

Decision No. 41809

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Crescent Warehouse Co., Ltd., West )  
Coast Warehouse Corporation, and ) Application No. 29330  
Bekins Van Lines, Inc. for authority )  
to increase warehouse rates and charges.)

Gordon, Knapp and Hennessy by Wyman C. Knapp, for  
applicants.

Jackson W. Kendall, for Bekins Van Lines, Inc.,  
applicant.

C. G. Munson, for Los Angeles Warehousemen's Asso-  
ciation, interested  
party.

O P I N I O N

Applicants are California corporations engaged in the busi-  
ness of warehousemen in the harbor areas of Long Beach and Los  
Angeles. They seek authority to effect a 20-per cent increase in  
their rates and charges, and to establish charges for unloading rail  
cars and for preparing delivery orders.

Public hearing of the application was had before Commis-  
sioner Huls and Examiner Abernathy at Los Angeles on June 3, 1948.

Applicants allege that with minor exceptions their present  
rates have been in effect for over ten years.<sup>1</sup> During this interval  
they have experienced increases in practically all costs of opera-  
tion. Substantial expense increases have been experienced particu-  
larly in the field of labor. The president of Crescent Warehouse

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<sup>1</sup> Applicants' rates and charges are published in California Warehouse  
Tariff Bureau Warehouse Tariff No. 13-A, Cal.P.U.C. No. 103, issued  
by L. A. Bailey, Agent. This tariff shows that a majority of the  
rates therein have been in effect without change since September 20,  
1937, although certain adjustments and increases were made in 1942,  
1946 and 1947.

Co., Ltd., one of the applicant companies, introduced an exhibit to show that labor costs for his company are now 132 to 144 per cent higher, depending upon the class of labor required, than they were in 1937. He testified that both Bekins Van Lines, Inc. and West Coast Warehouse Corporation have likewise had to meet substantial increases in labor costs, although the increases experienced by the latter company have not been as great as those of Crescent Warehouse Co., Ltd. Applicants stated that as a result of the various increases in expenses, revenues from their present rates are no longer sufficient to maintain operations adequately to meet the public need for warehouse facilities.

A consulting engineer who appeared on behalf of applicants introduced and explained financial exhibits which he had prepared after analyses of applicants' records.<sup>2</sup> According to his figures, results from the warehouse operations involved herein for the year 1947 were as follows:

	Crescent Whse. Co. Ltd.	West Coast Whse. Co.	Bekins Van Lines, Inc.	Total
Operating Revenue	\$ 62,290	\$ 25,381	\$ 38,440	\$126,111
Operating Expenses	<u>52,944</u>	<u>27,714</u>	<u>38,432</u>	<u>119,090</u>
Net Operating Revenues (before income taxes)	\$ 9,346	\$ (2,333)	\$ 8	\$ 7,021
Rate Base <sup>3</sup>	139,238	81,996	126,731	347,965
Operating Ratio	85.0%	109.2%	99.97%	94.4%
Rate of Return	6.71%	(2.85%)	00	2.0%

( ) Indicates loss.

<sup>2</sup>

In the exhibits the figures relating to applicants' public utility warehouse operations were segregated from those relating to other phases of applicants' businesses. Crescent Warehouse Co. Ltd. is also engaged in stevedoring operations, and Bekins Van Lines, Inc. is also engaged in the business of transporting and storing used household goods.

<sup>3</sup> The engineer included \$69,263 in the rate base figures for the West Coast Warehouse Corporation which amount, he said, represents the book value of the land and buildings which are leased by the company for its warehouse operations. He explained that the value of the land and buildings was included in order that the rate base figures for the company might be on a comparable plane with those of Crescent Warehouse Co., Ltd., and Bekins Van Lines, Inc. who own the land and buildings used in their businesses. The engineer's figures indicate that the operating expenses of West Coast Warehouse Corporation would be practically the same as at present if it owned all of its operating properties.

