

Decision No. 80277

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of A.A.A. VAN & STORAGE CO.; Bekins Warehousing Corp.; The San Diego County Transfer and Storage, dba La Mesa Transfer and Storage; Lyon Van & Storage Co.; Mueller Truck Co.; John V. Myres, Executor of the Estate of John J. Myres, dba National City Transfer & Storage Co.; Balboa Warehouse Corporation, dba Pacific Transfer, Van & Truck Company; and San Diego Van & Storage Company, for authority to increase public utility warehouse rates and charges.

Application No. 53151
(Filed February 15, 1972)

Knapp, Gill, Hibbert & Stevens, by Wyman C. Knapp, Attorney at Law, for applicants.
Thomas G. Smith, for San Diego Van & Storage Company; James F. Bartholomew and H. V. Tuft, for Lyon Van & Storage Co.; A. M. Post, for La Mesa Transfer & Storage; R. J. Taylor, for Pacific Transfer, Van & Truck Company; Arthur J. Bergstrom, for Bekins Warehousing Corp.; Joseph Jessee, for Mueller Truck Co.; and Thomas A. Gallagher, for A.A.A. Van & Storage Co., applicants.
Robert C. Glazebrook, for C & H Sugar Co.; and James Quintrali, for Los Angeles Warehousemen Association, interested parties.
Edward C. Crawford and Leonard Diamond, for the Commission staff.

O P I N I O N

In this application, eight public utility warehousemen operating in San Diego and vicinity seek authority to increase their rates for the storage of general commodities, as set forth in California Warehouse Tariff Bureau Tariff No. 14-A, Cal. P.U.C. No. 151 of Jack L. Dawson, Agent. The application requests a surcharge increase of 40 percent on all rates and charges in said tariff.

Rates of the three largest warehousemen were last increased pursuant to Decision No. 55247 dated July 9, 1957, in Application No. 38558 (unreported).¹

Public hearing was held before Examiner Mallory and the application was submitted May 23, 1972 in San Diego. There are no protests. Evidence was presented by a consultant employed by applicants; by management personnel of Pacific Transfer, Van & Truck Company (Pacific Transfer), Lyon Van & Storage Co. (Lyon) and Bekins Warehousing Corp. (Bekins); and by a financial examiner from the Commission's Finance & Accounts Division.

The record herein shows that, with a minor exception, the warehouse accounts of applicants were notified of the sought rate increase and the basis therefor; and that applicants received no objection to the increases.

The record also shows that the principal applicants' rates have not been adjusted since 1957. Applicants allege that they have incurred several increases in wage costs resulting from collective bargaining agreements and increases in other costs since 1957 which cause their rates to be unreasonably low.

The consultant employed by applicants and the staff financial examiner presented exhibits containing comparative balance sheets and income statements for the eight applicants. The exhibits indicate that five of the applicants, namely: A.A.A. Van & Storage Co., La Mesa Transfer & Storage, Mueller Truck Co., National City Transfer & Storage, and San Diego Van & Storage Company, either had no commercial storage accounts in 1970 and 1971, or earned less

¹ The tariff currently provides a surcharge of 15 percent on all rates and charges applicable to the warehouse operations of six applicants. Said applicants seek to cancel the 15 percent surcharge and substitute a 61 percent surcharge. National City Transfer and San Diego Van are not subject to the current surcharge; they seek to increase their rates by 61 percent.

than one percent of their gross revenue from commercial storage.² The exhibits of the consultant and the staff financial examiner show that significant revenues were earned under rates in Tariff 14-A by Pacific Transfer, Lyon and Bekins. It should also be noted that the utility warehouse operations are relatively minor for each applicant when compared to the total operations of their affiliated interests.

The following table summarizes the income statements of Pacific Transfer, Lyon and Bekins covering their public utility warehouse operations in the San Diego area for the years 1970 and 1971. Certain expenses were allocated between public utility warehouse operations in San Diego and other operations conducted by said companies.

TABLE 1

Public Utility Warehouse Revenues and Expenses
(For Years 1970 and 1971)

Item	Bekins		Lyon		Pacific Transfer	
	1970	1971	1970	1971	1970	1971
<u>Revenues</u>	\$49,723	\$59,959	\$168,187	\$170,944	\$30,133	\$27,639
<u>Expenses</u>						
Direct Operating Expenses	45,766	46,058	162,394	167,458	37,585	37,821
Admin. and General	37,702	31,012	50,052	58,564	19,207	17,573
Total	83,468	77,070	212,446	226,022	56,792	55,394
<u>Net Operating Income</u> (Public Util. Warehousing)	(33,745)	(17,111)	(44,259)	(55,078)	(26,659)	(27,755)
	(Loss)					

