

ORIGINAL

Decision No. 82045

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 ACCURATE CARTAGE AND WAREHOUSING, INC.,
 ACE CITY DELIVERY, doing business as
 ACE CITY WAREHOUSE, KROWN TRANSPORTATION
 CO., doing business as AMERICAN WARE-
 HOUSE, ANAHEIM TRUCK & TRANSFER CO.,
 ATLANTIC TRANSFER CO., B & M TERMINAL
 CORP., BEKINS WAREHOUSING CORP., BROAD-
 WAY WAREHOUSE, INC., RHEA M. McLEOD,
 doing business as BUDWAY EXPRESS, CALIF-
 ORNIA CARTAGE WAREHOUSE CO., a division
 of CALIFORNIA CARTAGE COMPANY, INC.,
 DANIEL C. FESSENDEN COMPANY, doing busi-
 ness as CALIFORNIA WAREHOUSE CO., CEN-
 TRAL TERMINAL WAREHOUSE & TRUCKING CO.,
 CITIZENS WAREHOUSE TRUCKING COMPANY, INC.,
 CITY TRANSFER, INC., COLUMBIA VAN LINES,
 INC. OF CALIFORNIA, COMMERCE WAREHOUSE
 COMPANY, CONSOLIDATED FREIGHTWAYS CORPORA-
 TION OF DELAWARE, DART PUBLIC WAREHOUSE,
 INC., DAVIES WAREHOUSE COMPANY, DEPEND-
 ABLE TRUCKING COMPANY, FLEETWOOD WARE-
 HOUSE CO., INC., INTERNATIONAL STAR TRUCK
 AND WAREHOUSE CORPORATION, LAW EXPRESS,
 INC., LOS ANGELES TRANSPORT & WAREHOUSE
 CO., LYON MOVING & STORAGE CO., M & M
 TRANSFER COMPANY, METROPOLITAN WAREHOUSE
 CO., MOSER TRUCKING INCORPORATED,
 NATIONAL DISTRIBUTION SERVICES OF CALI-
 FORNIA, OVERLAND TERMINAL WAREHOUSE
 COMPANY, OVERMYER OF LA MIRADA, PACIFIC
 COAST TERMINAL WAREHOUSE CO., PACIFIC
 COMMERCIAL WAREHOUSE, INC., PEERLESS
 TRUCKING COMPANY, REDWAY TRUCK AND
 WAREHOUSE COMPANY, TORRANCE VAN & STORAGE
 COMPANY, doing business as S. & M. TRANS-
 FER & STORAGE CO., SIGNAL TRUCKING SER-
 VICE, LTD., STATES WAREHOUSES, INC.,

Application No. 54216
 (Filed August 1, 1973.
 amended September 5, 1973)

STORECENTER, INC., SWIFT TRANSPORTATION COMPANY, doing business as SOUTH BAY PUBLIC WAREHOUSE, TRAMMELL CROW PUBLIC WAREHOUSES OF LOS ANGELES, INC., dba TRAMMELL CROW WAREHOUSE COMPANY, UNION TERMINAL WAREHOUSE, INC., USCO SERVICES, INC., VERNON CENTRAL WAREHOUSE, INC., doing business as VERNON WAREHOUSE COMPANY, WEBER TRUCK AND WAREHOUSE, WEST COAST WAREHOUSE CORP., and WILLIAMS WAREHOUSE AND DISTRIBUTION CENTER, INC., for authority to increase their rates as warehousemen in the City of Los Angeles and other Southern California points.

INTERIM OPINION

Applicants are 47 public utility warehousemen who conduct operations in the Metropolitan Los Angeles area. They maintain generally uniform rates for the storage of general merchandise. In this application, they seek an ex parte order authorizing a 5 percent surcharge increase in their warehouse rates and charges to become effective on five days' notice to the Commission and the public.

The last general increase in the rates and charges of applicants (other than M & M Transfer and Vernon Central Warehouse) was made pursuant to authority granted in Decision No. 80989 dated January 30, 1973 in Application No. 53404. The increased rates and charges became effective February 25, 1973. The rates in M & M Transfer Company Warehouse Tariff No. 21 were last adjusted pursuant to Decision No. 77996 dated December 1, 1970, and the rates in Vernon Central Warehouse, Inc., Warehouse Tariff No. 10 were last adjusted pursuant to Decision No. 77334 dated June 9, 1970.

