

Decision No. 9148

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.
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ORIGINAL

In the Matter of the Application of)
Davies Warehouse Company.)
Los Angeles Warehouse Company.)
Pacific Commercial Warehouse Company.)
Santa Fe Warehouse Company.)
Sattuck & Nimmo Warehouse Company.)
Union Terminal Warehouse Company.)
for permission to increase rates and)
charges for storing and handling)
commodities in warehouses in the)
city of Los Angeles, California.)

APPLICATION NO. 6412

Leroy M. Edwards for Applicants,
George W. Howard for flour jobbers and bakers
in Los Angeles,
Howard C. Bonsall for Holly Sugar Corporation,
Los Alamitos Sugar Company, Santa Ana Sugar
Company, Southern California Sugar Company and
Anaheim Sugar Company.

MARTIN, COMMISSIONER:

O P I N I O N

Applicants do a general warehouse business in the City of Los Angeles. Each is a public utility, in that it performs a regular storage service for compensation in connection with or to facilitate the transportation of property by common carrier or vessel, or the loading or unloading of the same. The record shows that the majority, if not all, of applicants are engaged in other lines of private storage or in other activities more or less associated with warehousing, but not covered by the Public Utilities Act and, therefore, not subject to regulation by the Railroad

Commission.

Prior to the enactment of Chapter 91, Statutes of 1915, jurisdiction over warehouse utilities located in the city of Los Angeles was vested in the municipality. By the statute, effective August 8, 1915, the Railroad Commission acquired the same power of control over public utilities within the various incorporated cities of the State as it had previously exercised in other cases. Applicants herein who were operating at that time and had not already done so, were required to file their schedules of rates and regulations and otherwise comply with the terms of the Public Utilities Act as amended. Schedules so filed were in no wise uniform, being in most instances but memoranda based upon individual experience afforded by the tonnage then available. These schedules were superseded by printed tariffs, known as Warehouse Tariff No.2, filed on April 4, 1919, the same representing a concerted effort to bring the schedules within the Commission's tariff requirements. Rates and regulations shown in these tariffs were published under authority of Decision No. 6209, dated March 22, 1919, the rates on some of the principal commodities being from 25 to 50 per cent higher than previously in effect. As increased, these rates were designed to produce approximately 25 cents per ton per month storage and 25 cents per ton for the labor costs of handling the commodities into the warehouses and delivering the same. On March 1, 1920, under authority of Decision No. 7118, dated February 11, 1920, the handling charge was increased by 50 per cent, making a charge of $37\frac{1}{2}$ cents per ton. Applicants' schedules now in force (Warehouse Tariff No.3, C.R.C.No. 3), became effective December 6, 1920 and carries rates and regulations uniform as to all the parties to this proceeding.

In their petition, applicants represent that the existing schedule of rates under which they operate was originally based, in a large measure, upon schedules published and filed by the San Francisco warehousemen in 1912, but was issued without due regard to the reasonableness of the rates so established; that the storage rates are, in the main, still in effect; also that the labor handling charges, as increased by Decision No. 7118, supra, are still grossly inadequate. As a result, the application recites that

"Petitioners have been unable to operate their public utility warehouse business at a reasonable profit, and in many instances have been operating at an actual loss."

Applicants further claim, in their petition, that they are unable to reduce present operating costs, with particular reference to labor, the principal cost item; that the existing low rates hamper expansion of the warehouse business in the city of Los Angeles; that the present system of classifying and rating commodities is obsolete and leads to discriminations; that applicants, in common with other public utility warehousemen, are at all times exposed to unfair competition by unregulated warehouses; - all of which matters, together with others enumerated in the petition, and more or less vital to the warehouse industry, have been taken into consideration in compiling the proposed schedule.

Under this application as amended, it is proposed to put into effect at all warehouses operated by the applicants within the city of Los Angeles a schedule of rates, rules and regulations as set forth in Exhibit marked A, attached to and made part of the application. It is proposed to increase the handling charges from a basic rate of $37\frac{1}{2}$ cents per ton to approximately 75 cents

per ton, or an advance of 100 per cent. The suggested tariff is a complete departure from the one now in effect; it contains a classification of commodities and a rate table, the plan being to classify the commodities into like groups and assess charges without discrimination, thus eliminating alleged unreasonable differences existing under the specific commodity rates now in effect.

