

ORIGINAL

Decision No. 77996

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Ace City Delivery, doing business as  
Ace City Warehouse, Krown Transpor-  
Co., doing business as American  
Warehouse, Anaheim Truck & Transfer  
Co., Atlantic Transfer Co., B & M  
Terminal Corp., Bekins Warehousing  
Corp., California Cartage Warehouse  
Co., a division of California Cart-  
age Company, Inc., Daniel C.  
Fessenden Company, doing business as  
California Warehouse Co., Central  
Terminal Warehouse Co., Charles Ware-  
house Co., Inc., Citizens Warehouse  
Trucking Company, Inc., City Transfer,  
Inc., Columbia Van Lines, Inc. of  
California, Commerce Warehouse Com-  
pany, Consolidated Warehouse Company  
of California, Dart Public Warehouse,  
Inc., Davies Warehouse Company,  
Dependable Trucking Company, Inter-  
American Warehouse Corporation, Law  
Express, Inc., Los Angeles Transport &  
Warehouse Co., Lyon Van & Storage Co.,  
M & M Transfer Company, Metropolitan  
Warehouse Co., Moser Trucking Incorpo-  
rated, Overland Terminal Warehouse Co.,  
Overmyer of La Mirada, Pacific Coast  
Terminal Warehouse Co., Pacific Com-  
mercial Warehouse, Inc., Peerless  
Trucking Company, Redway Truck and  
Warehouse Company, Torrance Van &  
Storage Company, doing business as  
S. & M. Transfer & Storage Co.,  
Signal Trucking Service, Ltd., Star  
Truck & Transfer Company and Pioneer  
Truck Company, doing business as Star  
Truck and Warehouse Corporation,  
States Warehouses, Inc., Storecenter,  
Inc., Superior Fast Drayage, Trulove  
Transfer & Storage, Inc., Union  
Terminal Warehouse, USCO Services, Inc.,  
Veltman Warehouse Co., Vernon Central  
Warehouse, Inc., doing business as  
Vernon Warehouse Company, Weber Truck  
and Warehouse, West Coast Warehouse  
Corp., and Williams Warehouse and Dis-  
tribution Center, Inc., for authority  
to increase their rates as warehousemen  
in the City of Los Angeles and other  
Southern California points.

Application No. 52180  
(Filed September 3, 1970)

OPINION AND ORDER

By this application, 45 public utility warehousemen request authority for a 6 percent increase in their present storage and handling rates and charges.<sup>1</sup> The utility warehouse operations of applicants are for the dry storage of general commodities at warehouses located in the Metropolitan Los Angeles Area.

The last general adjustment in applicants' rates and charges published in Tariffs Nos. 28-A and 29-A was made pursuant to the interim authority granted in Decision No. 76878, dated March 3, 1970, and the Commission's subsequent final order in Decision No. 77334 of June 9, 1970, in Application No. 51473. The increases authorized by Decision No. 76878 became effective March 18, 1970, and those granted by Decision No. 77334 became effective June 24, 1970. The rates and charges published in M & M Warehouse Tariff No. 17 were also authorized to be increased to the level granted by Decision No. 77334.

Applicants' established rates and charges reflect operating expenses as of January 1, 1970.- Since that date, applicants contend that their labor costs have increased substantially as a result of recently negotiated collective bargaining agreements with unions representing the warehousemen's employees. It is further explained that applicants' operating expenses will be further increased by increases in the wages and salaries of clerical, supervisory, and administrative employees resulting from contracts or the economic necessity of maintaining relationships with warehouse

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<sup>1</sup> Applicants' rates and charges are published in the following tariffs: California Warehouse Tariff Bureau, Warehouse Tariffs Nos. 28-A and 29-A, Cal. P.U.C. Nos. 193 and 194, respectively, of Jack L. Dawson, Agent; M & M Transfer Co., Warehouse Tariff No. 17, Cal. P.U.C. No. 17, issued by Jack L. Dawson, Agent.

labor wages. It is explained that such increases in general overhead expenses are not susceptible to accurate measurement at this time and are not considered in the calculation of revenue needs in this application.

Appended to the application is a verified statement of the Executive Secretary-Treasurer of the Los Angeles Warehousemen's Association. Said statement includes an explanation of the statistical information contained in Exhibits A and B which were prepared by the official of the warehousemen's association and attached to the application in justification of the sought ex parte relief. An abstract of wage agreements indicates that effective July 1, 1970, the wage rates of warehouse employees were increased by amounts ranging from 50 to 25 cents per hour, including related increase in so-called fringe benefits. In Table 1 of Exhibit B of the application a comparison is made of the 1969 hourly labor costs, underlying applicants' established storage rates and charges, with those which became effective July 1, 1970. Said comparison is hereinafter set forth:

TABLE 1

Comparison of the 1969 hourly labor costs underlying applicants' current storage rates and charges with the hourly labor cost effective July 1, 1970.

