

Decision No. 42345

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 A-B-C TRANSFER & STORAGE CO., INC., )  
 BIKINS VAN LINES, INC., BELSEAM )  
 WAREHOUSE COMPANY, CENTRAL WAREHOUSE )  
 & DRAYAGE CO., J. A. CLARK DRAYING )  
 COMPANY, LTD., De PUE WAREHOUSE COM- )  
 PANY OF SAN FRANCISCO, DISTRIBUTORS )  
 WAREHOUSE, THE DODD WAREHOUSE, CINCINNATI )  
 TERMINALS, FARNSWORTH & RUGGLES, )  
 GIBRALTAR WAREHOUSES, HASLETT WAREHOUSE )  
 COMPANY, HOWARD TERMINAL, LAWRENCE )  
 WAREHOUSE COMPANY, JOHN MCCARTHY & SON, )  
 MERCHANTS EXPRESS CORPORATION, FRANK )  
 NOLAN DRAYAGE CO., NORTH POINT DOCK )  
 WAREHOUSES, SAN FRANCISCO WAREHOUSE CO., )  
 SEA WALL WAREHOUSES, SOUTH END WAREHOUSE )  
 CO., STATE TERMINAL CO., LTD., THOMPSON )  
 BROS., INC., TURNER-WHITTELL WAREHOUSES, )  
 INC., WALKUP DRAYAGE & WAREHOUSE CO., )  
 WALTON DRAYAGE COMPANY, for an increase )  
 in rates. )

Application No. 29727

Appearances

Reginald L. Vaughan, for applicants.  
 Herman R. Meyers, for Golden State Co., Ltd.;  
 R. A. Dahlman and J. L. Mason, for R. J.  
 Reynolds Tobacco Co.; and Scott D. Flegal,  
 for Barclay Traffic Service; interested  
 parties.

O P I N I O N

Applicants are engaged in the business of warehousing at San Francisco, Oakland and Alameda. By this application, as amended, they seek authority to increase their rates and charges. The matter was submitted at a public hearing held at San Francisco on November 1, 1948, before Examiner Edwin Lake.

Applicants comprise substantially all of the public warehousemen operating in the area here involved.<sup>1</sup> Collectively, they operate approximately 3,355,000 square feet of warehouse floor space.

The rates and charges now in effect are published in California Warehouse Tariff Bureau Tariffs Nos. 1-E, 3-E, 1-B and 2-B, Cal. P.U.C. Nos. 83, 98, 101 and 111, respectively, of L. A. Bailey, Agent. Those sought are contained in exhibits to the amended application. The increases involve handling (receiving goods at warehouse platform, trucking to pile, piling and redelivering the goods to warehouse platform) and accessorial services. The principal adjustments sought are (a) an increase of approximately 5 cents per 100 pounds in the handling charges and (b) an increase in the per-man-hour charges for special labor or clerical services from \$2.20 per hour for straight time and \$3.30 per hour for overtime to \$2.50 and \$3.75 per hour, respectively.<sup>2</sup> No increase is sought in the rates for storage.

In support of the sought rates, the secretary of the California Warehousemen's Association testified in some detail concerning increases experienced by the operators in the costs of labor, rentals, materials, supplies and services; the decline in the efficiency of warehouse labor; and other reasons necessitating the rate increases.

1

Not included in this application are certain warehousemen who are engaged in specialized operations such as the storage of automobiles and bulk agricultural products.

2

For handling charges not based on weight, applicants propose increases in the units of measurement in which the rates are stated equivalent to 5 cents per 100 pounds.

A certified public accountant employed by applicants submitted income statements covering the operations of 15 warehousemen for the year 1947.<sup>3</sup> The studies were segregated to show the actual revenues and expenses for storage operations and handling services for the first and last six months of that year. After adjusting for increased rental costs and wage raises encountered subsequent to the period studied, the witness developed revenues, expenses and operating ratios, before provision for income taxes, for the group, as follows:<sup>4</sup>

<u>All Operations</u>	<u>Total</u>	<u>First Six Months Period</u>	<u>Second Six Months Period</u>
Revenues	\$3,019,204.81	\$1,549,789.50	\$1,469,415.31
Expenses	3,112,592.22	1,517,885.47	1,594,706.75
Net	(93,387.41)	31,904.03	(125,291.44)
Operating Ratio	103.06	97.94	108.53
<u>Storage</u>			
Revenues	1,712,393.21	903,229.69	809,163.52
Expenses	1,353,050.85	665,022.72	688,028.13
Net	359,342.36	238,206.97	121,135.39
Operating Ratio	79.02	73.63	85.03
<u>Handling &amp; Other Services</u>			
Revenues	1,306,811.60	646,559.81	660,251.79
Expenses	1,759,541.37	852,862.75	906,678.62
Net	(452,729.77)	(206,302.94)	(246,426.83)
Operating Ratio	134.64	131.91	137.32

(-----) - Indicates loss

<sup>3</sup>

The costs developed for the 15 operators were declared to represent 86 per cent of the available warehouse facilities and to reflect the operations of the applicants as a group.

<sup>4</sup>

Rate base figures were not submitted. Assertedly only about 13 per cent of the space occupied by the group was owned by operating companies.