The storage charges under the present tariff are assessed upon an average monthly basis of approximately 5 cents per square foot of floor space, while the proposed rates are computed upon a basis of $6\frac{1}{2}$ cents per square foot. This basic rate, however, is subject to certain modifications governed by the value of the commodity, its liability to leakage, fermentation, vermin, dust or other elements, which add to the ordinary expense of storing merchandise and result in charges against certain specified commodities greatly in excess of the 30 per cent increase represented by changing the rate base from 5 cents to $6\frac{1}{2}$ cents per square foot; in some instances these storage charges would be advanced more than 100 per cent.

Exhibit B, attached to the application, purports to show, on a tonnage basis, the changes which would result under the proposed new classification and rates. As to storage charges, it is claimed the increases would be offset to some extent by reductions.

A hearing was held on the application at Los Angeles February 4, 1921, at which time the only protestants were representatives of the flour, bakers' supplies and the sugar interests. These protestants, however, presented no concrete figures or substantial facts to justify the claims that their particular commod-

ities should constitute exceptions to the proposed rate schedules.

At the hearing 23 exhibits were filed; they included schedules in effect in other States, photographs of the Los Angeles warehouses, financial statements and other data. Witnesses testified in detail as to the services, construction costs and the land values of the warehouses in Los Angeles.

Exhibit No. 5 purports to show that of the gross floor area of all warehouses operated by applicants at Los Angeles, amounting to 717,563 square feet, only 70.4 per cent, or 505,486 square feet, are available for actual storage, the remainder being occupied for stairways, elevators, aisles, offices, etc. This exhibit also shows the proportionate rate of tonnage elevated to the various warehouse floors, but since these conditions are not peculiar to Los Angeles warehouses and no modification of the proposed handling charge based upon the elevation cost is involved, the exhibit constitutes a mere matter of information.

Exhibits Nos. 8, 9, 10, 11, 12 and 13 give the earnings and expenses for each of the applicants, except the Pacific Commercial Warehouse Company, that of the Union Terminal Warehouse Company covering a period of seven months, January 1 to July 31, 1920, and for a period of twelve months, August 1, 1919 to July 31, 1920 for the other four companies. The summary carried in Exhibit No. 8 indicates there was a profit during that period of \$37,429.45 in the storage operations, and a loss of \$50,275.67 in the handling operations, or a net loss during that time, to the five companies shown in the statement, of \$12,851.22.

The value of these exhibits is materially reduced, by

reason of the fact that in two of the exhibits the figures include non-public utility business, while in the other three cases the direct and general expenses have been segregated and apportioned to the various classes of business on a more or less arbitrary basis.

For the Los Angeles Warehouse Company the apportionment of the expenses to the public utility service is on the basis of the income of the total business transacted, which is at a ratio of 65 per cent public utility and 35 per cent non-public utility. In the remaining instances the figures used are designed to cover public service only, but the basis for the apportionment of the cost is not shown, although all of the companies, to a greater or less extent, are engaged in non-public utility business, such as moving and storing household goods, the trucking and forwarding of merchandise and the rental of space. Again, these exhibits are defective in that the Pacific Commercial Warehouse Company, probably the only applicant doing a strictly public utility business, has not been included in the statements. Neither the exhibits filed nor the testimony of the witnesses gave facts or figures showing detailed valuations of applicants' properties and the separate and common uses involving the utility and non-utility service.

Of the five companies rendering exhibits of revenues and expenses only one owns the warehouse property devoted to the service; the others pay rent. The company having ownership included in the exhibit, as operating expenses, interest at 8 per cent on the property investment and 6 per cent interest on a mortgage, making a

total for interest of \$26,349.94. Return on investment cannot be included in operating expenses and with this amount eliminated the statement would show, instead of a deficit of \$13,006.43, a profit of \$13,343.51 for the storage and handling of the public utility business.

The only company devoting itself to strictly warehousing business, all of which by the provisions of the Public Utilities Act is under the jurisdiction of this Commission, is the Pacific Commercial Warehouse Company, incorporated, and this company presented no exhibits of its revenue and expenses. According to the annual report filed February 25, 1921, the company, in the year 1920, had a net operating revenue of \$16,779.82 and a net corporate income of \$18,372.92; it owns no property, but pays an annual rental of \$21,420.00 for the use of the warehouse devoted to the service. Whether or not this rental charge is reasonable we are unable to state. In addition to the rental there are included in the operating expenses salaries totalling \$10,151.16 and a commission amounting to \$6,470.19, which latter item, it is understood, is in the form of a bonus paid to the manager of the company. Notwithstanding these extraordinary expense items there was a net corporate income for the year 1920, as heretofore stated, of \$18,372.92, or 36½ per cent per annum upon the capitalization of \$50,000. The assets of the company consist of cash, accounts receivable, notes receivable and Liberty Bonds, there being no investment in property for the conduct of the business, all the property used apparently being covered by the item for rental. Manifestly, upon the showing made by this company standing alone the Commission could not permit increases in rates.

