

ORIGINAL

Decision No. 39923

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Los Angeles Warehouse Company)
to discontinue storage of property) Application No. 27956
generally, and to abandon its)
public utility service.)

Appearances

Wyman C. Knapp, for applicant.
K. L. Vore, for Los Angeles Chamber of Commerce,
interested party.
Edward P. Becker, for Modern Household Sales Co. Inc.,
protestant.
R. J. Woolley, for United Chromium, Inc., protestant.

O P I N I O N

By this application the Los Angeles Warehouse Company, a corporation conducting business as a public warehouseman in the City of Los Angeles, seeks authority to withdraw permanently from the public utilities field. It proposes to discontinue service and to sell or otherwise dispose of its operating properties.

Hearing was had before Examiner Bryant at Los Angeles on December 2, 1946, and the matter is ready for decision.

Applicant owns and operates several buildings located within a two-square-block area near the Los Angeles civic center. Total floor area was stated to be about 232,000 square feet, of which some 100,000 square feet is currently devoted to public utility warehousing.

According to the record, applicant's desire to discontinue warehouse operations developed from an appraisal of future earning prospects. Witnesses for the company testified that earnings in

the past had been relatively low, and that indications were that future profits would be less satisfactory. Applicant's general manager declared that the warehouse buildings are no longer suitable nor are they suitably located for the continuance of warehouse operations. He said that the buildings themselves are in need of modernization, that new elevators and a sprinkling system should be installed, and that these improvements would involve the expenditure of more capital than would be warranted. He stated that the buildings do not have adequate loading and unloading facilities to accommodate modern trucking equipment, and that traffic congestion in the area where the buildings are located impedes movements of transportation equipment to and from the warehouse. The adverse effect of traffic congestion is aggravated by the fact that the trend of the movement of industry has been away from the civic center area, with the result that those of applicant's patrons whose plants are located in the principal industrial areas of metropolitan Los Angeles must send their trucks over considerable distances through crowded streets to reach applicant's warehouse. This fact, the witness believed, would tend to induce storers to seek more conveniently located warehouses in the future.

Future building and street developments in the civic center area, the general manager testified, would also diminish applicant's opportunities for operating efficiently and profitably. He said that a projected customs house, the site for which has been acquired by the federal government, will close a principal street of access to the warehouse buildings, and that access to the buildings would be further restricted by the extension of a motor vehicle freeway through the area. This witness understood that the development of such freeway, as part of the system of state highways, would take

place within the next year-and-a-half to three-year period. He said that, as access to the warehouse buildings becomes more restricted, continuance of operations would require realignment of the warehouse facilities at great expense, and that notwithstanding such realignment applicant would be unable to operate efficiently.

The general manager predicted that within the near future his company would be unable to earn any profit whatsoever from its public warehouse operations. He stated that the demand for public warehousing facilities by both government agencies and industry during the war years had enabled applicant to operate at near capacity. Government agencies, he said, had curtailed their warehouse space requirements. Although the total demand for public warehousing was still high, the witness believed that it would fall off substantially in the ensuing six-month period, and that public warehouses in the Los Angeles area would soon find themselves in a competitive market. He thought that, as competition for storage business again developed among warehouses, his company would be unable to attract enough patronage to earn operating expenses at any basis of rates which would be reasonable and competitive.

Other reasons advanced for the discontinuance of operations were that operating costs have risen substantially in recent years and that applicant's general manager, the only experienced warehouseman in the organization, must soon retire because of ill health.

Applicant's counsel stated that the company would be agreeable to (1) allowing present storers a period up to six months from the date of hearing within which to remove goods currently in storage, (2) transporting the goods at no expense to the storers to any location designated by the storers within the metropolitan Los Angeles

area, and (3) continuing to accommodate such goods for a reasonable time beyond the six-month period if it appeared that any storer had made sincere but unsuccessful efforts to find storage space elsewhere. . . . It was specified that the tariff rates would be assessed on all goods so long as they remained in storage; and that no goods would be received for storage during the termination period.