Financial statements of applicants, including balance sheets as of December 31, 1972 and income statements for the year 1972, as available, are contained in exhibits attached to the application. Exhibit C to the amended application is the verified statement of Herbert W. Hughes, the supervisor of the Transportation Economics Division in the Southern California office of the California Trucking Association. The verified statement alleges that the affiant is generally familiar with the issues involved in the application, and that he has conducted an investigation to determine the current financial condition of merchandise warehousemen performing warehouse operations in the Los Angeles area under California Warehouse Tariff Bureau Warehouse Tariffs 28A and 29B, and the effect of labor cost increases upon their ability to meet current financial needs.

The statement asserts that the major elements of expense considered in the last adjustment of rates made pursuant to Decision No. 80989, supra, and which were made effective on February 25, 1973, were labor cost increases which were incurred in 1971 and 1972. The verified statement further states as follows:

Since the last adjustment in rates and charges named in Warehouse Tariffs 28A and 29B, new labor contracts affecting the operations of warehousemen have become effective July 1, 1973. The majority of the major warehousemen operate under the Labor Agreement with General Warehouse Union Local 598, Los Angeles, and the percentage increase in wages and fringe benefits is set forth in Schedule 2. In addition to increases in basic wage rates and so-called fringe benefits, statutory changes have resulted in added costs for payroll taxes and related payroll charges. The overall increase in hourly labor cost, Local 598, amounts to \$.51 per hour or 7.01 percent, July 1, 1973 compared to July 1, 1972. Abstracts of the various wage agreements under which the warehousemen operate are set forth in Schedule 1 to the verified statement.

Accordingly, the witness made a revenue study of merchandise warehousemen's operations to measure the impact of the labor cost increases. In making the study, merchandise warehousemen annual reports filed with the Commission for the year 1972 were used as the latest financial information available. Summary of these reports is contained in Exhibits A and B of the original application. In all, 46 warehouses are included in the study, of which the 15 selected test warehouses that account for approximately 71 percent of total warehouse revenues were analyzed in detail. A field study and thorough investigation were made of the books and records of 10 of the test warehouses and a special study and analysis of 5 additional test warehouses selected as representative of the warehousing industry in Los Angeles and vicinity.

Schedule 3 to the verified statement summarizes the operations of the 15 test warehouses after adjustment to expenses to reflect proper accounting procedures and allocation between public utility warehouse expenses and non-warehouse expenses as determined in the investigation process. Net public utility warehouse operating income for the 15 test warehouses shows a loss of \$666,130 on total revenues of \$10,441,017. Schedule 3-A is a detail of operating expenses after adjustments referred to above.

Schedule 3-B also includes development of Operator's Invested Capital as determined from the investigation and analysis from information obtained in examination of books and records and data furnished by the individual warehousemen.

Schedule 3-C is a Summary of Income Statements for year 1972 modified to reflect present rates to include the increase granted in Decision No. 80989 to give effect of this increase had it been in effect for the year 1972 with expenses adjusted to reflect the total labor cost increase effective July 1, 1972 and July 1, 1973 and further modified and adjusted by substitution of owner's

expense in lieu of rent when applicable. Modifications and adjustments were made in amounts as they affected each individual warehouse operation. The resulting operating ratio for these 15 selected representative warehouses is 100.92 percent after provision for state and federal income taxes.

Schedule 3-D summarizes the income statements for the 15 warehouses as modified to reflect the proposed 5 percent increase in rates and charges as computed on each individual warehousemen operation and amounts to a total of \$564,662. The resulting operating ratio is calculated to be 97.34 percent after provision for state and federal income taxes.

Schedule 4 is a summary of income statements for 31 other applicant warehouses for the year 1972 modified and adjusted in the same manner as the 15 selected warehouses. Operating ratio for this group under present rates and revised expenses after provision for taxes is 98.98 percent. The proposed 5 percent increase would result in an operating ratio after provision for taxes of 96.31 percent. Adding the total revenues and expenses for the 15 warehouses, the overall total results in a 97.03 percent operating ratio after provision for taxes for the entire group of 46 warehousemen.