The engineer said that the three companies have had to grant further wage increases in December, 1947, or in the early part of 1948. He submitted figures to show that had the higher wage rates prevailed throughout 1947, the net revenues (before income taxes) of the three companies from their warehouse operations would have been as follows:

Crescent Warehouse Co., Ltd.	\$6,148	
West Coast Warehouse Corporation	2,648	(Loss)
Bekins Van Lines, Inc.	1,057	(Loss)

He declared that operations for the first four months of 1948 have been less satisfactory than for the comparable period during 1947 and that operating results for 1947 were not a reliable base for predicting for the future. The engineer calculated that on the basis of 1947 operations, adjusted to current wage scales, an increase of 16.9 per cent in the tariff rates and charges plus the establishment of the proposed car-unloading and delivery-order charges would be required to restore applicants to a reasonably profitable operating basis. Making similar calculations, but using figures for the fiscal year May 1, 1947 through April 30, 1948 as a base, he computed that an increase of 21.4 per cent in the tariff rates and charges plus the car-unloading and delivery-order charges would be required to return a reasonable profit from applicants' operations, considered as a whole.<sup>4</sup>

Testimony concerning the rate proposals was supplied by the president and the traffic manager of Crescent Warehouse Co., Ltd., and by the consulting engineer. The witnesses said that the sought rates had not been determined on the basis of studies of the costs of performing the services involved, but had appeared to applicants.

<sup>4</sup> Considered individually, an increase of 13.7 per cent in the tariff rates would be required for Crescent Warehouse Co., Ltd., and increases of 28.2 per cent and 28.3 per cent in the tariff rates would be required for West Coast Warehouse Corporation and Bekins Van Lines, Inc., respectively, in addition to the other sought increases to result in a rate of return of 9 per cent upon the rate bases developed by the engineer. The engineer considered a rate of return of 9 per cent would be reasonable for these companies.

as being the most equitable manner of distributing a rate increase to procure necessary revenue. They said that the rates as increased would be the same or somewhat lower than the rates assessed for comparable services by the warehousemen in the metropolitan area of Los Angeles.<sup>5</sup> The proposed car-unloading and delivery-order charges were said to be the same as those charged by the metropolitan warehousemen.<sup>6</sup>

No one appeared in opposition to granting of the application. The president of the Los Angeles Warehousemen's Association testified in support of the proposal. He believed that the greater uniformity of rates between warehousemen in metropolitan Los Angeles and Los Angeles harbor areas would be advantageous.

The evidence adduced in this proceeding is convincing that applicants' revenues from their present rates are not sufficient to return their costs of operation plus a reasonable allowance for profit. It is less convincing, however, that all of applicants' rates should be increased as proposed. In their tariff applicants divide their rates into two main classifications: storage and handling. Rates for storage cover the use of warehouse space. Handling rates include the receipt of shipments and placement thereof in storage; they also include the delivery of shipments from storage to warehouse door. In addition to storage and handling rates, applicants provide rates for miscellaneous services such as weighing,

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<sup>5</sup> Warehousing rates and charges applicable within the Los Angeles metropolitan area are published in the California Warehouse Tariff Bureau Warehouse Tariff No. 7-C, Cal.P.U.C. No. 102, issued by L. A. Bailey, Agent. This tariff includes rates for the warehousing of customs bonded merchandise which also apply to customs bonded warehousing performed by Bekins Van Lines, Inc. at Wilmington. In this proceeding Bekins Van Lines, Inc., is not proposing increases in its bonded warehousing rates because such warehousing assertedly comprises only a very small part of the company's public utility warehousing operations.

<sup>6</sup> The car-unloading charge of 50 cents a ton of 2,000 pounds applicable in metropolitan Los Angeles is subject to a minimum charge of \$12.50 per car. At the hearing applicants amended their proposal to provide for a corresponding minimum charge. In one respect the proposed car-unloading charge differs from that applicable in metropolitan Los Angeles. Under the proposal charges would be computed on a basis of per ton of 2,000 pounds or per unit of 40 cubic feet, whichever would result in the greater revenue.

marking, assorting, loading cars, and services not otherwise specified. In view of the increases in labor costs shown to have been experienced, it is clear that adjustments in the rates which involve labor would be appropriate. With respect to storage, however, the evidence does not indicate the extent that costs relating to this service have increased. Should increases in storage rates be established largely on the basis of higher costs experienced in performing other services, those of applicants' patrons who primarily utilize the storage services would be unduly burdened. In view of the lack of specific evidence relating to storage costs, it is concluded that increases in storage rates have not been shown to be justified.