Two of applicant's storers appeared at the hearing in protest to the granting of this application. Both testified that they had already made some effort to find suitable storage facilities elsewhere, but had been unable to do so. One of them stated that he or his representative had inquired of all public utility warehousemen in the Los Angeles area, and had been told that there was no space available at the time, and that no assurance could be given that space would be available within the ensuing six months. At the suggestion of one of the warehousemen he made inquiry also of the secretary of the Los Angeles Warehousemen's Association, and assertedly the secretary replied that "to his knowledge the entire warehouse situation was pretty tight. He could not recommend one warehouse that would be able to handle our goods. It was his feeling that the warehouse situation at present would not be able to accommodate the clients of the Los Angeles Warehouse Company if they were not able to continue storage there." This witness agreed to withdraw his protest upon receiving the assurance of applicant's counsel as described in the preceding paragraph.

There is no contention in this proceeding that the public utility operations of Los Angeles Warehouse Company are being conducted at a loss. Figures submitted by applicant for the years 1944 and 1945, the latest available, disclose net earnings which

are clearly above the point of confiscation.¹ From the evidence herein it appears that applicant's facilities devoted to public warehousing have been and are being operated at or near their practical capacity; that the facilities of other warehouses in the Los Angeles metropolitan area are similarly crowded; and that little if any warehouse storage space is currently available to the general public. Applicant's witnesses predicted that the situation would change within a period of months, and that thereafter an excess of warehouse space would be available. Should these predictions not be fulfilled, however, it is apparent that the withdrawal of applicant's buildings from the warehousing facilities of the Los Angeles area would seriously inconvenience the storing public. Applicant's offer to accommodate for a reasonable period the goods now in storage would alleviate the distress which would otherwise be felt by its present patrons, but would offer no haven for other goods which they might require to store in the future, and would be no solace whatsoever to the general storing public.

¹ The following figures are from applicant's Exhibit No. 3:

	<u>1944</u>	<u>1945</u>
<u>Utility and Non-Utility</u>		
Revenues.....	\$326,317.31	\$354,132.92
Expenses and Deductions (Including income taxes).....	<u>296,063.08</u>	<u>322,311.40</u>
Net Income.....	\$ 30,254.23	\$ 31,821.52
Rate of return on average depreciated fixed capital, materials and supplies, and working capital.....	6.32%	6.67%
<u>Public Utility Only</u>		
Revenues.....	\$193,933.56	\$203,005.03
Expenses and Deductions (including income taxes).....	<u>175,052.97</u>	<u>186,257.96</u>
Net Income.....	\$ 18,880.59	\$ 16,747.07
Rate of return on average depreciated fixed capital, materials and supplies, and working capital.....	5.48%	5.06%

The predictions of applicant's witnesses that Los Angeles Warehouse Company would soon be unable to conduct warehousing operations except at a financial loss were based primarily upon a combination of three anticipated developments: (1) reduction in the demand for public warehousing, so that applicant would be required to compete actively with other warehouses having superior facilities and locations; (2) closing of streets adjacent to and in the vicinity of applicant's buildings; and (3) enforced retirement of applicant's experienced general manager. Estimates concerning the time when the first two developments might take place were necessarily indefinite; as to the third, there was no showing whether applicant had endeavored to find a suitable replacement for the retiring general manager.

Upon careful consideration of all of the facts and circumstances of record the Commission is of the opinion and finds as a fact that public convenience and necessity require that the warehousing facilities operated and services conducted by Los Angeles Warehouse Company in the City of Los Angeles be continued at the present time. Based upon this finding, we conclude that the application must be denied. Denial of the application will be without prejudice to further hearing if and when applicant is prepared to show that its facilities and services are no longer required by the general public, or to show convincingly that the services can no longer be continued except at a financial loss or at an unreasonably low return which cannot be corrected through rate adjustment.²

2. By Decision No. 39895 in Application No. 28099, January 21, 1947, applicant and other warehousemen in the Los Angeles area were authorized to increase certain rates and charges.

O R D E R

Public hearing having been had in the above entitled proceeding, and based upon the evidence received at the hearing and upon the conclusions set forth in the preceding opinion,

IT IS HEREBY ORDERED that Application No. 27956 be and it is hereby denied.

The effective date of this order shall be thirty (30) days from the date hereof.

Dated at San Francisco, California, this 4th day of February, 1947.

Harold P. Hule
Justice F. Cramer
James H. Powell
R. T. Morrison

Commissioners