

Decision No. 66589**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 BAY CITIES WAREHOUSE COMPANY, INC.;)
 BECKMAN EXPRESS & WAREHOUSE CO.;)
 BEKINS WAREHOUSING CORP.; BENTLEY MOVING)
 & STORAGE CO.; Louis A. Dore, Jr., and)
 Olive J. D. Wilhelm, dba BLANKENSHIP)
 WAREHOUSE CO.; Ben Cassinerio, dba)
 CENTRAL WAREHOUSE & DRAYAGE CO.;)
 CHICHESTER TRANSPORTATION COMPANY, INC.;)
 CONSOLIDATED DE PUE CORPORATION; Edgar)
 and Correnah De Pue Osgood, dba DE PUE)
 WAREHOUSE COMPANY OF SAN FRANCISCO;)
 Chester and George Cassella and Elmo)
 Cresta, dba DISTRIBUTORS WAREHOUSE;)
 Bradford G., Harold F. and Morton G.)
 Baruh, dba EAST BAY STORAGE CO.; EMERY)
 WAREHOUSE COMPANY; ENCINAL TERMINALS;)
 Charles Lee Tilden, Jr. and Irving S.)
 Culver, dba GIBRALTAR WAREHOUSES; HASLETT)
 WAREHOUSE COMPANY; HAWAIIAN EXPRESS &)
 DILLON DRAYAGE CO.; LYON VAN & STORAGE)
 CO.; John J. and Dolores M. McInerney, dba)
 G. MARCANTELLI CO.; John V. Fox, Jr.,)
 George F. Fox and Joseph T. Fox, dba JOHN)
 MCCARTHY & SON; RICHMOND TRANSFER AND)
 STORAGE COMPANY; ROBERTSON DRAYAGE CO.,)
 INC.; SAN FRANCISCO WAREHOUSE CO.; STATE)
 TERMINAL CO., LTD.; The Dodd Warehouses,)
 North Point Dock Warehouses and Thompson)
 Bros., Inc., dba THOMPSON BROS., INC.;)
 United California Express & Storage Co.,)
 dba U. C. EXPRESS & STORAGE COMPANY;)
 WALTON DRAYAGE & WAREHOUSE CO., INC.; and)
 C. A. WORTH & COMPANY, for an increase in)
 rates.)

Application No. 45606
 (Filed July 22, 1963)

Jack L. Dawson, for applicants.

R. A. Dahlman, for R. J. Reynolds Tobacco Co.,
 interested party.

Charles J. Astrue, C. V. Shawler, and John F. Specht,
 for the Commission staff.

O P I N I O N

By this application Bay Cities Warehouse Company, Inc.,
 and 26 other public utility warehousemen seek authority to increase,

on ten days' notice to the Commission and the public, certain rates and charges for the storage of so-called general, dry commodities at their warehouses located in the San Francisco Bay area from San Rafael, Richmond and Concord, on the north, to Santa Clara, Sunnyvale and Hayward, on the south. Rates and charges for cold storage are not involved.

A public hearing in this matter was held before Examiner Lane at San Francisco on October 15, 1963, on which date the matter was submitted. Evidence was presented by applicants' tariff agent, by several of their officers and by a financial examiner of the Commission staff. Members of the Commission staff assisted in the development of the record. No one appeared in opposition to the granting of the sought authority.

Applicants seek to increase all rates and charges for the involved storage by 10 percent, except as follows:

- (1) Increase the minimum storage charge per lot from 33 cents to 75 cents.
- (2) Increase the minimum handling charge per lot from 66 cents to 150 cents.
- (3) Increase the minimum monthly charge per storage account from \$6.60 to \$15.00.
- (4) Increase the charge for loading or unloading cars and trucks from 99 cents per ton to \$1.50 per ton.
- (5) Increase the minimum charge for loading or unloading cars and trucks from \$9.90 to \$12.50 per car.
- (6) Increase the storage withdrawal charge of 66 cents to 75 cents per delivery order.
- (7) Make no change in charges for special labor and clerical services, and
- (8) Publish a new charge of 50 cents per ton for receiving merchandise by highway vehicle when no unloading is involved, subject to a minimum charge of 50 cents for each such receipt, except the charge will not apply to unitized loads received on pallets or skids.

The proposed adjustments would result in an overall increase of approximately 17.8 percent in applicants' revenues.

