

ORIGINALDecision No. 80549

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ACCURATE CARTAGE AND WAREHOUSING,)
 INC., et al.)

Application No. 53404
 (Filed June 16, 1972;
 Amended July 28, 1972)

INTERIM OPINION

In this application, 46 public utility warehousemen located in the metropolitan Los Angeles area seek authority to increase their warehouse storage and handling rates by 10 percent. By the amendment filed July 28, 1972, applicants request authority to place in effect an immediate interim increase of 7 percent, pending hearing.

Public hearing on this matter is scheduled beginning November 8, 1972. The amendment to the application states that relief which would be determined following public hearing normally would not be forthcoming until after the end of 1972. Applicants argue that immediate rate relief is necessary because applicants have been required to absorb substantial increases in labor costs occurring in 1971 and 1972. The amendment states that the last general adjustment in their warehouse and handling rates was made effective December 16, 1970, pursuant to Decision No. 77996 dated December 1, 1970, in Application No. 52180.^{1/}

^{1/} Decision No. 79361, dated November 22, 1971, in Application No. 52549, authorized 16 of the applicants herein to increase their storage rates by 1-1/2 percent and their handling rates by 5 percent, and one warehouseman to increase both storage and handling rates by 5 percent. Increases were denied with respect to the remaining 29 applicants. The warehousemen to whom rate relief was granted did not exercise that authority; it is the position of the 17 applicants that were authorized to increase rates that they could not do so in face of competition from the 29 remaining warehousemen with lower rates.

Attached to the amendment to the application is a statement entitled "Income Statements of Fifteen Public Warehouses, Year of 1971, Modified to Reflect Proposed Interim Increase of 7 Percent". Said statement reflects certain rate-making adjustments found to be proper in prior proceedings, and also reflects adjustments to give full-year effect to labor cost increases occurring in 1971 and 1972. The statement shows that the adjusted results of operations produce operating ratios ranging from 86.12 percent to 106.48 percent for individual warehousemen and a composite operating ratio for the group of 15 warehousemen of 98.94 percent. The 15 warehousemen earned \$9,893,232 in 1971 from revenues under existing warehouse and storage rates. The balance of the applicants herein earned \$3,499,399 in 1971 from said rates. Applicants allege that the operations of aforementioned 15 warehousemen are representative of the operations of applicants as a group.

The amendment to the application also contains the following summary of the operating results of the 15 test warehousemen compared with other applicant warehousemen for the year 1971, modified to give effect to the sought interim increase and to current wages.

TABLE 1

SUMMARY OF INCOME STATEMENTS - YEAR 1971
MODIFIED TO REFLECT PROPOSED INTERIM INCREASE OF 7%

	<u>Fifteen Warehouses</u>	<u>Other Applicant Warehouses</u>	<u>Total</u>
Public Util. Warehouse Revenues Present Rates	\$ 9,893,232	\$3,499,399	\$13,392,631
Proposed Interim Increase of 7%	692,526	218,220 ^{1/}	910,746
Revenue Adjusted to Re- flect Interim Increase	10,585,758	3,717,619	14,303,377
Public Util. Warehouse Expenses Adjusted	10,219,378	3,724,287	13,944,065
Net Operating Income - Before Taxes	\$ 366,380	\$ (7,068)	\$ 359,312
Provisions for Income Taxes State and Federal	254,431	137,494	391,925
Net Operating Income - After Taxes	\$ 111,949	\$ (144,562)	\$ (32,613)
Operating Ratio - After Taxes	98.94%	103.89%	100.23%

^{1/} Excludes increase to revenues of West Coast Whse. Co. under Tariff 13-B (\$381,972). Increase to such revenues are not sought in Application No. 53404.

Applicants assert that wage increases incurred in 1970 and 1971, together with allied payroll expenses, with no increase in rates since 1970, have brought the warehouse industry in the Los Angeles Area to a perilously unprofitable position, and that continued operations under such increased labor costs, without a compensating increase in revenues, will seriously impair the financial condition of applicants. Applicants assert that, to offset such increased labor costs and avoid such impairment of financial condition, they need an immediate increase of 7 percent in their revenues.

Applicants request that the Commission issue an ex parte interim order authorizing the increases in rates and charges as proposed in the amendment to the application; and that permission be granted to make such increases effective on not more than five days' notice.

Notice of the filing of the application and amendment appeared on the Commission's Daily Calendar. In addition, notice of the filing of the application and the request for interim relief was given by applicants to their customers by mail. The Commission has received a protest to the granting of the full amount of the sought interim increase from Miles Laboratories, Inc., Elkhart, Indiana. Said protest urges that the Commission limit the ex parte interim increase to no more than 5.5 percent, in compliance with limits for offset of wage increases set forth in the Federal Economic Stabilization Act. The protest also requests that the interim increase be applied only to handling in-and-out rates of applicants. Applicants point out that Federal Price Commission regulations contain no limitation of 5.5 percent on wage contracts negotiated prior to November 21, 1971, and that if the increase is limited to handling rates a greater increase would be necessary to offset labor charges. Applicants urge that an increase of greater than seven percent on handling rates would unduly disturb the present satisfactory relationships between storage and handling rates.

