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ORIGINAL

Decision No. 80989

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)

(Appearances are listed in Appendix A)

FINAL OPINION

The 48 applicants in this proceeding are engaged in the warehousing of general commodities as public utility warehousemen at various locations within and about the Los Angeles metropolitan area. By this application they seek authority to effect a 10 percent increase in their rates and charges on five days' notice to the Commission and to the public. Decision No. 80549 dated September 27, 1972 in this proceeding authorized applicants to increase their rates on an interim basis by seven percent, pending hearing.

Applicants' present rates and charges are set forth mainly in 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. In addition, applicants M & M Transfer Company, Vernon Warehouse Company, and Union Terminal Warehouse, Inc. maintain rates for certain of their services in the following tariffs of Jack L. Dawson, Agent:

- M & M Transfer Company:
Warehouse Tariff No. 19, Cal. P.U.C. No. 19;
- Vernon Warehouse Company:
Warehouse Tariff No. 8, Cal. P.U.C. No. 8;
- Union Terminal Warehouse, Inc.:
Warehouse Tariff No. 2, Cal. P.U.C. No. 2.

A. 53404 ek

Tariffs 28-A and 29-A were established pursuant to the authority granted in Decision No. 61781 dated April 4, 1961 in Application No. 42592 (58 CPUC 624), and became effective on April 24, 1961.

Prior to this proceeding, the last general increase in the rates and charges in Tariffs 28-A and 29-A was made pursuant to Decision No. 77996 dated December 1, 1970 in Application No. 52180, and became effective December 16, 1970. The rates in M & M Transfer Company Tariff No. 19 were also adjusted pursuant to Decision No. 77996. The rates in Vernon Central Warehouse, Inc. Tariff No. 8 were adjusted pursuant to Decision No. 77334 dated June 9, 1970 in Application No. 51473, and became effective June 24, 1970. The rates in Union Terminal Warehouse Tariff No. 2 were initially published in 1968, and were last adjusted pursuant to Decision No. 75285 in Application No. 50558 effective February 24, 1969.

Public hearing was held before Examiner Mallory in Los Angeles on November 8 and 9, 1972, and the application was submitted. Evidence was adduced on behalf of applicants by a consultant formerly employed by the Los Angeles Warehousemen's Association. Evidence also was introduced by a financial examiner employed in the Commission's Finance and Accounts Division. A written protest was filed by Miles Laboratory of Elkhart, Indiana. The protestant did not appear at the hearing. The written protest covers, in part, the issues raised at the hearing and, in part, matters not raised therein. The written protest contains data of an evidentiary nature which cannot be considered by the Commission as the data were not introduced in the hearing by a competent witness and cross-examination thereon was not accorded applicants and other parties.

Background

The last general rate increase proceeding involving applicants was Application No. 52549, Decision No. 79361, dated November 22, 1971. That decision authorized 16 of the applicants 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.

Decision No. 79361 was a departure from Decision No. 61781 and subsequent rate increase proceedings involving these applicants in that the prior proceedings considered the revenue needs of a representative group of applicants in determining whether increases should be granted to all.

Decision No. 61781 (68 CPUC 624, 630) states as follows:

"It has been clearly established in prior decisions, and is supported by the evidence of record herein, that substantial uniformity of rates as among the various warehousemen operating in the Los Angeles area is a business necessity. Uniformity is dictated by the force of competition which prevails among said warehousemen."

Applicants' Position

Applicants contend that the above quoted statement continues to be true with respect to applicants' operations. They consider Decision No. 79361 to be the result of a lack of comprehension of the revenue needs of applicants and the regulatory result which would ensue from a continuation of the policies enunciated therein.

Applicants' evidence and argument herein was directed to a rebuttal of the policies stated in Decision No. 79361, and to the data relied upon to arrive at conclusions expressed therein. Applicants argued that the forces of competition continue to require substantial uniformity of rates for warehousemen storing general commodities in the metropolitan Los Angeles area and that the sought rate increase should be authorized to all applicants.

Staff's Position

The Commission staff argued that the application herein must be decided within the framework of Federal Price Commission regulations and Rule 23.1 of the Commission's Rules of Practice and Procedure promulgated pursuant thereto. It is the staff position that each applicant herein must make a separate showing of its individual need for additional revenues, and that the provisions of Rule 23.1 do not permit the Commission to grant rate increases to warehousemen based on the composite revenue needs of applicants as a group.

Applicants' Evidence

In prior proceedings applicants (in cooperation with the Commission staff) selected a group of 10 to 12 warehousemen as being representative of the operations of all applicants, and presented in evidence detailed revenue and expense data for the selected warehousemen. The record in prior proceedings indicate that the group of selected (or test) warehousemen earned approximately 72 to 75 percent of the total annual revenues of all applicants.

Applicants' witness in this proceeding developed revenue and expense data in the same manner as had been offered in prior proceedings. The evidence adduced by applicants' witness was to the following effect: Applicants have incurred increased labor and related costs as a result of labor agreements entered into in 1970. Applicants have also experienced increases in other operating costs since their rates were last adjusted. After the Commission denied rehearing of Decision No. 79361, applicants instructed the witness to make studies to accompany an application to seek increases in rates and to produce evidence on the data used as a basis for the Commission's conclusions in Decision No. 79361. In accordance with these instructions, the witness prepared the data which are appended as exhibits to the application and were introduced in evidence as Exhibits 1 through 7. The financial exhibits are based on the year ended December 31, 1971, as such data were the latest available at the time the application was filed.

The witness developed in Exhibit 4 detailed revenue and expense data for 15 of the 48 applicants. The operations of the 15 warehousemen are deemed by the witness and by applicants to be representative of the operations of all applicants as a group. The witness explained the criteria used in the selection of the selected (test) warehousemen and the reasons why certain other warehousemen were not selected. The record shows that warehousemen having annual revenues of more than \$75,000 which were excluded from the group of test warehousemen have operations which fall into one of the following categories:

1. The principal business of the applicant is trucking, and warehouse operations constitute a very limited portion of the overall operations, with a result that certain overhead expenses and other operating expenses are difficult to allocate properly.
2. The applicant's records are not kept in such a manner as to enable the witness to determine whether expenses for warehouse operations were properly recorded.
3. The principal warehouse business of the applicant is not the storage of general commodities under Tariffs 28-A and 29-A. This category includes applicants whose principal business is storage of used household goods and personal effects not subject to regulation by this Commission. It also includes the operations of M & M Transfer Company and Vernon Warehouse Company whose principal warehouse operations are conducted under tariffs other than Tariffs 28-A and 29-A.

