

Decision No. 35361

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
CALIFORNIA WAREHOUSE TARIFF BUREAU, )  
L.A. Bailey, Agent, for authority )  
to increase certain handling rates )  
and accessorial charges of public )  
warehouses in the City of Los )  
Angeles, and vicinity, State of )  
California. )

ORIGINAL

Application No. 24723

Appearances

- Arlo D. Poe, for applicant.
- J.J. Deuel, for California Farm Bureau Federation,  
interested party.
- Harry Cremeens, for Los Angeles Warehouse Co.,  
interested party.
- Gordon Ross, for Overland Terminal Warehouse  
Company, interested party.
- I.W. Hamilton, for Pacific Commercial Warehouse,  
Inc., interested party.
- W.H. Tyler, for Westland Warehouses, Inc.,  
interested party.
- C.O. Simpson, for Metropolitan Warehouse Co.,  
interested party.
- D.C. Fessenden, for California Warehouse Company,  
interested party.
- Ben Smith, for Birch-Smith Storage Company,  
interested party.
- Morris M. Cook, for Cook-McFarland Company,  
interested party.
- A.O. Walde, for Davies Warehouse Co., interested  
party.
- W.C. Elliott, for Bekins Van & Storage Co.,  
interested party.
- Nathan Nibley, for Jennings-Nibley Warehouse Co.,  
Ltd., interested party.
- B.F. Johnson, for Union Terminal Warehouse,  
interested party.
- J.S. Miller, for Star Truck & Warehouse Co.,  
interested party.

BY THE COMMISSION:

O P I N I O N

By this application California Warehouse Tariff Bureau,  
through its agent, L.A. Bailey, seeks authority on behalf of its  
members operating in Los Angeles and vicinity to increase warehouse  
handling rates and certain incidental and accessorial charges, and

to make the changes effective on ten days' notice.<sup>1</sup> No change is sought in rates for storage.

The matter was submitted at a public hearing had before Examiner Bryant at Los Angeles on February 13, 1942.

The proposed handling rates are uniformly 15 per cent higher than those now in effect, subject to slight adjustments in the disposition of fractions.<sup>2</sup> The other incidental changes involve minimum monthly charges per customer, charges for payment of freight or express bills on outgoing shipments, and charges for sorting, weighing, clerical services, and the furnishing of special labor. The proposed increases in these charges are not uniform, but are generally in excess of 15 per cent.

Applicant alleges that there has been no substantial change in the rates of the warehouses here involved since February 1, 1938; that the rates have not been sufficient to enable them to operate at a profit; that notwithstanding such condition, warehouse operating expenses have increased from time to time, particularly labor costs;

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The warehousemen on whose behalf the application is filed are American Warehouse, Bekins Van Lines, Inc., Birch-Smith Storage Company, California Warehouse Co., Central Warehouse & Storage Co., H.G. Chaffee Warehouse Co., Citizens Warehouse, J.A. Clark Draying Co. Ltd., Colyear's Van & Storage Co., Cook-McFarland Warehouse Co., Davies Warehouse Company, Federal Ice & Cold Storage Co., Hollywood Storage Co., Jennings-Nibley Warehouse Co. Ltd., Los Angeles Warehouse Company, Metropolitan Warehouse Company, Modern Warehouses, Inc., Overland Terminal Warehouse Co., Pacific Coast Terminal Warehouse Company, Pacific Commercial Warehouse, Inc., Richards Trucking & Warehouse Co., Smith Bros. Truck Co., Star Truck & Warehouse Co., Union Terminal Warehouse, Western Warehouse & Transfer Co., Westland Warehouses, Inc. The warehouses are all situated in Los Angeles with the exception of Federal Ice & Cold Storage Co. and Westland Warehouses, Inc. which are located in Vernon; Hollywood Storage Co., which is located in Hollywood; and the warehouses of Bekins Van Lines, Inc., which are located in Beverly Hills, Santa Monica, Glendale and Pasadena.

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The increases would be applied in accordance with a rate conversion table as set forth in Exhibit "A" to the application. The present rates and charges are published in California Warehouse Tariff Bureau Tariffs Nos. 7-C and 5-J, C.R.C. Nos. 102 and 94, respectively, of L.A. Bailey, Agent.

that although operating revenues have recently increased due to an added volume of business, the increase has not been sufficient to offset the rise in operating expenses; and that the efficiency of public warehouse service in Los Angeles and vicinity may be seriously impaired unless applicant warehousemen are promptly authorized to increase rates and charges as sought herein.