The latest general adjustment in the rates herein involved was made effective March 11, 1961 pursuant to Decision No. 61567, dated February 21, 1961 in Application No. 42582.^{1/} Since that time, applicants have experienced increases in wage rates and in welfare, retirement and other contributions to employee benefits which amount to 36 cents per hour. Other increases have been experienced in costs of materials, supplies and services procured by applicants to operate their warehouse businesses. According to the tariff agent, the increases proposed will not offset all of such increases in operating costs of these warehousemen, but other economic considerations prevent applicants from seeking the full amount of the increases said to be justified by the increases in costs.

The results of operations of each of the applicants were included in Exhibit "C" of the application. These figures were prepared by the tariff publishing agent based upon data furnished by applicants. According to the tariff agent, they reflect only the results of operation, after income taxes, of the public utility warehouse service herein involved. He said that adjustments had been made in certain of the figures for depreciation and to substitute landlord costs for rentals paid. These results of operation figures are summarized in Table I below:

^{1/} Hourly rates for labor and clerical services were increased effective January 18, 1963 pursuant to authority granted in Decision No. 64675, dated December 18, 1962, in Application No. 44880. These hourly rates are not involved in Application No. 45606.

TABLE I

RESULTS OF OPERATIONS FOR 12-MONTH PERIOD
 ENDED DECEMBER 31, 1962, EXCEPT AS OTHER-
 WISE INDICATED, AFTER INCOME TAXES

<u>Warehouseman</u>	<u>Revenues</u>	* <u>Expenses</u>	<u>Net</u>	<u>Operating Ratio</u>
Bay Cities	\$ 108,252	\$ 85,565	\$ 22,687	79.0%
Beckman	26,525	24,509	2,016	92.4
Bekins	25,840	26,460	(620)	102.4
Bentley	727	745	(18)	102.4
Blankenship	6,287	6,360	(73)	101.1
Central	260,466	237,638	22,828	91.2
Chichester	72	481	(409)	666.0
Consolidated De Pue	83,964	95,819	(11,855)	114.1
De Pue	603,236	637,581	(34,345)	105.7
Distributors	51,714	51,378	336	99.4
East Bay	--	360	(360)	--
(1) Emery	73,458	65,770	7,688	89.5
(2) Encinal	377,695	385,728	(8,033)	102.1
Gibraltar	328,847	386,808	(57,961)	117.6
Haslett	560,462	579,870	(19,408)	103.5
Haslett - Howard Div.	334,023	319,010	15,013	93.2
Hawaiian & Dillon	23,506	24,070	(564)	102.4
Lyon	160	360	(200)	225.4
Marcantelli	19,456	19,923	(467)	102.4
McCarthy	15,075	15,437	(362)	102.4
Richmond	3,348	3,428	(80)	102.4
Robertson	48,026	60,211	(12,185)	125.4
San Francisco	829,407	876,686	(47,279)	105.7
State	13,384	12,321	1,063	92.1
Thompson	293,631	328,916	(35,285)	112.0
U. C. Express	2,621	2,684	(63)	102.4
Walton	72,518	70,650	1,868	97.4
Worth	--	--	--	--
Totals	\$4,162,700	\$4,318,768	\$(156,068)	103.75%

* Including Income Taxes.

(1) Figures are for 12-month period ended July 31, 1962.

(2) Figures are for 12-month period ended February 28, 1963.

Figures were also submitted in the application showing projected results of operations (1) under present rates and expenses revised to reflect current conditions and (2) under the proposed rates and the revised expenses. The totals of these figures for all of the involved warehousemen are shown in Table II below:

TABLE II

ESTIMATED RESULTS OF OPERATIONS
OF APPLICANTS FOR A PROJECTED
RATE YEAR UNDER PRESENT AND
PROPOSED RATES AND REVISED EXPENSES

	<u>Under Present Rates and Revised Expenses</u>	<u>Under Proposed Rates and Revised Expenses</u>
Revenues	\$4,162,700	\$4,914,437
Expenses, After Income Tax	4,455,496	4,641,357
Net	(292,796)	273,080
Operating Ratio	107.03%	94.44%

A financial examiner from the Commission's Finance and Accounts Division presented an exhibit containing results of operations of fifteen of the applicants. The figures in his exhibit were taken from the books of the involved operators. For thirteen of the operators they reflect a 12-month period ended July 31, 1963; for one, a 12-month period ended June 30, 1963; and for the remaining operator, a 12-month period ended February 28, 1963. The financial examiner made adjustments in certain of the figures to conform to accounting procedures established by the Commission or to correct accounting errors. The following is a summary of the results of operation figures submitted by the staff witness:

Operating Revenues	\$4,138,289
*Operating Expense	<u>4,304,124</u>
*Net (loss)	\$(165,835)
*Operating Ratio	104.0%

*Before income taxes

The tariff publishing agent testified that warehouse operations were extremely sensitive to labor wage adjustments. In this connection he submitted a study which showed that labor costs account for 66.2 percent of warehouse operating costs.^{2/}

^{2/} The Financial Examiner testified that, based on a study he had made, labor costs amounted to approximately 67.6 percent of warehouse operating costs.