The record shows that in 1971 the 15 test warehousemen had 74 percent of the public utility warehouse operating revenues of the 48 applicants.

The operating revenue and expense data for the 15 test warehousemen set forth in annual reports to the Commission for the year 1971 are summarized in the following table (applicants' Exhibit 4). The table also shows operating ratio (before taxes) and the percent of warehouse operating revenues derived from operations under the special rates in Warehouse Tariff 29-A.

TABLE 1

Operating Results
15 Selected Warehousemen for Year 1971
(Public Utility Warehouse Operations Only)
(Before Provision for Income Taxes)

<u>Warehousemen</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>	<u>Operating Ratio (Percent)</u>	<u>% of Revenues Under Tariff 29-A</u>
Ace City Warehouse	\$ 413,255	\$ 442,275	\$ (29,020)	107.0	32.3
California Whse. Co.	354,403	369,689	(15,286)	104.3	23.4
Commerce Whse. Co.	331,274	341,936	(10,662)	103.2	49.0
Dart Public Whse., Inc.	319,643	289,677	29,966	90.6	11.1
Davies Warehouse Co.	628,220	601,244	26,976	95.7	13.9
Interamerican Whse. Corp.	540,669	578,837	(38,168)	107.1	41.6
Metropolitan Whse. Co.	1,849,730	1,826,661	23,069	98.8	57.5
Overland Terminal Whse. Co. (1)	443,882	445,680	(1,798)	100.4	0.0
Pacific Coast Terminal Whse. Co.	1,674,664	1,649,780	25,484	98.5	27.6
Pacific Commercial Whse.	390,155	362,825	27,330	93.0	0.0
Redway Truck & Whse. Co.	337,352	367,745	(30,393)	109.0	20.0
Star Truck & Whse. Corp.	777,336	812,970	(35,634)	104.6	9.5
States Warehouses, Inc.	200,556	195,206	5,350	97.3	5.0
Union Terminal Whse., Inc.	1,292,589	1,507,091	(214,502)	116.6	69.2
Weber Truck & Whse.	<u>339,504</u>	<u>329,420</u>	<u>10,084</u>	<u>97.0</u>	<u>5.1</u>
Total	\$9,893,232	\$10,120,436	\$(227,204)	102.3	33.5

(1) Represents the seven-month period January 1 through July 31, 1971.

() Indicates loss.

The witness testified that the annual report data for the 15 test warehousemen were reviewed by him or persons under his direction. Adjustments were made to depreciation accounts where accelerated depreciation for tax purposes was recorded, and to show landlord expenses in lieu of rent where the warehouse facilities are leased from an affiliated company. These data were further adjusted to give effect in operating expenses to known increases in labor and related costs resulting from labor contracts and payroll taxes.

Table 2 below sets forth the financial data which the witness so developed for the aforesaid 15 warehousemen. Table 3 sets forth the financial data which the witness developed for 29 of the other applicants. Financial data were not presented for eight applicants for the reasons that they conducted no operations under Warehouse Tariff No. 28-A during 1971, or that they conducted no warehousing operations, or that they have become parties to Warehouse Tariff No. 28-A too recently to have any data to submit.

TABLE 2

Estimated Operating Results of 15 Selected Warehousemen
at Present Rates (Excluding Surcharge)
Adjusted for Current Operating Expenses
(for Income Taxes)

<u>Warehousemen</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net (After Taxes)</u>	<u>Operating Ratio (%)</u>
Ace City Warehouse	\$ 413,255	\$ 470,840	\$ (57,585)	113.9
California Whse. Co.	354,403	397,371	(42,968)	112.1
Commerce Whse. Co.	331,274	305,201	26,073	92.1
Dart Public Whse., Inc.	319,643	282,915	36,728	88.5
Davies Warehouse Co.	628,220	626,946	1,274	99.8
Interamerican Whse. Corp.	540,669	512,675	27,994	94.8
Metropolitan Whse. Co.	1,849,730	1,842,749	7,251	99.6
Overland Terminal Whse. Co. (1)	443,882	477,339	(33,457)	107.5
Pacific Coast Terminal Whse., Co.	1,674,664	1,765,645	(90,981)	105.4
Pacific Commercial Whse.	390,155	347,913	42,242	89.2
Redway Truck & Whse. Co.	337,352	397,193	(59,841)	117.7
Star Truck & Whse. Corp.	777,336	854,710	(77,374)	110.0
States Warehouses, Inc.	200,556	186,855	13,701	93.2
Union Terminal Whse., Inc.	1,292,589	1,504,081	(211,492)	116.4
Weber Truck & Whse.	<u>339,504</u>	<u>347,230</u>	<u>(7,726)</u>	<u>102.3</u>
Total	\$9,893,232	\$10,319,393	\$(426,161)	104.3

(1) Represents seven-month period.

() Indicates loss.

TABLE 3

Estimated Annual Operating Results
of 29 Other Warehousemen
Under Present Rates (Excluding Surcharge) and Adjusted Expenses (Exhibit 5)
(After Income Taxes)

<u>Warehousemen</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net (After Taxes)</u>	<u>Operating Ratio (%)</u>
Accurate Cartage & Whse., Inc.	\$ 299,857	\$ 321,943	\$ (22,086)	107.4
American Warehouse	61,202	59,915	1,287	97.9
Anaheim Truck & Transfer	10,072	19,378	(9,306)	192.4
Atlantic Transfer Co.	31,398	29,309	2,089	93.4
B & M Terminal Corp.	60,807	51,888	8,919	85.3
Bekins Whse. Corp. (1)	121,342	124,026	(2,684)	102.2
California Cartage Whse. Co.	290,796	267,580	23,216	92.0
Central Terminal Whse. Co.	68,001	161,224	(93,223)	237.1
Citizens Whse. Trk. Co., Inc.	39,117	73,978	(34,861)	189.1
City Transfer, Inc. (1)	24,660	40,066	(15,406)	162.5
Columbia Van Lines, Inc.	879	534	345	60.8
Consolidated Ftrwys. of Dl.	4,110	5,493	(1,383)	133.7
Dependable Trucking Co.	111,608	99,227	12,381	88.9
Fleetwood Whse. Co., Inc.	22,514	34,958	(12,444)	155.3
Law Express, Inc.	40,965	55,300	(14,335)	135.0
L.A. Transport & Whse. Co.	242,458	275,914	(33,456)	113.8
Lyon Van & Storage Co.	15,737	14,768	969	93.4
M & M Transfer Co.	266,350	229,004	37,346	86.0
Moser Trucking Co.	150,358	187,736	(37,378)	124.5
Overmyer of La Mirada, Inc.	353,049	428,638	(75,589)	121.4
Shippers Terminal Co.	8,386	18,197	(9,811)	217.0
Signal Trucking Service Ltd.	23,555	24,796	(1,241)	105.3
Storecenter, Inc.	51	248	(152)	398.0
Superior Fast Drayage	1,387	1,328	59	95.8
South Bay Public Whse.	18,791	34,990	(16,199)	186.2
U S C O Services, Inc.	265,753	235,250	30,503	88.5
Vernon Whse. Co.	333,027	307,634	25,393	92.4
West Coast Whse. Corp.	521,519	597,269	(75,750)	114.5
Williams Whse. & Dist. Corp.	111,650	110,489	1,161	99.0
Total	\$3,499,399	\$3,811,035	\$(311,636)	108.9

(1) Tariff 28-A Operations only.