Testimony in support of the application was presented by the secretary-treasurer of the Los Angeles Warehousemen's Association, by the manager of one of the applicant warehouses, and by a warehouse employee engaged to compile cost data for purposes of this proceeding. According to the testimony of these witnesses, the warehouse industry in the Los Angeles area has experienced a steady increase in operating expenses in recent years, due principally to the constant upward trend in wages for labor. Since 1938 wages have increased on four different occasions, and the employees have also been granted vacation and holiday privileges.<sup>3</sup> The total increase in cost to the warehouses for labor required to conduct their operations was stated to be between 20 and 26 per cent. In addition, it was asserted that wages of clerical and supervisory employees have advanced, as has the cost of materials and supplies.

Studies of revenues and expenses of 14 of the 26 companies involved in this proceeding were submitted in evidence and explained by the cost witness. He stated that these 14 companies operate a major part of the warehouse space, and expressed the opinion that their figures were representative of those of all of the applicant warehousemen. The witness calculated that the labor expense alone for the warehouses studied would be \$77,890 per year higher under present wage scales than under those paid in 1938, whereas additional revenue to be expected from the proposed increase in handling charges

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<sup>3</sup> Hourly wages for "regular" and "checker class" labor were 65 cents and 70 cents respectively on February 1, 1938. The present wage scales are 75 cents for "regular" labor and 80 to 85 cents for "checker class" labor.

would be only \$67,485. He asserted that the 14 warehousemen suffered a net loss from all warehouse operations of \$70,571 during the first six months of 1941, despite an upward trend in their storage business and gross revenue.

Subsequent to the hearing, applicant stipulated that the 1941 verified reports filed with the Commission might be considered part of the record. These reports contain a balance sheet and income statement for each warehouse. They show, among other things, that some of the warehousemen own and others rent their warehouse premises. In arriving at the loss shown above, rent paid is included in expenses. The rent paid includes an allowance for a return on the owner's investment in the property leased to an applicant and in some instances an allowance for depreciation and taxes. The warehousemen who own their buildings have no allowance for a return on their investment in their expenses. Obviously, operating expenses should not include a return on investment. At least two of applicants who rent all their warehouse buildings and who pay more than one-half of the rent paid by the 14 warehousemen, include in such rent, payments for both utility and non-utility properties. If one includes the rent received in revenues, the 14 warehousemen did not, in 1941, operate at a loss. In subsequent proceedings we will expect applicants to segregate their rent expenses in a manner so that we can determine the amount which represents a return on the investment in leased premises and the amount which represents operating expenses such as taxes and depreciation, and we should also have evidence showing the cost of the premises leased.

No one appeared in opposition to the granting of this application, although over 3,000 notices of the proposed rate increases were said to have been distributed to customers of the warehousemen.

The order herein will permit applicants to increase their rates to reimburse them in part for their added labor expense. This

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During the same period in 1940 the loss was said to have been \$85,064. The operating losses have been compensated by nonoperating revenues, so that the warehouses as a group have shown some net income

will be done, however, subject to the condition that applicant, before accepting the benefits of this order, and before filing the increased rates authorized herein, will be required to agree that it will never urge before this Commission, in any reparation proceeding under Section 71 of the Public Utilities Act, or in any other proceeding, that the opinion and order herein has found that any individual rate is reasonable. It will be understood that any interested party may properly challenge by complaint and in the usual manner the reasonableness or lawfulness of any individual increases herein authorized, should such increases be regarded as unreasonable or in any other manner unlawful.

O R D E R

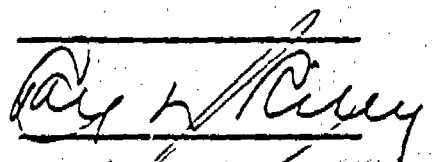
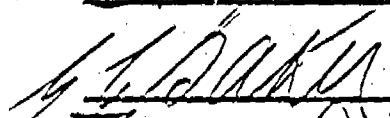
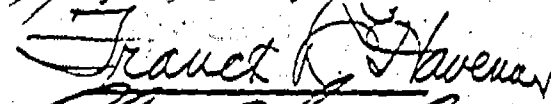
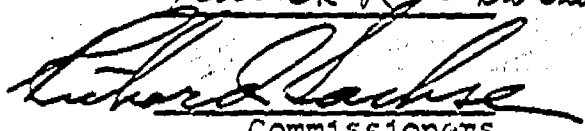
This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that California Warehouse Tariff Bureau be and it is hereby authorized on behalf of the warehousemen specifically named in the preceding opinion, subject to the condition set forth in said opinion, to establish on not less than ten (10) days' notice to the Commission and to the public, increased handling rates and incidental charges as set forth in Exhibits "A" and "B" attached to and made a part of the above entitled application.

The authority herein granted is void unless exercised within ninety (90) days from the effective date hereof.

The effective date of this order shall be ten (10) days from the date hereof.

Dated at San Francisco, California, this 12<sup>th</sup> day of May, 1942.

  
  
  
  
 Commissioners.