He asserted that the current wage contract expires on June 1, 1964 and that negotiations for a new contract are anticipated to start early in 1964.

The tariff agent and officers of two of the warehousemen submitted studies in justification of the sought increases in various of the accessorial and special service charges.

For the purposes of developing costs of storing and handling minimum lots and for withdrawing delivery orders from storage, performance studies were made to allocate labor to various warehouse activities. For this purpose random observations were made of particular activities being performed by individuals at various times over a period of one month in the case of one operator and three months in the case of the other. These studies were corroborated by a one-month's study conducted by five warehousemen under the general direction of the tariff publishing agent.^{3/} The results of all of these studies are quite similar. They indicate that about 8 percent of total labor costs relate to storage operations, about 57 percent to handling operations, about 20 percent to carloading and unloading and about 15 percent to special labor. Of the handling costs, about 75 percent relate to out-handling and 25 percent to in-handling.

In connection with the minimum storage charge per lot, the two warehouse officers developed estimated costs of storing a minimum lot for one month, upon the assumption that a single pallet load represented a minimum storage lot. In general, these estimates reflect the costs of operating the storage departments in specified

^{3/} The study conducted under the direction of the tariff publishing agent involved over 20,000 observations by the five warehousemen, made in October 1962.

warehouses divided by the number of pallet spots available in these warehouses. For the storage of single pallets one-high, storage costs were developed of \$2.08 per pallet per month, in one case and \$2.61 in the other. For the storage of single pallet lots in tiers in racks, storage costs to \$1.28 per pallet per month and 81 cents per pallet per month, respectively, were developed.^{4/} The witnesses related the foregoing costs to the 75-cent minimum charge per storage lot herein sought.

Estimated costs for handling minimum storage lots also were developed by the company officers. In one case the portion of labor costs attributable to in-handling was divided by the number of inbound pallet trips and the result doubled to cover a round trip. This product was represented as the cost for handling a minimum storage lot. In the second case, the cost for handling a line item was developed on the basis of the difference between the in- and out-handling labor costs divided by the number of line items handled. This cost was added to a round-trip pallet handling cost developed in the same manner as indicated above to develop the minimum storage lot handling costs. Costs of \$1.56 and \$1.89 were developed, respectively, in comparison with the sought per-lot charge of \$1.50.

One of the operators developed costs for the handling of a minimum monthly storage account on the basis of costs of maintaining and operating electronic computer equipment to handle essentially all of the warehousemen's paper work. In this connection, the witness related total cost to each of three items of paper work and developed an approximate cost of \$22.00 per account, \$1.00 per an "in" or "out"

^{4/} The apparent discrepancy results from different development of space utilization by racking. In the first instance, the witness rearranged the usable storage space to give effect to need for greater aisle space and space lost by the racks. In the second instance, the witness assumed four times as many pallet loads racked four-high as unracked single pallets stored one-high.

document or 26.5 cents per item transaction.^{5/} The witness said that a minimum account would involve at least 16 "in" or "out" documents per month or 57 item transactions. On this basis, he said, the cost of accomplishing the paper work alone on a minimum account would exceed the minimum charge per monthly storage account sought to be established.

Studies of costs of unloading cars were conducted under the general direction of the tariff publishing agent by four warehousemen. Detailed information on the unloading of 520 carloads involving 19,319,600 pounds of cargo, averaging 35,191 pound or 17.6 tons per car was recorded. The study showed that a total of 3,860 man-hours were used to unload the 520 cars or 7.42 man-hours per car. On the basis of an average wage including fringe benefits, but without provision for supervision or overhead, of \$4.09 per man per hour, the tariff publishing agent developed a direct cost of \$30 per car and \$1.73 per ton for performing the unloading. The tariff publishing agent asserted that while the developed cost of \$1.73 per ton exceeds the \$1.50 per ton car and truck loading and unloading charge sought herein, the applicants were of the opinion that the \$1.50 charge could not be exceeded at this time because of other economic considerations.