() Indicates loss.

The data in Tables 2 and 3 were further adjusted by the witness to reflect the 10 percent increase in rates and charges sought in this application. Said estimates of operating results are set forth in Tables 4 and 5 below.

TABLE 4

Estimated Operating Results of 15 Selected Warehousemen
at Proposed Rates and Current Operating Expenses
 (Provision for Income Taxes)

<u>Warehousemen</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net (After Taxes)</u>	<u>Operating Ratio (%)</u>
Ace City Warehouse	\$ 454,581	\$ 470,840	\$(16,259)	103.6
California Whse. Co.	389,843	397,371	(7,528)	101.9
Commerce Whse. Co.	364,401	322,411	41,990	88.5
Dart Public Whse., Inc.	351,607	299,521	52,086	85.2
Davies Warehouse Co.	691,042	653,477	37,565	94.6
Interamerican Whse. Corp.	594,736	540,764	53,972	90.9
Metropolitan Whse. Co.	2,034,703	1,934,493	100,210	95.1
Overland Terminal Whse. Co. (1)	488,270	480,248	8,022	98.4
Pacific Coast Terminal Whse. Co.	1,842,130	1,798,784	43,346	97.7
Pacific Commercial Whse.	429,171	368,182	60,989	85.8
Redway Truck & Whse. Co.	371,087	397,193	(26,106)	107.0
Star Truck & Whse. Corp.	855,070	854,789	281	99.9
States Warehouses, Inc.	220,612	195,341	25,271	88.6
Union Terminal Whse., Inc.	1,421,848	1,504,081	(82,233)	105.9
Weber Truck & Whse.	<u>373,454</u>	<u>354,410</u>	<u>19,044</u>	<u>94.9</u>
Total	\$10,882,555	\$10,571,905	\$310,650	97.2

(1) Represents seven-month period.

() Indicates loss.

TABLE 5

Estimated Operating Results
of 29 Other Warehousemen
Under Proposed Rates and Current Operating Expenses (Exhibit 5)
(After Income Taxes)

<u>Warehousemen</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net (After Taxes)</u>	<u>Operating Ratio (%)</u>
Accurate Cartage & Whse., Inc.	\$ 329,843	\$ 324,005	\$ 5,838	98.2
American Warehouse	67,322	61,578	5,744	91.5
Anaheim Truck & Transfer	11,079	19,378	(8,299)	174.9
Atlantic Transfer Co.	34,538	30,186	4,352	87.4
B & M Terminal Corp.	66,888	53,587	13,301	80.1
Bekins Whse. Corp. (1)	133,476	126,521	6,955	94.8
California Cartage Whse. Co.	319,876	282,301	37,575	88.3
Central Terminal Whse. Co.	74,801	161,224	(86,423)	215.5
Citizens Whse. Trk. Co., Inc.	43,029	73,998	(30,969)	171.9
City Transfer, Inc. (1)	27,126	40,066	(12,940)	147.7
Columbia Van Lines, Inc.	967	554	413	57.3
Consolidated Ftrwys. Corp. of Dl.	4,521	5,343	(822)	118.2
Dependable Trucking Co., Inc.	122,769	102,652	20,117	83.6
Fleetwood Whse. Co., Inc.	24,765	34,958	(10,193)	141.2
Law Express, Inc.	45,062	55,300	(10,238)	122.7
L.A. Transport & Whse. Co.	266,704	275,914	(9,210)	103.5
Lyon Van & Storage Co.	17,311	15,137	2,174	87.4
M & M Transfer Co.	292,985	242,841	50,144	82.8
Moser Trucking Co.	165,394	187,736	(22,342)	113.5
Overmyer of La Mirada, Inc.	388,354	428,638	(40,284)	110.4
Shippers Terminal Co.	9,225	18,197	(8,972)	197.3
Signal Trucking Service Ltd.	25,910	25,041	869	96.7
Storecenter, Inc.	56	253	(147)	362.5
Superior Fast Drayage	1,526	1,359	167	89.1
South Bay Public Whse.	20,670	34,990	(14,320)	169.3
U S C O Services, Inc.	292,328	249,056	43,272	85.2
Vernon Whse. Co.	366,330	324,935	41,395	88.7
West Coast Whse. Corp.	535,474	597,269	(61,795)	111.5
Williams Whse. & Dist. Corp.	122,815	113,551	9,264	92.5
Total	\$3,811,144	\$3,886,498	\$(75,354)	102.0

(1) Tariff 28-A Operations only.

() Indicates loss.

The witness noted that Table 4 shows that the 15 selected warehousemen, as a group, would realize an operating ratio of 97.2 percent under the proposed rates. He said that this operating ratio is consistent with operating ratios which the Commission has approved for this same group of warehousemen in previous rate increase proceedings.

The witness introduced Exhibit 6, which portrays data for a group of ten test warehousemen set forth in exhibits introduced by him in prior rate increase proceedings involving these applicants. The exhibit is summarized in the table below. The third column of the table shows the composite test-year operating ratios under the rate increases granted by the Commission as set forth in applicants' exhibits introduced in the rate increase proceeding. The last column shows composite operating ratios actually achieved by the ten test warehousemen under the authorized rates.

TABLE 6

<u>Proceeding</u>	<u>Year Filed</u>	<u>Composite Operating Ratio</u>	
		<u>Sought</u>	<u>Achieved</u>
A. 47175	1964	93.67	95.76
A. 49761	1966	94.95	97.85
A. 50558	1967	96.90	100.33
A. 51473	1968	95.08	100.48
A. 52549	1969	95.31	102.30
A. 53404	1971	97.15	NA

The witness testified that the foregoing table indicates that the warehousemen, as a group, have never achieved the operating ratios sought in prior rate increase proceedings. The witness explained that increased costs unknown at the time the applications were heard have caused actual operating expenses to exceed those estimated at the time of hearing.