The verified statement further avers that analysis of the financial statements of the 15 major warehouses selected as representative of the Los Angeles Warehouse industry shows that on the basis of present rates and charges, they will suffer a serious deterioration in their operating ratio. The amount of total labor cost increase effective in 1973 was calculated for each warehouse and the total dollar amount of increase is approximately \$534,700, amounting to 4.73 percent of revenues under present tariff rates. While labor costs discussed herein are a major concern of the warehousemen, many of them have expressed the fear that other increases in their cost of operation may further impair their ability to provide adequate public service. The witness states that the 5 percent increase sought

in this application will recover generally only the amount of the increase in labor cost that the warehousemen will experience under the labor agreements now in effect. Wage rates that warehousemen are currently required to pay are retroactive to July 1, 1973. The witness alleges that the resulting increase in cost is adversely affecting warehousemen's profits and ability to continue public service.

The verified statement avers that the sampling tool, calculations, and other premises used in developing information in this study and analysis of warehousemen's operations are the same as used and considered by the Public Utilities Commission in the last rate increase authorized by Decision No. 80989 in Application No. 53404; therefore, the delay which would be involved in hearings to consider the proposed increase would be detrimental to warehousemen. Assertedly, hearings are not required because nothing new has been introduced herein and the delay would be damaging to warehousemen and their ability to serve the public and continue to meet their financial commitments.

Applicants have notified their patrons of the sought increases in rates, and notice of the filing of the application and amendment appeared on the Commission's Daily Calendar. The Commission's Transportation Division staff has analyzed the relief sought and has advised the Commission that it believes that the ex parte relief should be limited to increases in warehouse rates and charges which are labor oriented. The staff recommends that, pending hearing, applicants should be authorized an interim surcharge increase in warehouse handling rates and labor-oriented accessorial charges. The staff estimates that the interim increase it recommends would increase annual utility revenue of applicants by approximately \$310,000 and would produce an increase in total utility revenue of 2.1 percent. Interim increases in handling and related rates and charges should afford urgently needed relief in the areas in which increased labor costs are now being incurred.

Under the circumstances, the Commission finds that an immediate interim increase in warehouse handling in-and-out rates and in labor-oriented accessorial charges are urgently needed to offset increases in wages and costs now being incurred by applicant warehousemen, that said warehousemen are not financially able to absorb such increases in labor costs without a related increase in rates, and that the interim increase in rates authorized in the following order is justified.

The Commission concludes that interim relief without hearing should be granted to the extent provided in the following order, and that the balance of the relief sought should be the subject of a public hearing.

INTERIM ORDER

IT IS ORDERED that:

1. Applicants in Application No. 54216 are authorized to establish by means of a surcharge, a five percent increase in the following warehouse rates and charges:

- (a) California Warehouse Tariff Bureau
Warehouse Tariff 28-A, Cal. P.U.C. 193
(J. L. Dawson, Agent).
 - (1) "Handling In and Out" charges in Sections A and C, and
 - (2) Handling or Accessorial charges in Rules 31, 35, 39, 41, 43, 47, 49, 51, 53, 55, 61, 62, and 63.
- (b) California Warehouse Tariff Bureau Ware-
house Tariff 29-B, Cal. P.U.C. 252 (Jack L.
Dawson, Agent).
 - (1) Handling charges in Sections 1, 2, and 3.
 - (2) Charges in Item 65.

- (3) The charges in the specified notes in the following items:

<u>Item</u>	<u>Note</u>	<u>Item</u>	<u>Note</u>
10	3		
30	3	290	3
35	3	325	1
140	4	330	2
160	4	370	3
220	3		

- (c) M & M Transfer Company Warehouse Tariff 21, Cal. P.U.C. 21.
- (1) Storage handling rates.
- (2) Charges in Note 1 of Item 10.
- (d) Handling rates in Vernon Central Warehouse, Inc. Warehouse Tariff 10, Cal. P.U.C. 10.
- (e) All rates and charges in Union Terminal Warehouse Tariff 2, Cal. P.U.C. 2.

2. 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.

3. 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.

4. The authority 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 San Francisco, California, this 30th
day of OCTOBER, 1973.

James L. Sturgeon
President
William J. Lyons

[Signature]
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.