A study was made by one of the warehouse officers of the costs of withdrawing small lots from storage. The differences in costs between out-handling and in-handling, as developed from the labor cost distribution studies, were represented as the measure of the withdrawal costs. On the basis of handling 5,875 orders shipped during November 1961, a cost of \$1.28 per order was developed. As heretofore indicated, a charge of 75 cents per order is sought for this service.

^{5/} An item transaction is a single entry on an "in" or "out" document covering one or more of the same items. A document could include a number of item transactions.

Both warehouse officers developed costs for receiving merchandise by truck when the unloading services are not performed by the warehouseman. Assertedly, a checker is required to insure that the amount of merchandise received corresponds with the amount for which a receipt is given. This service is performed by the unloading crew as part of the unloading service when the warehouseman unloads cars or trucks. However, when storage lots are received by motor vehicle and unloaded by the carrier's employees a warehouse employee must be assigned to check the material being received against the receiving documents. One of the officers developed \$1.58 per ton as the cost of providing this checking service on the basis of actual performance involved in checking 88 truckloads during the period from September 23 through October 10, 1963. The second officer developed a cost of \$1.02 per ton for this service on the basis of 55 truckloads.

Officers of five other applicant warehousemen testified generally corroborating the testimony of the tariff publishing agent and the other two warehouse officers discussed above.

The tariff publishing agent, also, testified that over 2,500 notices of filing of the application and the hearing were sent to storers of applicants. According to the agent and the warehouse officers, none of them had received any protests of the proposed increases in rates and charges from any of such storers.

It is clear from the record that, as a group, applicants' expenses exceed their revenues. Applicants are in need of additional revenues. However, while it is clear that the impact of increased costs is greater per unit on smaller lots than on larger lots, the evidence does not warrant increases as great as the 127 percent sought in the (1) minimum storage charge per lot, (2) minimum handling charge per lot and (3) minimum monthly charge per storage account.

The relationship of these charges to other warehouse rates and charges of these applicants has been relatively unchanged in recent years. The increases proposed in the charges in question are much greater than other increases proposed in this application. Furthermore, the minimum storage, handling and monthly account charges herein proposed by applicants are considerably higher than charges currently published or proposed by warehousemen for similar services in other areas of California.^{6/} Applicants' program to raise their specific charges to levels approaching fully distributed costs for performing particular services may be generally desirable; however, other factors besides costs, including the impact on storers of abrupt increases of the magnitude sought in these charges, must be considered. The Commission finds that increases in the minimum storage charge per lot to 50 cents, the minimum handling charge to \$1.00 and the minimum charge per storage account per month to \$10.00 have been justified on this record and that increases in excess of these amounts in these charges have not been shown to be justified.

Based on the evidence, the Commission finds that increases sought in the application, as modified in the foregoing findings, are justified.

6/ Statement comparing certain charges proposed herein with charges for similar services on dry storage in other areas of California, published or proposed by applicants' tariff agent:

	Proposed Herein	Authorized in Los Angeles Area (Decision No. 66588, dated January 7, 1964, Application No. 45521)	Published for	
			L. A. Harbor Area	Sacramento & San Joaquin Valleys
Minimum Storage Charge per lot	75c	44c	35c	60c
Minimum Handling Charge per lot	\$1.50	47c	42c	\$1.20
Minimum Monthly Charge per Storage Account	\$15.00	\$7.35	\$3.04	\$6.00

In view of the urgent need for additional revenues, applicants' request to adjust their rates on less than statutory notice will be granted.

The Commission concludes that this application should be granted to the extent set forth in the ensuing order.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to establish the increased rates and charges proposed in Application No. 45606 except that the minimum storage charge per lot shall not be increased in excess of 50 cents, the minimum handling lot charge shall not be increased in excess of \$1.00 and the minimum monthly account storage charge shall not be increased in excess of \$10.00. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

2. In publishing the increases hereinabove authorized applicants shall dispose of resulting fractions as follows:

(a) Where the resulting rate is less than ten cents, fractions less than 1/2 mill will be dropped and fractions 1/2 mill and greater will be raised to the next whole mill.

(b) Where the resulting rate is ten cents or over, fractions less than 1/2 cent will be dropped and fractions 1/2 cent or greater will be raised to the next whole cent.

3. The authority herein granted is subject to the express condition that applicants will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, or 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.

4. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

5. Except as hereinabove granted, Application No. 45606 is denied.

The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 12th day of JANUARY, 1964.

William L. Bennett
 President

Robert H. ...

Carl ...

George H. Grover

Commissioners

Commissioner Frederick B. Holeboff
present but not voting.