The witness for applicants presented the following testimony to support applicants' contention that certain of the findings and conclusions expressed in Decision No. 79361 are erroneous.

Decision No. 79361 states that the record in Application No. 52549 did not show what proportion of the participating warehousemen's revenues are earned under rates in Tariff 29-A. Such information with respect to the 15 test warehousemen is set forth in the last column of Table 1 herein. The record shows that the following warehousemen whose revenues and expenses are not included in Table 1 also earned revenues under Tariff 29-A. The percentage of revenue earned in 1971 from Tariff 29-A rates is set forth in Table 7. The actual and adjusted operating ratios are also set forth for convenience.

TABLE 7

Percentage of Revenues Earned in 1971
From Rates and Charges in Tariff 29-A
for Applicants Other Than Those Shown in Table 1

<u>Warehouseman</u>	Percent of Revenue From Tariff 29-A Rates	Operating Ratio (Percent)	
		Table 3 Present Rates Current Expenses	Table 5 Proposed Rates Current Expenses
Accurate Cartage & Whse., Inc.	39.5	107.4	98.2
L.A. Transport & Whse. Co.	39.5	113.8	103.5
Overmyer of La Mirada, Inc.	47.0	121.4	110.4
U S C O Services, Inc.	17.6	88.5	85.2

The witness testified that there was a wide range of profitability for warehousemen earning a substantial portion of their gross public utility warehouse revenues from the rates in Tariff 29-A. The witness stated that Metropolitan Warehouse Company and Pacific Coast Terminal Warehouse Company had more than 25 percent of their gross revenues from Tariff 29-A and operated at a profit; while other warehouses which had gross revenues of ten percent or less from Tariff 29-A operated at a loss in 1971. The witness stated that this comparison dispels the implication in Decision No. 79361 that Tariff 29-A rates are less profitable than rates in Tariff 28-A.

Decision No. 79361 stated that it is not possible to test the profitability of the rates in Tariff 29-A without cost studies. The decision reaches this conclusion on the basis that the rates in Tariff 28-A were originally determined on a cost basis, while Tariff 29-A were not. Decision No. 79361 states as follows:

"The present structure of Tariff No. 28-A had its inception in revisions which were made in 1957 in a precedent tariff, Tariff No. 7-C, for purposes which included the elimination of various inequities in the rate structure then applicable. Storage rates which were proposed on behalf of the warehousemen and which were authorized (Decision No. 55198, dated July 2, 1957, in Application No. 37663), were designed to reflect an average revenue of 7.5 cents per square foot of gross storage area, an amount which was deemed at the time to be compensatory. Rates for warehouse handling services were designed to produce an over-all average of \$2.50 per ton, although the then current wage scales assertedly justified a rate of \$3.25 per ton.

"At the time that these revisions were being made in the underlying rate structure of Tariff No. 28-A, changes were also made in the warehousemen's Tariff No. 5-J, a precedent tariff to Tariff No. 29-A. These changes were mainly in the form of rate increases in the amount of about 10 percent. Apparently, such increases were not accomplished on a rate/cost relationship comparable to that used in the revision of Tariff No. 7-C.

"In summary, it appears that as a result of the revisions in 1957 the warehousemen undertook to orient their individual rates in Tariff No. 7-C with costs, whereas they did not take corresponding action with respect to the special rates in Tariff No. 5-J. . . . (I)n view of the revisions undertaken in 1957, it is reasonable to conclude that Tariff No. 28-A is more closely related to costs than is Tariff No. 29-A."

The witness testified that he participated in the 1957 proceeding which resulted in a general revision of rates ultimately published in Tariff 28-A. The witness asserted that the warehousemen attempted to realize an average revenue of \$2.50 per ton for handling and 7.5 cents per square foot for storage; however, when an individual storer indicated that rates on that basis would be too high the rates were adjusted downward. Warehousemen also advised the Association not to change rates for individual commodities which otherwise would be decreased under the proposal. As a result, the witness stated, many of the rates and charges proposed by the Association and set forth in Tariff 28-A depart from the guideline of \$2.50 per ton for handling and 7.5 cents per square foot for storage. Therefore, it was the conclusion of the witness that Tariff 28-A rates are not cost oriented.

The witness explained in detail the manner in which rates in Tariff 29-A are approved for publication by the Rate Committee of the Los Angeles Warehousemen's Association. There are several types of information required to be furnished by the proponent of the new volume rate which will allow the members of the Association's rate committee to evaluate the profitability of the proposed rate. The witness testified that the Association had turned down requests to publish rates in Tariff 29-A which the Association deemed to be unprofitable and had, in other instances, required that the proposed rates be adjusted upward before they were published. It was the conclusion of the witness that the procedures under which approval is given to the publication of rates in Tariff 29-A attempt to evaluate operating costs to a greater extent than the procedures under which the Tariff 28-A rates were initially established.

The witness also testified that in his opinion the detailed cost studies necessary to show the profitability or lack of profitability in the rate items in Tariff 29-A were virtually impossible to prepare and present.

Staff Evidence

The financial analyst from the Commission's Finance and Accounts Division presented Exhibit 8, which contains facts relative to the financial condition and operating results of applicants for the purpose of evaluating their request for an increase of ten percent in public utility warehouse rates and charges. That exhibit contains balance sheets and income statements as of December 31, 1971 and for the fiscal year ended June 30, 1972, as recorded, and as adjusted for affiliates rent substitution, wage increases, and the requested ten percent increase in rates.^{1/}

The witness selected an operating ratio (after taxes) of 95 percent as the maximum reasonable operating ratio for public utility warehouse operations, and proposed that rate increases be granted only to those warehousemen whose adjusted operating results (including current expenses and the proposed ten percent increase) resulted in an operating ratio for the calendar year 1971 greater than 95 percent. Exhibit 8 contains operating ratios for both the calendar year 1971 and the fiscal year 1972. It was pointed out to the witness that the profitability of applicants varied widely in the two periods, and certain warehousemen had operating ratios greater than 95 percent in the later period, and less than 95 percent in the earlier period. The witness then recommended that the operating ratios for the latest fiscal period be the basis for adjusting rates.

The following table is extracted from Exhibit 8.

^{1/} No ratios were prepared for Peerless Trucking, Truelove, and S & M Transfer as these had no warehouse operations during 1971. No ratios were prepared for Budway Express and Broadway Warehouse, Inc., as these companies had no warehouse operations during 1971 under Tariff 28-A.