With reference to applicants' proposal to establish a charge for unloading rail cars, the evidence shows that the car-unloading service entails expense to applicants which is not experienced when shipments are received by truck. In the latter case employees of the carrier unload the shipments onto the warehouse platforms. In view of the increases in operating costs, it does not appear that a charge of 50 cents per ton of 2,000 pounds, subject to a minimum charge of \$12.50 per car, for unloading rail cars would be excessive. An alternative rule to provide for computation of the car-unloading charge on a measurement basis of 40 cubic feet per ton was not shown to be required and will not be authorized. The proposed delivery-order charge of 25 cents per order is one which would be borne proportionately by applicants' patrons. It appears that it would be proper under the circumstances shown.

Should applicants be authorized to increase their rates and charges to the extent sought, except as heretofore indicated,

estimated operating results would be as follows:<sup>7</sup>

	<u>Crescent Whse. Co. Ltd.</u>	<u>West Coast Whse.Co.</u>	<u>Bekins Van Lines Inc.</u>	<u>Total</u>
Operating Revenue	\$ 70,207	\$ 30,116	\$ 42,581	\$142,904
Operating Expenses	<u>56,142</u>	<u>28,029</u>	<u>39,498</u>	<u>123,669</u>
Net Operating Revenue (before income taxes)	\$ 14,065	\$ 2,087	\$ 3,083	\$ 19,235
Rate Base	\$139,238	\$ 22,733(a) 81,996(b)	\$126,731	\$288,702(a) 347,965(b)
Operating Ratio	80.0%	93.1%	92.8%	86.5%
Rate of Return	10.1%	9.2%(a) 2.5%(b)	2.4%	6.7%(a) 5.5%(b)

(a) Rate base adjusted to include only properties owned.

(b) Rate base per engineer (includes valuations for properties leased).

On the basis of the foregoing, we find as a fact that applicants' proposed rates and charges, modified as herein found to be proper under the circumstances, are justified. To this extent the application will be granted.

#### O R D E R

A public hearing having been had in the above entitled application, and based upon the evidence received at the hearing and upon the conclusions and findings set forth in the preceding opinion,

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<sup>7</sup> 1947 figures adjusted for wage increases are used as a base. Data in sufficient detail were not submitted to permit corresponding figures to be developed for the year ending April 30, 1948.

IT IS HEREBY ORDERED that Crescent Warehouse Co., Ltd., West Coast Warehouse Corporation, and Bekins Van Lines, Inc., be and they are hereby authorized to amend their rates and charges published in California Warehouse Tariff Bureau, Warehouse Tariff No. 13-A, Cal.P.U.C. No. 103, on not less than 10 days' notice to the Commission and to the public, as follows:

- a. Increase all rates and charges, except those applicable to storage, by 20 per cent.
- b. Establish a charge of 50 cents per ton of 2,000 pounds for the service of unloading rail cars, subject to a minimum of \$12.50 per car.
- c. Establish a charge of 25 cents per order for the preparation of delivery orders.
- d. In computing the increased rates and charges herein authorized, the following will govern in the disposition of fractions:

When the rates or charges as increased are less than 10 cents,

Fractions of less than  $1/8$  or .125 of a cent, omit;

Fractions of  $1/8$  or .125 of a cent or greater but less than  $3/8$  or .375 of a cent will be stated as  $1/4$  or .25 of a cent;

Fractions of  $3/8$  or .375 of a cent or greater but less than  $5/8$  or .625 of a cent will be stated as  $1/2$  or .50 of a cent;

Fractions of  $5/8$  or .625 of a cent or greater but less than  $7/8$  or .875 of a cent will be stated as  $3/4$  or .75 of a cent;

Fractions of  $7/8$  or .875 of a cent or greater increase to the next whole cent.

When the rates or charges as increased are 10 cents or greater,

Fractions of less than  $1/4$  or .25 of a cent, omit;

Fractions of  $1/4$  or .25 of a cent or greater but less than  $3/4$  or .75 of a cent will be stated as  $1/2$  or .50 of a cent;

Fractions of  $3/4$  or .75 of a cent or greater, increase to the next whole cent.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire except to the extent that rates and charges published pursuant to this authority are filed and made effective within ninety (90) days from the effective date of this order.

IT IS HEREBY FURTHER ORDERED that in all other respects the application be and it is hereby denied.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 7<sup>th</sup> day of July, 1948.

R. J. [Signature]  
Justus J. [Signature]  
[Signature]  
Harold P. [Signature]  
[Signature]  
Commissioners