Based on the application and protest herein the Commission finds:

1. Exhibit B to the application herein contains income statements for each of the applicants herein setting forth their revenues, expenses and net income for the year 1971 for all operations conducted by said applicants, including non-public utility services.

2. Exhibit D shows that the actual composite operations of the 15 test warehousemen for the year 1971 resulted in the following:

Public Utility Warehouse Revenues

Storage	\$ 3,646,891
Handling In and Out	4,502,376
All Other	<u>1,743,965</u>
Total	\$ 9,893,232

Public Utility Warehouse Expenses

Direct Operating Expense	\$ 7,251,217
Administrative and General Expense	<u>2,869,219</u>
Total	\$10,120,436

Net Public Utility Warehouse

Operating Income (Loss)	\$ (227,204)
<u>Total Nonutility Income</u>	\$ 615,294
<u>Net Income</u>	\$ 388,090

3. Exhibit C to the application sets forth abstracts of wage agreements covering warehouse and office personnel employed in applicants' warehousing operations. Said abstracts show that warehouse labor costs per hour have increased by amounts ranging from 15.3 to 29.2 percent in the period July 1, 1970 through July 1, 1972. In the same period, payroll taxes have been increased by federal and state statutes, by varying amounts.

4. Table 1, in the preceding opinion, sets forth data supplied in the amendment to the application designed to portray operating results for the year 1971 adjusted to reflect, on a full-year basis, warehouse operating revenues under the seven percent interim surcharge sought herein and warehouse operating expenses under current wage rates and payroll taxes. Said table shows that, under adjusted revenues and expenses the composite warehouse operations of applicants

as a group will be slightly below the break-even point. The composite operating results of the 15 test warehousemen will be only marginally profitable, as represented by an operating ratio of 98.94 percent.

5. Except in Decision No. 79361, supra, the Commission has considered applicants as a group in determining the need for increased revenues for applicants' public utility warehouse services. Applicants that were granted rate increases in Decision No. 79361, did not exercise such authority. It is apparent from Table 1 that applicants, as a group, are in urgent need of additional revenues. Therefore, it will be reasonable for the purpose of evaluating applicants' request for interim relief, to consider applicants' operations on a composite, or group basis.

6. On a composite (group) basis, it is apparent that applicants are in urgent need of additional revenues to offset the wage increases granted to their employees, and that the requested interim rates will result in break-even or marginally profitable operations under current expenses adjusted to a full-year basis. Such interim rate relief is justified.

7. The interim increase authorized herein is consistent with Rule 23.1, effective August 2, 1972, of the Commission's Rules of Procedure:

- a. The increase is cost-justified and does not reflect future inflationary expectations;
- b. The increase is the minimum required to assure continued, adequate and safe service and to provide for necessary expansion to meet future requirements;
- c. The increase will be less than that necessary to achieve the minimum rate of return needed to attract capital at reasonable cost and not to impair the credit of the applicants;
- d. The increase does not reflect labor costs in excess of those allowed by policies of the Federal Price Commission;
- e. The increase takes into account expected and obtainable productivity gains; and

- f. All applicants in the tariffs named in ordering paragraph 1 join in the request for interim rate relief. There is no evidence available at this time to indicate to the Commission that there are any warehousemen operating in the metropolitan Los Angeles area who are willing and capable of providing the services offered by said group of applicants at existing rates.

The Commission concludes that the sought interim rate increase should be granted without hearing and that permanent relief should be considered at the hearings now scheduled on the Commission's calendar. We also conclude that the interim rates should be subject to a refund provision, in the event that the final level of increased rates is less than the interim rates authorized herein.

INTERIM ORDER

IT IS ORDERED that:

1. Applicants named in Application No. 53404, as amended, are authorized to establish an interim surcharge of seven percent on all rates and charges named in the following tariffs:

California Warehouse Tariff Bureau
Warehouse Tariff No. 28-A, Cal. PUC
194 (of Jack L. Dawson, Agent)

California Warehouse Tariff Bureau
Warehouse Tariff No. 29-A, Cal. PUC
194 (of Jack L. Dawson, Agent)

M & M Transfer Company Warehouse
Tariff No. 19, Cal. PUC 19 (issued
by Jack L. Dawson, Agent)

Vernon Central Warehouse, Inc.
Warehouse Tariff No. 8, Cal. PUC 8
(issued by Jack L. Dawson, Agent)

Union Terminal Warehouse Tariff No. 2,
Cal. PUC 2 (issued by Jack L. Dawson,
Agent)

2. Tariff publications authorized as a result of the order herein shall contain the following provisions:

In the event any increases resulting from the application of this interim surcharge exceed the increases subsequently approved or prescribed by the Public Utilities Commission, the warehousemen will refund the differences between the increases resulting from the application of this interim surcharge and any increases which may be subsequently approved or prescribed by the Commission.

In the event an increase resulting from the application of this interim surcharge is disapproved by the Commission and no increase is authorized, warehousemen will refund the full amount of the increase collected.

3. 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.

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

The effective date of this order shall be ~~the date hereof~~ 10/1/72

~~the date hereof~~.

Dated at San Francisco, California, this 27th day of SEPTEMBER, 1972.

Vernon L. Stenger
President

William J. ...

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Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.