In addition to the operating statements referred to above, the consultant presented in evidence exhibits designed to show the changes in wages and related expenses since 1957 resulting from

² The record shows that applicants also engage in the transportation of used household goods and general commodities and in the storage of used household goods. The latter type of storage is not subject to Commission jurisdiction pursuant to Section 239(b) of the Public Utilities Code.

collective bargaining agreements and from the employer's portion of social security taxes, unemployment insurance and workmens compensation insurance; the change in total hourly labor costs in the period between April 1, 1957 and April 1, 1971, and the dollar increase in operating expenses resulting from said increased wage costs. The exhibits showed that direct labor costs are approximately 36 percent of total operating expenses of the three warehouses shown in Table 1; that total hourly labor costs have increased approximately 120 percent in the period 1957 to 1971; and that the increase in total operating expenses in the 16-year period resulting from said increased labor costs was approximately 43 percent.

The testimony of the representatives of the individual applicants confirmed the testimony of the consultant and pertained to other types of increased operating expenses which have been incurred in the aforementioned 16-year period. Two of said witnesses testified that their warehouse facilities are leased, that the leases contain escalation clauses based on increases in the Bureau of Labor Cost of Living indices, and also provide that the lessee shall absorb property tax increases. Their testimony showed substantial increases in rents and property taxes have been incurred in the period 1957 to 1971.

The consultant and the staff witness presented data to show the result of increasing revenues by the amount sought in the application. The exhibit of the staff witness states that substituting the revenues expected under the sought increase of 40 percent for the 1971 recorded revenues would result in pro forma income statements as set forth in the following table:

TABLE 2

Public Utility Warehouse
Operating Revenues and Expenses
Adjusted to give Effect to Sought Rate Increase

Company	Revenues	Expenses	Operating: Ratio %
Bekins	\$ 69, 612	\$ 77,070	110.7%
Lyon	235,462	226,022	96.0
Pacific Transfer	42,186	55,394	131.3

Based on his analysis, the staff financial examiner stated that he had no objection to the proposed increase in public utility warehouse rates, since the increase proposed will not cover present costs for seven of the applicants. The witness also stated that it is possible that the increase may not cover 1972 costs for the other applicant, Lyon, inasmuch as the expenses set forth in Table 2 give no effect to the known increase in warehouse labor rates placed in effect on April 1, 1972, pursuant to collective bargaining agreements, nor to 1971-1972 increases in property taxes.

The record shows that public utility warehouse operations of most applicants have not been profitable for several years and, as a result, the majority of applicants have not actively solicited commercial storage accounts.

The record shows, and we find:

i. Applicants A.A.A. Van & Storage, La Mesa Transfer and Storage, National City Transfer and Storage, and San Diego Van & Storage have had storage and handling revenues of less than \$1,500 annually from rates and charges in Tariff 14-A; that Mueller Truck Co. has had warehouse revenues not in excess of \$15,400 annually in 1970 and 1971 from rates and charges in Tariff 14-A; and that said storage revenues are insignificant in comparison with total revenues of said companies in 1970 and 1971. Inasmuch as the storage revenues

referred to above amount to less than 1 percent of the gross revenues of said applicants, granting of the application will have no material effect on the profitability of said applicants' operations as a whole.

2. Bekins, Lyon and Pacific Transfer earn a substantial portion of their total revenues from public utility warehouse operations under rates in Tariff 14-A. The proposed rate increases of 40 percent will increase their annual revenues by \$19,889, \$67,275 and \$12,053, respectively.

3. The operating revenues and expenses depicted in Tables 1 and 2 reasonably reflect operations of Bekins, Lyon and Pacific Transfer under present and proposed rates. Table 1 indicates that present public utility warehouse operations are conducted at substantial losses for each applicant.

4. Table 2 shows that the public utility warehouse operations of only Lyon will be profitable under the sought rate adjustment. The record shows that Lyon's warehouse labor costs were increased by approximately 5.7 percent effective April 1, 1972 as compared with wage rates effective April 1, 1971; and that direct wage costs average 36 percent of total costs. Adjusting the data in Table 2 for Lyon to reflect such wage increase, results in the following:

	<u>Revenues</u>	<u>Expenses</u>	<u>Operating Ratio</u>
Lyon	\$235,462	\$230,654	98.0%

5. Applicants' operating ratios under the proposed increased rates and charges will provide less net income than the minimum necessary to assure continued adequate and reasonable service in connection with their public utility warehouse operations in the San Diego area. Applicants are in urgent need of the additional revenues which would result from this application.