TABLE 8

Commercial Warehouse
Operating Ratio After Taxes

Warehousemen	12 Months Ended December 31, 1971		12 Months Ended June 30, 1972	
	Recorded	Adjusted	Recorded	Adjusted
Columbia Van Lines, Inc.	50.40%	49.22%	-%	-%
B & M Terminal Corp.	83.23	79.99	102.78	97.27
M & M Transfer Co.	83.34	82.79	-	-
Dependable Trucking Co.	82.21	83.54	84.82	86.00
Superior Fast Drayage	90.20	83.95	-	-
Dart Public Warehouse, Inc.	93.43	85.10	93.51	85.58
U S C O Services, Inc.	87.46	85.12	-	-
Pacific Commercial Warehouse, Inc.	94.95	85.71	97.09	87.47
Atlantic Transfer Co.	93.31	87.32	-	-
Lyon Van & Storage Co.	91.35	87.36	93.37	89.25
California Cartage Whse. Co.	87.33	88.31	88.20	88.96
Commerce Warehouse Co.	103.25	88.41	102.13	89.20
States Warehouses, Inc.	98.07	88.49	97.42	88.17
Vernon Warehouse Co.	90.28	88.64	89.30	87.53
Interamerican Warehouse Corp.	107.08	90.87	108.23	91.84
American Warehouse	94.54	91.41	85.64	83.01
Williams Warehouse & Distrib. Center	88.95	92.41	-	-
Davies Warehouse Co.	96.89	94.54	104.51	99.32
Bekins Warehousing Corp.	99.51	94.76	118.76	111.38
Weber Truck & Warehouse	97.85	94.87	104.54	99.80
Metropolitan Warehouse Co.	99.10	95.05	108.50	99.47
Signal Trucking Service, Ltd.	102.24	96.35	111.25	104.55
Pacific Coast Terminal Warehouse Co.	98.92	97.63	103.93	100.45
Consolidated Freightways Corp. of Delaware	107.50	98.22	106.62	97.60
Accurate Cartage & Warehousing, Inc.	96.83	98.22	99.35	101.32
Overland Terminal Warehouse Co.	100.43	98.35	-	-
Star Truck & Warehouse Corp.	104.60	99.96	109.77	104.60
California Warehouse Co.	104.34	101.91	-	-
L.A. Transport & Warehouse Co.	107.04	103.42	116.05	113.63
Acc City Warehouse	107.05	103.56	-	-
Union Terminal Warehouse, Inc.	116.60	105.78	112.39	101.95
Redway Truck & Warehouse Co.	109.04	107.01	107.64	105.58
Overmyer of La Mirada, Inc.	119.78	110.35	-	-
West Coast Warehouse Corp.	106.11	111.52	107.17	104.84
Moser Trucking Co.	114.72	113.45	132.81	131.11
Law Express, Inc.	129.94	122.50	130.99	123.38
Fleetwood Whse. Co., Inc.	153.74	140.76	148.89	136.29
City Transfer, Inc.	136.06	147.34	98.92	98.09
South Bay Public Warehouse	179.49	168.80	86.58	82.04
Citizens Warehouse Trucking Co., Inc.	181.48	171.69	180.44	185.75
Anaheim Truck & Transfer Co.	170.01	174.01	106.32	111.98
Storecenter, Inc.	201.96	183.93	-	-
Shippers Terminal Co.	212.69	196.17	222.22	208.45
Central Terminal Warehouse Co.	234.43	215.40	304.00	279.16

In the above table, the 21 warehousemen listed in the top portion of the table (warehousemen having adjusted operations for the calendar year 1971 of 95 percent or better) would receive no increase in rates under the original proposal of the witness, but the balance of the warehousemen would receive the ten percent increase.^{2/} If consideration is given to the adjusted operating ratios for the fiscal year ended June 30, 1972, the following additional warehousemen would have adjusted operating ratios less favorable than 95 percent:

B & M Terminal Corp.
Davies Warehouse Co.
Bekins Warehousing Corp.
Weber Truck & Warehouse
Metropolitan Warehouse Co.

The witness testified that his presentation in Table 8 above was developed on the criteria set forth in Decision No. 79361 as a basis for granting increases to some warehousemen and not to others.

It was pointed out to the witness that the operating ratio test applied in Decision No. 79361 was different than that employed by him. In Decision No. 79361, the warehousemen which were authorized to increase rates had operating ratios of 99.0 percent or poorer under existing rates before adjustment for the sought increase. The witness testified that he selected an operating ratio of 95 percent (after adjustment for the sought increase) as the dividing point because that was the operating ratio resulting from rate adjustments authorized in prior warehouse proceedings.

The witness further recommended that either the full ten percent sought in the application be granted to individual warehousemen, or that rate relief be denied in toto. The existing seven percent surcharge would be cancelled as to the individual warehousemen denied the full increase, and charges collected under the interim rate increase would be ordered to be refunded.

^{2/} No consideration was given by the witness to a lesser percentage increase to bring the 21 warehousemen's operating ratio to 95 percent, nor to the effect of the seven percent interim increase authorized herein.

The staff witness testified that if data for the 15 warehousemen selected by applicants as being representative are used for any purpose, the data for Overland Terminal Warehouse, Co. and Union Terminal Warehouse, Inc. should be eliminated. Overland changed ownership in 1971. Applicants' data for this warehouseman was furnished for only the first seven months of the year, assertedly because the recorded expenses for warehouse operations on the books of the company acquiring the operative right are unreliable. The staff witness concurred in the conclusion that recorded expenses for Overland's operations under the new ownership are not accurate. The staff witness recommended that data for Union Terminal Warehouse, Inc. be eliminated from consideration because of its record of fifteen consecutive years of operating losses.^{3/} The staff witness testified that in order to sustain such continued losses, it is reasonable to assume that other profitable operations of the applicant (or excessive equity) are used to offset these losses. In the opinion of the staff witness a theoretical subsidy situation is implied which makes this applicant's operation unusual and not representative of the remaining applicants.

3/ Union Terminal Warehouse net Public Utility Warehouse losses as shown in the staff exhibit are as follows:

1957	\$ (47,158)	1965	\$ (46,525)
1958	(51,340)	1966	(63,516)
1959	(99,709)	1967	(59,584)
1960	(103,648)	1968	(92,252)
1961	(58,795)	1969	(141,697)
1962	(104,176)	1970	(184,762)
1963	(92,169)	1971	(220,142)
1964	(76,608)		

() Indicates loss.

