gross Expenses including de- preciation	76038.56	73167.48
Profit - - -	<u>\$15177.54</u>	<u>\$ 2515.72</u>

It will be seen by the above figures that for the periods named the four companies involved experienced a falling off of 17% in their average monthly revenues while their gross monthly expenses declined less than 4%, profits, of course, being reduced accordingly. Exhibit No.16 being a recapitulation of details shown in Exhibits 2 to 5 inclusive and 9 to 15 inclusive, sets forth total earnings and expenses for each of the eleven applicants, producing grand totals as follows:

Earnings	January 1 to July 31, 1919	- \$694,567.82
Expenses	" " " " " "	- 670,299.29
Profit	-	<u>\$ 24,268.53</u>

As heretofore stated, applicants are seeking authority to increase storage rates 5 cents per ton of 40 cubic feet, or 2000 pounds, whichever produces the greater revenue, such increase being approximately 15% higher than present charges. The storage rates to be increased are with very few exceptions, those authorized by this Commission under its Decision No.365 dated December 30, 1912, in Applications Nos.16 to 25 inclusive et al., and are practically the rates in effect at the time the Public Utilities Act became effective, March 23, 1912. Storers, therefore, have had the benefit of the present schedule of storage rates over a period of approximately seven years.

The testimony in this and the preceding applications shows as already indicated, that labor in 1912 was receiving \$2.50 for nine hours work; in February 1917 the rate was increased to \$2.75; in July 1917 to \$3.00; in May 1918 to \$4.00; in June 1918 to \$4.00 for eight hours, with 75 cents per hour overtime, making \$4.75 for nine hours; on February 3, 1919 to \$4.50 for eight hours, with 75 cents per hour overtime, making \$5.25 for a nine hour day; the labor costs upon which the proposed rates are based are \$5.50 for eight hours, with overtime at \$1.00 per hour, or \$6.50 for a nine hour day.

It will thus be seen that labor costs have increased from \$2.50 in 1912 to \$6.50 in 1919, an advance of \$4.00 per day, or 160%, and while it is not as important a factor in the storage rates as in the rates for other services, it nevertheless is illustrative of the radical changes which have taken place in operating expenses.

Salaried employees, whose time is devoted largely to handling storage accounts, such as bookkeepers, clerks, stenographers and telephone operators, have received increases since 1912 averaging about 50%.

The greater number of warehousemen in San Francisco conduct their business in leased buildings and it is shown by the exhibits and testimony that in 1912 warehouse space could be secured at an average of from  $\frac{1}{2}$  to 1 cent per square foot, while today the cost is from 1 cent to 2 cents per square foot; in addition tenants are required to keep buildings in repair and furnish the materials and supplies therefor, such as lumber, nails, roofing, hardware and paints, which commodities have likewise increased from 50 to 200%. Fire insurance and taxes have also materially advanced during the past seven years.

What has been said in justification for advances in storage rates will also apply to the proposed rates for labor, handling and weighing, which applicants seek to increase by 25%. The last increase in the labor, handling and weighing rates was authorized by Decision No. 5514, June 25, 1918, at which time labor was being paid \$4.00 for eight hours, while the proposed rates are based on a wage of \$5.50 for eight hours, or an increase of 37 $\frac{1}{2}$ %. Applicants claim that the proposed rates for labor, handling and weighing will not entirely cover the added costs, but that these increases combined with the increase of 5 cents per ton in the storage rates are expected to produce sufficient revenue to allow a net profit dependent upon the tonnage handled.

The public utility warehouse business in San Francisco, as heretofore stated, is conducted almost entirely in rented buildings, very few of the companies owning their own property. They are thus required to operate under leases, with the volume of the rent varying, from time to time, according to the demands for the property. Certificates of public convenience and necessity are not required of newly established warehouses, and competitors may enter the field at any time by filing schedules of rates with this Commission. Under the conditions existing,



rates for warehouses cannot be constructed by the same methods as the rates for other public utilities, such as railroads, gas, electric and water companies. These latter utilities have fixed capital investments upon which the Commission can base its conclusions and, also, under the provisions of the law the Commission has the authority to protect them against competitors entering the field.

No exact figures are obtainable to approximate the increased revenue and increased expenses by reason of the proposed adjustment, but it is estimated that the new rates will produce much lower net returns under the higher labor costs and limited business than were obtained during the peak of the war pressure at the lower rates and heavy volume of business.

After giving consideration to all of the facts, exhibits and arguments, I am of the opinion that applicants have justified the necessity for an increase in rates and that the application should be granted. I recommend the following form of order:

#### O R D E R

Associated Terminals Company, The Haslett Warehouse Co., The Hutton Warehouse, Peninsular Warehouse, San Francisco Warehouse Co., Seawall U. S. Bonded Warehouse, South End Warehouse Co., Vallejo Bonded & Free Warehouses, De Fue Warehouse Co., Turner-Whittell Warehouse, Natoma Warehouses, and Lawrence Warehouse Company having made a supplemental application to the Railroad Commission for authority to increase their rates for handling, weighing and storing commodities in their warehouses located at San Francisco, Oakland and Sacramento, a public hearing having been held thereon, the matter having been submitted and being now ready for decision,

IT IS HEREBY FOUND AS A FACT, that the present rates charged by said applicants for services indicated are unjust,

unreasonable, and noncompensatory, insofar as they differ from the rates hereinafter set forth, which rates are hereby found to be just and reasonable.

Basing its order upon the foregoing finding of fact, and upon other facts set forth in the opinion preceding this order,

IT IS HEREBY ORDERED, that Associated Terminals Company, The Haslett Warehouse Co., The Hutton Warehouse, Peninsula Warehouse, San Francisco Warehouse Co., Seawall U. S. Bonded Warehouse, South End Warehouse Co., Vallejo Bonded & Free Warehouses, De Pue Warehouse Co., Turner-Whittell Warehouse, Natoma Warehouses, and Lawrence Warehouse Company be, and they are hereby, authorized to publish and file within twenty days from date hereof, and thereafter collect the following charges for the various classes of service specified:

For handling and weighing commodities at warehouses 25% above present charges.

For all special service not otherwise specified, \$1.00 per hour per man.

For storage - 5 cents per ton, (40 cubic feet or 2000 pounds, whichever produces the greater revenue), in addition to present charges.

For the rental of space,  $\frac{1}{2}$ ¢ per square foot per month in addition to the present rates, including modification of square foot space and minimum charges now in effect, as set forth in the application.

Minimum labor charge per lot - 25 cents.

Minimum storage charge for each item of any account 20 cents per month.

Minimum monthly charge to one account for storage and handling \$1.00.

IT IS FURTHER ORDERED that, in the disposition of fractions, insofar as they affect handling rates, or storage rates covering the various packages with reference to size or weight, applicants be, and they are hereby, authorized to employ methods of computation shown in the application; provided such computations and extensions shall create no undue variations from the percentage of increases herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 3<sup>d</sup> day of October 1919.

Edwin O. Edgerly  
H. D. ...  
Francis ...  
Quincy ...

COMMISSIONERS.