Hourly Labor Costs	7-1-69	7-1-70	Percent Increase:
Basic Average Wage Rate .....	\$3.810	\$4.210	
Vacation, Holidays and Sick Leave .	.464	.563	
Rest Periods .....	.254	.280	
Subtotal .....	4.528	5.503	
Compensation Insurance .....	.210	.234	
Payroll Taxes .....	.353	.353	
Health, Welfare and Pension .....	.380	.563	
Total Direct Labor Cost .....	5.471	6.203	13.38%

The official of the warehousemen's association also developed, from historical evidence of record, that direct labor costs represent 47.24 percent of applicants' total expenses and that administrative and overhead salaries reflect 24.17 percent of the warehousemen's total operating expenses. It is noted that, while such administrative and overhead salary expenses account for over one-third of the total cost of labor for performing warehouse services, no increase in rates to offset increases in said indirect labor costs is sought in this proceeding. In Table 3 of Exhibit B of the application, it is demonstrated that direct labor cost increases, as a percentage of total expenses, is 6.32 percent (47.24 percent of the 13.38 percent increase in direct labor as of July 1, 1970). The 6.32 percentage factor constitutes the basis for the 6 percent sought wage offset increase in applicants' utility storage and handling rates and charges.

In Exhibit B of the application, the official for the warehousemen's association has also presented an estimate of the results of operations for 11 representative applicant warehousemen under present and proposed rates and charges and increased expenses as of July 1, 1970. Said estimated results of operations are set forth in the following table:

TABLE 2

Estimated results of operations for 11 representative applicant warehousemen, under present and proposed rates and charges and increased cost of labor as of July 1, 1970, based on adjusted historical revenues and expenses for 1968-1969.

1968-1969 Adjusted Warehouse Revenues

Utility Warehouse Revenues .....	\$8,070,036
Utility Warehouse Expenses .....	7,206,970
Income Taxes .....	466,057
Total Expense .....	<u>7,673,027</u>
Operating Ratio .....	95.08%

Modifications

1970 Labor Cost Increase (\$7,206,970 x 6.32%)..	\$ 455,481
Rate Increase Sought to Offset Labor Increase (\$8,070,036 x 6.0%) .....	484,202

Modified Results of Operations

Utility Warehouse Revenues Adjusted to Reflect 6.0% Increase in Rates and Charges ..	8,554,238
Utility Warehouse Expenses Adjusted to Reflect 1970 Labor Cost Increase .....	7,662,451
Revised Provision for Income Taxes .....	458,752
Total Expense .....	<u>8,121,203</u>
Operating Ratio .....	94.94%

The 1968-1969 adjusted historical revenues and expenses utilized in Table 2 above were taken from Exhibit D, Schedule F, of Application No. 51473 (Decisions Nos. 76878 and 77334) to measure the impact of the July 1, 1970 labor cost increase and the additional revenues required to offset it. The 11 selected warehousemen's results of operations for 1968 were adjusted to reflect (a) the increased labor costs as of July 1, 1969 and the substitution of affiliate's building expense in lieu of rent, where applicable; and (b) the increase in revenues authorized by Decisions Nos. 76878 and 77334. It is explained that such calculations also reflect federal and state income taxes at the then prevailing rates, including the 10 percent surcharge on federal income taxes. The modifications

shown in Table 2, relating to the July 1, 1970 labor cost increase and the sought increase in revenues, reflect a recalculation of state and federal income taxes on the basis of the 1970 tax rates, including an effective surcharge of 2-1/2 percent on federal income taxes.

The verified statement of the Secretary-Treasurer for the Los Angeles Warehousemen's Association directs attention to the fact that the operating ratios of the 11 representative warehousemen before and after the sought increase, as shown in Table 2 herein, are only .14 of 1 percent apart. The official also concludes, from the projected results of utility warehouse operations shown in Table 2, that the 6 percent sought increase in rates and charges will do nothing more than offset the direct labor cost increases for July 1, 1970.

The Commission's Transportation Division staff recommends that, in the absence of protests, applicants' sought increase be granted by ex parte order. The Commission has been advised that approximately 3,000 notices of the sought increase in utility warehouse rates and charges have been mailed to applicants' storers on or about September 15, 1970. Application No. 52180 was listed on the Commission's Daily Calendar for September 4, 1970. The Commission has not received any protests to applicants' sought ex parte relief.

The Commission finds that:

1. Applicants have experienced increases in their utility warehouse operating expenses which are not reflected in the level of their established tariff rates and charges.

2. Applicants' warehousemen have demonstrated a need for additional revenues in connection with their public utility warehouse operations.

3. The sought 6 percent increase in applicants' storage and handling rates and charges has been shown to be justified.

We conclude that Application No. 52180 should be granted. Since the increase in applicants' cost of labor has been in effect since July 1, 1970, the request for authority to establish the increased rates found justified in this proceeding on five days' notice to the Commission and the public should be granted. Applicants should also be authorized to depart from the provisions of General Order No. 61-A to the extent necessary to permit the increases authorized in this proceeding to be published in their tariffs in accordance with the method set forth in Paragraph IX of Application No. 52180.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to establish the increased rates and charges proposed in Application No. 52180. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

2. In publishing the increases authorized herein, applicants may observe the tariff procedures set forth in Paragraph IX of Application No. 52180.

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 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 a consent to this condition.

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

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

Dated at Los Angeles, California, this 1st day  
of DECEMBER, 1970.

Chairman

Vernon L. Sturgeon  
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.