The following tabulation lists the adjusted operating ratios of the remaining 13 warehousemen selected by the applicants and accepted by the staff as representative, as developed in the staff's Exhibit 8:

TABLE 9

Operating Ratios
13 Selected Warehousemen
Calendar Year Ended December 31, 1971
Proposed Rates and Adjusted Expenses

Dart Public Warehouse, Inc.	85.10%
Pacific Commercial Warehouse, Inc.	85.71
Commerce Warehouse Co.	88.41
States Warehouses, Inc.	88.49
Interamerican Warehouse Corp.	90.87
Davies Warehouse Co.	94.54
Weber Truck and Warehouse	94.87
Metropolitan Warehouse Co.	95.05
Pacific Coast Terminal Warehouse Co.	97.63
Star Truck & Warehouse Corp.	99.96
California Warehouse Co.	101.91
Ace City Warehouse	103.56
Redway Truck & Warehouse Co.	107.01
Composite Operating Ratio	<u>95.68%</u>

The following tabulation lists data for eleven of the foregoing thirteen warehousemen that furnished information to the staff, so that comparative operating ratios could be determined on the basis of a fiscal year ended June 30, 1972, as set forth in the staff report:

TABLE 10

Operating Ratios
11 Selected Warehousemen
Fiscal Year Ended June 30, 1972
Proposed Rates and Adjusted Expenses

Dart Public Warehouse, Inc.	85.58%
Pacific Commercial Warehouse, Inc.	87.47
Commerce Warehouse Co.	89.20
States Warehouses, Inc.	88.17
Interamerican Warehouse Corp.	91.84
Davies Warehouse Co.	99.32
Weber Truck and Warehouse	99.80
Metropolitan Warehouse Co.	99.47
Pacific Coast Terminal Warehouse Co.	100.45
Star Truck & Warehouse Corp.	104.60
Redway Truck & Warehouse Co.	105.58
Composite Operating Ratio	<u>97.88%</u>

A comparison of the data Tables 9 and 10 shows that the composite operating ratio for the later period is less favorable than for the earlier period, and the operating ratios of nine of the eleven warehousemen included in both tables are also less favorable in the later than the earlier period.

Discussion, Findings, and Conclusions

As previously indicated, Decision No. 79361, the last decision involving the rates of the 48 applicants herein, adopted concepts which were a departure from prior rate decisions involving these applicants. It is applicants' contention herein that certain of the concepts are unsound from a regulatory standpoint and that the record in Application No. 53549 was inadequate to support other concepts in Decision No. 79361.

The Commission staff in this proceeding attempted to relate the concepts expressed in Decision No. 79361 to the facts in this proceeding. The facts developed by the staff herein, as well as the evidence of petitioner, lead us to the conclusion that we should reach different findings and conclusions than those set forth in Decision No. 79361.

We find as follows:

1. The 48 applicants herein (except as hereinafter noted with respect to M & M Transfer Company and Vernon Warehouse Company) compete extensively for the business of storers of general commodities in the Metropolitan Los Angeles Area.

2. All applicants participate in the rates for storage of general commodities set forth in Tariff 28-A. Those rates are uniform for all participants.

3. Twenty-six of the 48 applicants participate, to a greater or lesser extent, in the rates set forth in Tariff 29-A.

4. The rates in Tariff 29-A are designed for special conditions, such as large annual volume, large monthly turnover, or ease of handling in and out of the warehouse.

5. Tariff 28-A rates were not initially established on a cost basis, but were related, to some extent, to an assumed revenue per square foot for storage, and per ton for handling. The rates set forth in Tariff 29-A are established in light of criteria designed to ensure their initial profitability. Therefore, neither the rates in Tariff 28-A or Tariff 29-A are cost-oriented.

6. The warehousemen participating in Tariffs 28-A and 29-A require uniformity of rates to effectively compete. Different levels of rates for individual warehouse operators would require that the warehousemen maintaining rates higher than their competitors either (1) forego any business until the warehouse facilities of their competitors which maintain lower rates are substantially filled to capacity, or (2) reduce their rates to the lowest level of rates maintained by any competing warehouseman. (The applicants in this proceeding, by not establishing the selective rate increases authorized in Decision No. 79361, opted for the second alternative described above.)

7. The first alternative described in the preceding finding would result in unduly discriminatory rates to storers which cannot find space in the warehouse facilities having the lowest rates. Also undue discrimination would result because storers would pay different rates for the same service depending upon the warehouse facility in which their goods were stored. The second alternative described in the preceding finding would result in the warehouse operator having the most favorable operating ratio setting the level of rates for all competing warehousemen. Most warehousemen could not raise their rates to achieve profitable operations. Warehousemen whose operations continue to be unprofitable over a period of time would fail, thus unduly restricting the amount of warehouse space available to the public.

8. The staff evidence shows that the relative profitability of the operations of individual warehousemen varies widely from one fiscal period to the next. For the eleven warehousemen whose operating ratios are set forth both in Tables 9 and 10, nine had poorer operating ratios in the later period than in the earlier period; but two warehousemen had improved operating ratios in the later period.

9. Because of the shift from one fiscal period to the next in the relative profitability of individual warehousemen, it would be improper:

- (1) To select the most profitable operator as the rate-setter for all competing warehousemen, or
- (2) Grant varying amounts of, or percentage increases in, rates of individual warehousemen for a particular fiscal period.

10. The composite operating ratios of a group of representative warehousemen provide a better indication of the changes in the relative profitability and the revenue needs of the warehouse industry as a whole in a given area than the operating ratios of individual competing warehousemen.

11. It is necessary for the financial well-being of the warehouse industry in a particular area to consider their revenue needs on the basis of the composite, or overall, revenue needs of the entire group of competing warehousemen, or a selected group of competing warehousemen which are representative of the group as a whole.

12. Applicants selected a group of fifteen warehousemen as being representative of the operations of the 48 applicants herein under rates in Tariffs 28-A and 29-A.

13. The staff witness challenged the selection of two of such selected warehousemen, namely, Overland Terminal Warehouse and Union Terminal Warehouse. The operations of those warehouses are such as not to be representative of the applicants as a whole. Overland's records are incomplete for the test periods used herein; Union has incurred continued substantial losses over a sustained period. Therefore, their operating data should not be included in the composite operating data of the selected warehousemen.

14. It will be reasonable for the purposes of this proceeding to use the composite operating results of the remaining 13 selected warehousemen as being representative of the operations of all applicants under Tariffs 28-A and 29-A.