6. The increased rates and charges proposed herein are justified.

We conclude that the application should be granted, as provided in the order which follows:

O R D E R

IT IS ORDERED that:

1. The applicants in this proceeding are authorized to increase their rates and charges in California Warehouse Tariff Bureau Tariff 14-A, Cal. P.U.C. No. 151 of Jack L. Dawson, Agent, by canceling the present fifteen percent surcharge in said tariff and substituting the following increases:

A. Increase all rates and charges set forth in the House Rules and Regulations of California Warehouse Tariff Bureau Warehouse Tariff No. 14-A, Cal. P.U.C. No. 151 by 61 percent, disposing of fractions as follows:

- (1) Where the increased rate or charge is less than 10 cents dispose of fractions to the nearest half cent by dropping fractions of less than 2-1/2 mills, fractions of 2-1/2 mills to 7-1/2 mills will be shown as 5 mills, fractions of 7-1/2 mills or greater will be increased to the next whole cent.
- (2) Where the increased rate or charge is 10 cents or greater, dispose of fractions to the nearest cent, dropping fractions of less than 1/2 cent and increasing fractions of 1/2 cent or greater to the next whole cent.

B. Increase the rates and charges set forth in Sections A and B of California Warehouse Tariff Bureau Warehouse Tariff No. 14-A, Cal. P.U.C. No. 151, by publication of a surcharge rule, reading substantially as follows:

"Except as otherwise shown in connection with individual items, all charges accruing for services under rates and charges named in Sections A and B of the Tariff are subject to a surcharge of 61 percent. The surcharge will be applied as follows:

"Compute the total charge under applicable rates and charges and increase such total charge by 61 percent, resulting fractions of less than 1/2 cent will be dropped and fractions of 1/2 cent or greater will be increased to the next whole cent."

C. On or before six months after the publication of the surcharges authorized in paragraph B above, said surcharges shall be canceled and the authorized increases shall be incorporated in specific rates and charges, using the following methods of disposing of fractions:

- (1) Where the increased rate or charge is less than 10 cents, dispose of fractions to the nearest mill, dropping fractions of less than $1/2$ mill and increasing fractions of $1/2$ mill or greater to the next whole mill.
- (2) Where the increased rate or charge is 10 cents or greater, but less than 20 cents, dispose of fractions to the nearest half cent by dropping fractions of less than $2-1/2$ mills, fractions of $2-1/2$ mills to $7-1/2$ mills will be shown as 5 mills, fractions of $7-1/2$ mills or greater will be increased to the next whole cent.
- (3) Where the increased rate or charge is 20 cents or greater, dispose of fractions to the nearest cent, dropping fractions of less than $1/2$ cent and increasing fractions of $1/2$ cent or greater to the next whole cent.

2. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and 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.

3. The authority granted in ordering paragraph 1, subparagraphs A and B, shall expire unless exercised within ninety days after the effective date of this order.

4. A copy of this order shall be served upon Jack L. Dawson, Publishing Agent for applicants.

5. The certificate to comply with Federal Economic Regulations is attached as Appendix A.

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

Dated at Los Angeles, California,
this 18th day of JULY, 1972.

I dissent
J. H. [Signature]

Vernon L. Sturgeon
President
William J. [Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A
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This appendix constitutes the certification of the Public Utilities Commission of the State of California to the Federal Price Commission as required by Section 300.16 of the Code of Federal Regulations.

1. The present rates of applicants are set forth in detail in California Warehouse Tariff Bureau Tariff 14-A. Said rates are currently subject to a 15 percent surcharge for six of the eight applicants (including the three applicants which earn significant revenues from said tariff). The 15 percent surcharge will be canceled and there will be a surcharge of 61 percent substituted therefor. (The 61 percent figure is the cumulative amount resulting from applying a 40 percent surcharge on the existing 15 percent surcharge.) Thus, for six applicants rates will be increased by 40 percent, and for two applicants rates will be increased by 61 percent.
2. The rate increase is expected to increase annual revenues of Bekins by \$19,889, Lyon by \$67,275 and Pacific Transfer by \$12,053.
3. The increase granted by the Commission order to which this is attached will not increase the utilities' overall return on capital above that required to assure continued operations, as the rate increase will make the utilities' warehouse operations marginally profitable, at best.
4. Sufficient evidence was taken in the course of the Commission proceeding to determine whether or not the price increase meets the criteria of the rules of the Price Commission.
5. The increase authorized is cost justified and does not reflect future inflationary trends.
6. The increase is the minimum required to assure continued, adequate and safe service.

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7. The increase is not sufficient to achieve the minimum rate of return needed to attract capital at reasonable costs nor to impair the credit of the utilities.
8. The increase does not reflect labor costs in excess of those allowed by Price Commission policies.
9. There are no known productivity gains which could offset the sought wage and related expense increases.
10. Reasonable opportunity for participation by all interested parties was afforded.