The annual reports on file with this Commission show that all of the companies earned substantial net profits from their total operations during the year 1920. As shown by the exhibits, the storage operations under the present rates have proved profitable, but the exact amount of the net profit is an element of doubt with all the companies except the Pacific Commercial; this for the reason that no positive basis of segregation of the expenses between utility and non-utility has been given. The Pacific Commercial Company, doing only a storage and handling business, secured large net profits during 1920.

I am of the opinion that a showing justifying any increase in the storage charges has not been made. The application to increase storage charges will, therefore, be denied. In denying this part of the application for an increase in storage charges, I am not unmindful of the fact that the proposed classification of the commodities is an improvement upon the present system, but during this period of declining prices advances in rates will not be permitted unless positive and complete justification therefor is shown. It is suggested that the warehousemen make a further study of the situation.

Exhibit No. 19 gives the cost of receiving, piling and delivering merchandise of different sized packages. The exhibit represents actual results obtained over a period of nine months, April to December 1920, compiled from data assembled by the Los Angeles Warehouse Company, and shows that the actual labor cost for handling a ton of merchandise twice; that is, into and out of the warehouse, varies from 24 cents to 50 cents, dependent upon the size and weight of the packages handled. This labor cost does not include the time lost while the men on duty are idle, nor in-

cidental expenses, such as insurance, supervision, lights, supplies, damage claims, interest on investment, depreciation or overhead expenses. Another exhibit was presented setting forth the labor handling costs at San Francisco for moving like kinds of merchandise. This report would indicate that although the daily wage paid labor in San Francisco is somewhat higher than that paid in Los Angeles, the actual labor cost per ton for merchandise moved is less at San Francisco than at Los Angeles. The conditions under which the tonnage is handled at these two commercial centers was not presented and, therefore, the comparisons made have no particular value.

The exhibits and the testimony given in this proceeding do not justify increasing the present basic labor handling charge of $37\frac{1}{2}$ cents per ton to 75 cents per ton, an increase of 100 per cent. I am convinced, however, that the rate of $37\frac{1}{2}$ cents per ton is unremunerative. I recommend that the applicants be authorized to establish and apply a basic rate of 50 cents per ton for labor and handling charges; that they also be permitted to establish rules and regulations numbers 1 to 23 inclusive, as set forth in Exhibit A, attached to and made part of the application. The remainder of the application is dismissed.

O R D E R

Davies Warehouse Company, Los Angeles Warehouse Company, Pacific Commercial Warehouse Company, Santa Fe Warehouse Company, Shattuck & Nimmo Warehouse Company and Union Terminal Warehouse

Company having applied to the Railroad Commission for authority to increase storage and labor handling charges now published in Warehouse Tariff No.3, C.R.C.No.3, effective December 6,1920, a public hearing having been held, the matters having been submitted and being now ready for decision, the Railroad Commission finds as a fact that the storage charges have not been found to be unjust or unremunerative, but that the labor handling charges now in effect at the various warehouses involved in this proceeding are unremunerative, unjust and unreasonable and that a basic rate of 50 cents per ton is just and reasonable for the labor handling service.

Basing its order on the foregoing findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that the Davies Warehouse Company, Los Angeles Warehouse Company, Pacific Commercial Warehouse Company, Santa Fe Warehouse Company, Shattuck & Nimmo Warehouse Company and Union Terminal Warehouse Company be and they are hereby authorized to publish and file with the Railroad Commission, not later than twenty (20) days from the date hereof, tariffs containing labor handling charges on a basic rate of 50 cents per ton.

IT IS HEREBY FURTHER ORDERED that the applicants herein be permitted to establish rules and regulations Nos. 1 to 23 inclusive, as set forth in Exhibit A attached to and made part of the application.

IT IS HEREBY FURTHER ORDERED that the remaining part of

the application be and the same is hereby dismissed, without prejudice.

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 24th day of June, 1921.

H. P. Anderson
H. S. ...
Erving Martin
[Signature]
[Signature]
Commissioners.