15. Table 9 (from staff Exhibit 8) shows a composite operating ratio (after taxes) of 95.68 percent for 13 selected warehousemen, based on revised operating revenues which reflect the 10 percent increase sought herein and revised operating expenses which reflect current labor expenses and historical rate-making adjustments. Table 10 (from staff Exhibit 8) shows a composite operating ratio (after taxes) of 97.88 percent for 11 selected warehouses and proposed rates and adjusted expenses for a later period.

16. The staff witness proposed that an operating ratio (after taxes) of 95 percent be the dividing line between granting or denying increases to individual warehouses. Applicants' witness represented that an operating ratio of 90 to 93 percent (after taxes) is reasonable for public utility warehouse operations. This Commission, in

prior proceedings involving these applicants, has found that rate increases which produce operating ratios after taxes ranging between 93.6 percent (1964) to 96.9 percent (1967) would be reasonable (Exhibit 6). In the last proceeding in which the group of 48 applicants were authorized to increase rates (1969), the composite operating ratio for the test warehousemen as a group was 95.31 percent.

17. The operating ratio under proposed rates of 95.68 percent (based on 1971 operating data) and 97.88 percent (based on data for the fiscal year ended June 30, 1972) will not be excessive and will not exceed the average operating ratio found reasonable in prior rate proceedings involving these applicants.

18. The Commission has previously found, in granting interim relief to these applicants, that they were in immediate need of additional revenues in order to continue their public utility warehouse operations. This is confirmed by the data in Table 4 which shows that the composite operating ratio for the thirteen representative warehousemen (after adjustment for current expenses) is 102.2 percent.

19. The final increase of ten percent in the rates and charges set forth in Tariffs 28-A and 29-A is justified, based on the preceding findings.

20. Findings 9 through 16 relate to the competitive operations of applicants under Tariffs 28-A and 29-A. Those findings do not relate to the special operations of Union Terminal Warehouse, M & M Transfer Company, and Vernon Warehouse Company under their individual tariffs. The operations of M & M and Vernon under their tariffs are non-competitive with operations conducted by other applicants under Tariffs 28-A and 29-A.

21. Union Terminal Warehouse has and will incur substantial losses in its public utility warehouse operations, and it is in need of the additional revenues which will result from increases in accessorial rates in its Warehouse Tariff No. 2. The increase in those rates is justified.

22. M & M Transfer performs storage of synthetic crude rubber and iron and steel articles under its Tariff 20, Cal. P.U.C. 20 (formerly Tariff 19). The testimony of applicants' witness was that M & M earned 88 percent of its total 1971 public utility warehouse revenues from that tariff. Applicants' Exhibit 5 shows that M & M's operations for 1971, adjusted to reflect current expenses (but without provisions for increased rates sought herein) will result in an operating ratio (after taxes) of 86.0 percent. This operating ratio indicates M & M does not require either the interim or final increase sought herein with respect to its operations under Tariff 19 (now Tariff 20).

23. Vernon Warehouse performs the storage of liquid sugar and corn syrup in bulk in stationary tanks under rates set forth in its Tariff 9 (formerly Tariff 8). The testimony of applicants' witness is that the preponderance of Vernon's operating revenues for 1971 were earned under bulk rates in its Tariff 8. Vernon's operating statement for 1971, adjusted to reflect current wages (but without provision for increased rates sought herein) will result in an operating ratio (after taxes) of 88.52 percent (applicants' Exhibit 5). Vernon does not require either the interim or final increase sought herein in connection with its operations under its Tariff 8 (now Tariff 9).

24. The interim increase of seven percent and the final increase of ten percent are not justified with respect to the rates and charges maintained by M & M in its Tariff 19 (now Tariff 20) or by Vernon in its Tariff 8 (now Tariff 9).

25. There is nothing in Rule 23.1 of the Commission's Rules of Practice and Procedure or Price Commission Rules which requires that the Commission depart from the practice used in prior warehouse increase proceedings of using the composite operating revenues and expenses of a selected number of representative (test) warehousemen as a basis for determining the revenue needs of the applicant warehousemen as a group. (See Decision No. 80770 dated December 5, 1972 in Application No. 52812.)

26. In compliance with Rule 23.1 of this Commission's Rules of Practice and Procedure promulgated pursuant to the Economic Stabilization Act of 1970, we find and determine:

- a. The rate increase is cost justified. The increased revenue sought in this phase of the proceeding is to offset increases in wages and payroll costs occurring since rates were last adjusted.
- b. The rate increase does not reflect future inflationary trends. The increased wage and payroll costs sought to be recovered in this phase of the proceeding are those currently being experienced by the applicant warehousemen.
- c. The rate increase is the minimum required to assure continued, adequate, and safe service. The operating ratio resulting from the authorized increase is at the middle of the zone of reasonableness.
- d. The collective bargaining agreements covering the warehouse and clerical employees of applicant warehousemen are three-year contracts initially placed in effect prior to Price Control regulations and are scheduled to expire in 1973.
- e. The rate increase will achieve the minimum return needed to attract capital at reasonable costs and not impair the credit of the applicant warehousemen.
- f. The rate increase takes into account expected and obtainable productivity gains. The record shows that, short of constructing all new facilities, there are no productivity gains available to the applicant warehousemen which they have not implemented in their current operations.
- g. No public utility warehouseman operating in the Metropolitan Los Angeles Area appeared at the hearing to present evidence expressing a willingness and capacity to provide the current services of applicants at existing rates.

We conclude as follows:

1. Applicants should be authorized an increase of 10 percent in their rates and charges set forth in Tariffs 28-A and 29-A in substitution for the interim increase of seven percent authorized by Decision No. 80549, and Union Terminal Warehouse should be authorized to substitute an increase of ten percent for the interim increase of seven percent in the rates and charges in its Tariff 2. Said increases should be permitted to become effective on five days' notice.

2. The interim increase in the rates and charges specifically set forth in Tariff 20 of M & M Transfer and Tariff 9 of Vernon Warehouse should be recinded, and those warehousemen should be directed to refund the amount of the increase charges collected, pursuant to Ordering Paragraph 2 of Decision No. 80549.

3. Decision No. 80669 dated October 31, 1972 in Application No. 53486 authorized Santa Monica Lease, Inc. to acquire the public utility warehouse operative right of Union Terminal Warehouse. Santa Monica Lease, Inc. should be substituted for Union Terminal Warehouse in the order which follows.