The financial loss disclosed by the studies was attributed primarily to marked increases experienced in the costs of operation and to changed business conditions. According to the applicants' witnesses, wages for warehouse labor have increased 190 per cent since 1934, while the output in labor efficiency has decreased an estimated 30 to 40 per cent. Rents on public warehouse leases for the same period have risen 100 to 150 per cent. Compared with these increases in expenses, the present rates for handling and one month's storage have increased, on the average, approximately 26 per cent. For handling and two months' storage and for handling and three months' storage the average advance in rates has been 23 and 22 per cent, respectively, higher than those in effect in 1934.

Because of a combination of favorable circumstances, the witness stated, the warehousemen had been able to meet the rising costs without a corresponding increase in warehouse rates. They explained that under the World War II economy applicants operated at a maximum storage capacity. The majority of their commodities were tendered for, and removed from, storage in carload quantities. Long periods of storage were enjoyed. Many economies were effected in the handling of the merchandise. According to the witnesses,<sup>5</sup> applicants are still enjoying a favorable occupancy factor. However, in other respects their business is now on a more normal basis and has been since July of 1947. Storage tonnage has been

---

<sup>5</sup> It was stated that the recognized normal occupancy for public warehousemen operating in California is 66-2/3 per cent of occupiable space. For the year 1947, the ratio of occupied to occupiable space was 91.72 per cent. A slight decline in the occupancy has been experienced in 1948.

made up of smaller average lots requiring more space than for similar quantities in larger lots. The floor load has been reduced. The amount of handling has been substantially increased. As a result of these changed conditions, applicants' witnesses asserted that during the last six months of the period studied storage revenues declined and expenses increased. Revenues from handling functions, on the other hand, increased some \$14,000 but the adjusted expenses were approximately \$54,000 higher. Applicants alleged that the conditions experienced in the last period of 1947 have extended into 1948, and that they can foresee no change in this trend for future operations.

According to applicants' witnesses the rates proposed for handling and accessorial services, based upon the tonnage handled and services performed in 1947, would return estimated increased revenues in the amount of \$452,729. Although this amount, they stated, would be sufficient to return expenses for performing these services based upon the year's experience, the increased revenue would fall short of meeting expenses based upon conditions encountered during the last 6 months period.

The customers of the interested warehousemen were notified of applicants' intentions to seek increased rates. Except in two

---

6 A further decline in operating profit for storage operations is anticipated, according to applicants' witnesses, as leases are renewed.

7 For operating ratios for the first and second six months periods see the foregoing tabulation.

8 For handling and accessorial services the ratio of revenues to expenses, under the proposed rates, is stated to be 100, 99 and 101 for the entire year, the 1st 6 months period and 2nd 6 months period, respectively.

9 In addition to notice of hearing issued by the Commission, some 3,000 notices were distributed by applicants.

instances, no objection was offered to the proposals. Storer of cigars, cigarettes and smoking tobacco and dried and evaporated milk objected to the proposed increases for handling services.

Generally speaking the objection of the tobacco storer was that the proposed rates would further increase his distribution costs. No reason, however, was made to appear why tobacco products should be accorded different treatment than that accorded other commodities.

The storer of dried and evaporated milk stated that while he did not object to an increase in the handling charges he believed that the amount of the increase sought was too high and that the method of applying the proposed increase to present rates would result in inequitable charges for certain sized packages. The evidence offered in support of the contention that the proposed rates would be excessive dealt with bare labor costs of proprietary storage operations and admittedly was not representative of full costs of either private or public operations. Applicants conceded that some inequities with respect to odd-sized packages of these commodities might result and offered to adjust such charges voluntarily when they were brought to their attention.

The record is clear that, for the year studied, the warehouse services performed by applicants were conducted at a loss although the facilities were operated at their practical capacity. Storage operations were remunerative; however, rates for handling and accessorial services were so inadequate that the over-all revenues were insufficient. It is evident that applicants' revenues must be increased if their services are to be conducted on a sound basis. It likewise is clear from the record that operating results

experienced by applicants, during the two periods studied, are substantially different due to changed conditions. It has been shown that the proposed rates for handling and accessorial services will not fully meet applicants' revenue requirements for these operations under prevailing conditions. However, when considered with net revenues from storage operations, the over-all result, under the proposed rates, would not be excessive.

Upon careful consideration of all of the facts and circumstances of record, the Commission finds as a fact that the increased rates and charges proposed by the applicants in this proceeding, as set forth in the amended application, are justified. The application will be granted.

Applicants will be expected to proceed with due diligence to make such reasonable adjustments in the resulting rates as are necessary to remove inequities that may result in connection with odd-sized packages. In the event applicants do not make such adjustments the matter should be brought to the Commission's attention by the filing of specific complaints.

#### ORDER

Based on the evidence of record and on the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that applicants be and they are hereby authorized to establish the increased rates and charges proposed in the above-entitled application, as amended.

---

10

They would produce for applicants, as a group, an operating ratio of 93.47 before income taxes.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the further express condition that applicants will never urge before this Commission in any proceeding under Section 71 of the Public Utilities Act, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as consent to this condition.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days from the effective date of this order.

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

Dated at San Francisco, California, this 21st day of December, 1948..

R. Z. Indurain  
Justin F. Galloway  
Joseph T. Rainey  
Harold P. Kuhl  
Bennett P. Patton  
Commissioners