

ORIGINALDecision No. 47638

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of SIGNAL TRUCKING SERVICE, LTD.,)	
a corporation, for an order)	Application No. 33363
authorizing an increase in warehouse)	
rates.)	

Appearances

Edward M. Berol, for applicant.
 Ivan McWhinney and Arlo Poe, for Los Angeles Warehousemen's
 Association, interested party.
 R. J. Jones, for General Foods Corporation, interested party.

O P I N I O N

Applicant is a public utility warehouseman operating in the city of Vernon. By this application, as amended, it seeks authority to adjust its rates, rules and regulations, on less than statutory notice, so as to conform to those observed by most of the other public warehousemen in Vernon, Los Angeles and vicinity.

Public hearing of the matter was held before Examiner Abernathy at Los Angeles on July 16, 1952. Evidence was submitted by an engineer for applicant and by the secretary of the Los Angeles Warehousemen's Association.

Applicant's proposal involves both increases and reductions in its present rates. Most of the adjustments would result in increases. The company's present storage rates for commodities generally are approximately 10 percent to 15 percent lower than the storage rates of other warehousemen in the Los Angeles metropolitan area and its handling rates are approximately 5 percent to 25 percent lower. Some special commodity rates are the same as those of other

warehousemen and would not be changed.¹

Applicant alleges that increases in its rates and charges are necessary to help it overcome losses resulting from increases in labor costs, in taxes and in other operating expenses which it has experienced during the past year. It states, also, that present differences between its rates and those of other warehousemen cause complaints by its patrons. By eliminating the differences, applicant hopes to improve its relationships with its customers, to gain business, and to improve its earnings.

Applicant's engineer reported that during the five months, January through May, 1952, his company's operations at Vernon resulted in revenues of \$60,342, expenses of \$76,419, and a loss of \$16,077. The equivalent operating ratio is 126.6 percent. According to his exhibits and testimony, adjustment of applicant's rates and charges as sought would result in an increase of about 2 percent in gross revenues. He calculated that had the sought rates been in effect during the first five months of 1952 the loss for the period would have been reduced to \$14,767² and the operating ratio would have been 123.9 percent.

¹ The sought rates, rules and regulations are published in Warehouse Tariffs Nos. 5-J and 7-C, C.W.C. Nos. 94 and 102, respectively, of California Warehouse Tariff Bureau, Jack L. Dawson, Agent. Applicant's rates are set forth in its Warehouse Tariff No. 1, Cal. P.U.C. No. 1. This tariff applies to warehousing services of applicant at Vernon and at other locations also. Only the warehousing operations at Vernon are involved herein.

² Similar figures for the month of April, 1952, allegedly an average month, show operating results as indicated by an operating ratio of 110.5 percent as compared with a ratio of 108 percent had the sought rates been assessed. The poorer showing for the five-month period, as contrasted to that for April, was attributed to a reduction of inventories by storers during the early part of the year to bring about a reduction in taxes.

Granting of the application was supported by the secretary of the Los Angeles Warehousemen's Association, an association of most of the public warehousemen in Los Angeles and vicinity. He testified to the effect that the maintenance of different rates for similar warehousing services in the same general area is a source of complaint and dissatisfaction on the part of warehouse patrons and thereby is a disturbing factor to the warehouse industry. He favored the sought adjustment of applicant's rates because of the improvement that would result in customer relationships and because, moreover, it would bring about greater uniformity in competition among the warehousemen in the area.

Notices of the hearing in this proceeding were sent to applicant's patrons and to other persons and organizations believed to be interested. No one opposed the granting of the application.

Applicant's showing herein is convincing that its present rates and charges do not return sufficient earnings to maintain its services. With expenses exceeding revenues by 10 to 25 percent, applicant is incurring losses that constitute a serious threat to its operations. It appears that if the present rate of loss continues throughout the remainder of 1952 approximately 40 percent of applicant's investment in the warehouse properties involved will have been dissipated. Clearly, increases in the company's rates and charges should be authorized.

As the evidence shows, establishment of the sought rates and charges would provide applicant with some additional revenues but the direct results would not be sufficient to overcome present losses. The increase in revenues that would be realized immediately would not be comparable to the volume of the increases in the rates generally. That the direct revenue effect of the adjustments would be small

appears attributable to the fact that the larger part of applicant's present warehousing services is performed under commodity rates for which no or only small increases are proposed. Applicant's expectations that business will be gained as a result of the rate adjustments may be realized. It appears, however, that the profitableness of the additional business will be dependent largely upon the extent that the rates bearing the greater increases apply. The combined effect that the proposed rates would have upon applicant's earnings is speculative at this time. Nevertheless, it seems probable that under the circumstances most favorable to applicant which reasonably may be anticipated, the sought adjustments would do little more than restore the operations to a moderately profitable basis.³

Although applicant's revenues under the sought rates may fall somewhat short of being adequate, its proposal to adopt the tariffs of other warehousemen appears preferable in various respects to its seeking increases in its rates without regard to the rates of its competitors. The tariffs which it seeks to adopt are well established, having governed the rates of the principal warehousemen in Los Angeles and Vernon for approximately twenty years. They would provide applicant with a known and accepted basis of charges. The rates therein carry a presumption of reasonableness. Furthermore, the resultant uniformity in the charges of applicant and of other warehousemen appears to be advantageous to applicant, to the other warehousemen and to storers generally.

3

Should the increases in earnings not materialize as expected, so that applicant finds it necessary to seek additional adjustments in its rate structure as a whole, applicant should first analyze the yields of its special commodity rates. On this record it appears that the present losses stem largely from operations under the special commodity rates.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds as a fact that the increases in rates and charges, and the other changes in applicant's rates, rules and regulations, which are sought in the above-entitled application, as amended, are justified and reasonable. The application will be granted.

The finding of reasonableness herein applies to applicant's proposal as a whole and should not be construed as a finding with respect to the individual adjustments. The application has been considered in its over-all aspects. Evidence showing the reasonableness of each change is not available in this record.

O R D E R

Public hearing of the above-entitled application having been held, the evidence received therein having been considered carefully, and good cause appearing,

IT IS HEREBY ORDERED that Signal Trucking Service, Ltd. be and it is hereby authorized to amend its Warehouse Tariff No. 1, Cal. P.U.C. No. 1, and to become a party to Warehouse Tariffs Nos. 5-J and 7-C, C.R.C. Nos. 94 and 102, respectively, of California Warehouse Tariff Bureau, Jack L. Dawson, Agent, on not less than five (5) days' notice to the Commission and to the public, so as to make the rates and charges named in said tariffs Nos. 5-J and 7-C which were in effect on the date of the hearing in this proceeding apply in lieu of the rates and charges named in said Warehouse Tariff No. 1, Cal. P.U.C. No. 1 for warehousing services provided by Signal Trucking Service, Ltd. at its warehouse in the city of Vernon.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the express condition that applicant will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, 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 unless exercised within sixty (60) days after the effective date of this order.

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

Dated at San Francisco, California, this 26th day of August, 1952.

President
Justin F. Coarue

Harold H. Hule

Archie J. Pottel

Robert L. Mitchell
Commissioners

Commissioner R. E. Mittelstaedt, being necessarily absent, did not participate in the disposition of this proceeding.