O R D E R

IT IS ORDERED that:

1. Applicants in Application No. 53404, as amended, and Santa Monica Lease, Inc., as successor to Union Terminal Warehouse, are authorized to increase the rates and charges published for their account in California Warehouse Tariff Bureau Tariffs Nos. 28-A and 29-A, Cal. P.U.C. Nos. 193 and 194, respectively, issued by Jack L. Dawson, Agent, by ten percent, in lieu of the interim increase of seven percent authorized by Decision No. 80549 issued in Application No. 53404.

2. The increases authorized in Ordering Paragraph 1 may be established in the following manner:

- (a) Increase all rates and charges as set forth in Division C of the House Rules and Regulations of California Warehouse Tariff Bureau Warehouse Tariff No. 28-A by 10 percent disposing of fractions as follows:

- (1) Where the present 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 present 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, B, and C of California Warehouse Tariff Bureau Warehouse Tariff No. 28-A, and in Sections 1, 2, and 3 of California Warehouse Tariff Bureau Warehouse Tariff No. 29-A, by the publication of a surcharge rule in the respective tariffs, 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 _____, and _____, of the Tariff, are subject to a surcharge of 10%. The surcharge will be applied as follows:

Compute the total charge under the applicable rates and charges and increase such total charge by 10%, 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) When the specific rates and charges named in Sections A, B, and C of Tariff 28-A and in Sections 1, 2, and 3 of Tariff 29-A are amended to incorporate the increases provided in the surcharge rules, fractions of less than 1/2 mill will be dropped and fractions of 1/2 mill or greater will be increased to the next whole mill.

3. Union Terminal Warehouse is authorized to increase the rates in its Warehouse Tariff No. 2, Cal. P.U.C. No. 2, by ten percent in lieu of the seven percent increase authorized by Decision No. 80549. Resulting fractional charges of less than one-half cent will be dropped, and fractions of one-half cent or greater will be increased to the next whole cent.

4. 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.

5. The authority granted in Ordering Paragraphs 1, 2, and 3 is subject to the express condition that applicants will never urge before this 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.

6. In all other respects Application No. 53404 is denied.

7. The authority herein granted shall expire unless exercised within one hundred twenty days of the effective date of this order.

8. Pursuant to Ordering Paragraph 3 of Decision No. 80549 in this proceeding,

- a. M & M Transfer Company is directed to cancel its Warehouse Tariff No. 20, Cal. P.U.C. No. 20, and to establish in its place and stead rates and charges for storage and handling of the commodities named therein no greater than formerly maintained in M & M Transfer Company Warehouse Tariff No. 19, Cal. P.U.C. No. 19.
- b. Vernon Central Warehouse Company, doing business as Vernon Warehouse Company, is directed to cancel its Warehouse Tariff No. 9, Cal. P.U.C. No. 9, and to establish in its place and stead rates and charges for storage and handling of the commodities named therein no greater than formerly maintained in Vernon Warehouse Company Warehouse Tariff No. 8, Cal. P.U.C. No. 8.

- c. Tariff publications directed by this ordering paragraph shall be filed on or before 30 days after the effective date of this order on not less than two days' notice to the Commission and the public.

9. M & M Transfer Company and Vernon Warehouse Company are directed to refund the difference between the charges collected under the tariffs directed to be cancelled pursuant to the preceding ordering paragraph and the charges which would have accrued under the tariff rates directed to be established in place of the cancelled tariffs. They shall make such refunds on or before 60 days after the effective date of this order, and shall notify the Commission in writing of the amounts of such refunds and the persons to whom such refunds are made.

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

Dated at San Francisco, California, this 30th day of JANUARY, 1973.

William Lyons, Jr. President

Thomson
Sturgeon Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Robert
Sturgeon, Jr., Commissioner

APPENDIX A

LIST OF APPEARANCES

For Applicants: Arlo D. Poe, Attorney at Law, and Jack L. Dawson.

Applicants: Larry Pittman, for Star Truck and Warehouse Corp. and Interamerican Warehouse Corp.; Fred Pfahler, III, for Los Angeles Transport and Warehouse Co., Inc.; J. R. Thomas, for Davies Warehouse Co.; E. R. Booth, for Metropolitan Warehouse Co.; Clyde R. Hoagland, for Redway Truck & Warehouse Co.; William Allison, for Dart Public Warehouse, Inc.; William A. Dalmatoff and Donald A. Weber, for Commerce Warehouse Co.; Harold Drury, for Pacific Coast Terminal Warehouse Co.; W. E. Frusa, for Union Terminal Warehouse, Inc.; Nicholas Weber, for Weber Truck and Warehouse; Glenn R. Berger, for Overland Terminal Warehouse; and Richard D. May, for States Warehouses, Inc.

Interested Parties: James Quintrall, for Los Angeles Warehousemen's Association; and R. W. Smith, Attorney at Law, and H. H. Hughes, for California Trucking Association.

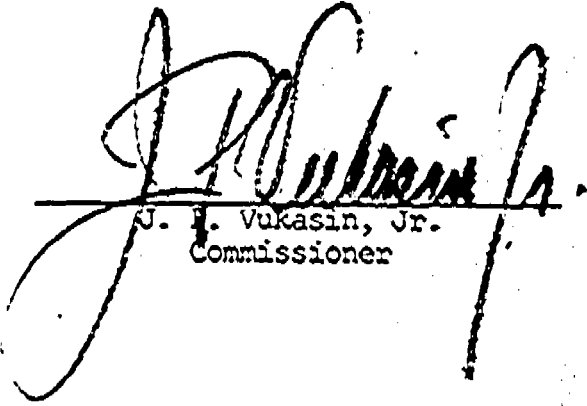
Commission Staff: Lionel B. Wilson, Attorney at Law, Edward C. Crawford, Leonard Diamond, and George L. Hunt.

COMMISSIONER J. P. VUKASIN, JR., dissenting.

I dissent.

Although the order contains no specific reference to or explanation of the extent to which labor costs contribute to the alleged need for rate relief, it is in fact the major factor. The rate increase granted by the majority is essentially an automatic labor offset and should be denied.

In addition, this decision reverses Findings Nos. 13, 14 and 15 made by this Commission in Decision No. 79361 which was adopted by unanimous vote. Thus the Commission is abandoning the requirement that applicants should develop cost studies of Tariffs 28-A and 29-A. In Finding No. 14 of Decision No. 79361 the Commission stated that "'Cost' is an indispensable factor in the setting of fair and reasonable rates for service." By the instant decision the majority of this Commission indicates that it will disregard some of these "indispensable factors" in the setting of fair and reasonable rates.



J. P. Vukasin, Jr.
Commissioner

San Francisco, California

January 30, 1973