

Decision No. 82513

**ORIGINAL**

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 WAREHOUSE,  
ANAHEIM TRUCK & TRANSFER CO., ATLANTIC  
TRANSFER CO., B & M TERMINAL CORP.,  
BEKINS WAREHOUSING CORP., BROADWAY  
WAREHOUSE, INC., RHEA M. McLEOD, doing  
business as BUDWAY EXPRESS, CALIFORNIA  
CARTAGE WAREHOUSE CO., a division of  
CALIFORNIA CARTAGE COMPANY, INC.,  
DANIEL C. FESSENDEN COMPANY, doing  
business as CALIFORNIA WAREHOUSE CO.,  
CENTRAL TERMINAL WAREHOUSE & TRUCKING CO.,  
CITIZENS WAREHOUSE TRUCKING COMPANY, INC.,  
CITY TRANSFER, INC., COLUMBIA VAN LINES,  
INC. OF CALIFORNIA, COMMERCE WAREHOUSE  
COMPANY, CONSOLIDATED FREIGHTWAYS  
CORPORATION OF DELAWARE, DART PUBLIC  
WAREHOUSE, INC., DAVIES WAREHOUSE  
COMPANY, DEPENDABLE TRUCKING COMPANY,  
FLEETWOOD WAREHOUSE CO., INC.,  
INTERAMERICAN 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 CALIFORNIA,  
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. TRANSFER &  
STORAGE CO., SIGNAL TRUCKING SERVICE,  
LTD., STATES WAREHOUSES, INC., STORECENTER,  
INC., SWIFT TRANSPORTATION COMPANY, doing  
business as SOUTH BAY PUBLIC WAREHOUSE,  
TRAMMELL CROW PUBLIC WAREHOUSES OF  
LOS ANGELES, INC., dba TRAMMELL CROW

Application No. 54216  
(Filed August 1, 1973;  
amended September 5, 1973  
and November 26, 1973)

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.

Vaughn, Paul & Lyons, by John G. Lyons, Attorney at Law, for applicants.

Richard D. May, Jr., for States Warehouses, Inc.;

Nicholas N. Weber, for Weber Truck and

Warehouse; Charles H. Shuken, for Metropolitan

Warehouse Co.; Jim R. Lewis, for Commerce

Warehouse Co.; Glenn R. Berger, for Overland

Terminal Warehouse Co.; David C. Williams, for

Williams Warehouse and Distribution Center,

Inc.; J. R. Thomas, for Davies Warehouse Co.;

Floyd H. Rogers, for Union Terminal Warehouse;

Clyde R. Hoagland, for Redway Truck and

Warehouse; Larry K. McCormick, for Dart Public

Warehouse, Inc.; Larry Pittman, for Interamerican

Star Truck and Warehouse Corp.; and Harold Drury,

for Pacific Coast Terminal Warehouse; applicants.

Flo McEwen, for C & H Sugar Company, interested party.

Timothy Treacy, Attorney at Law, Robert Anderson,

George Hunt, and Thomas Monji, for the

Commission staff.

#### FINAL 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, as amended, they seek an order authorizing (a) a nine percent surcharge increase in their warehouse rates and charges to become effective on five days' notice to the Commission and the public, and (b) the publication of a new rule providing charges for the handling of will-call shipments.

The last permanent 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.

Decision No. 82045 dated October 30, 1973 found that an immediate interim increase in warehouse handling in-and-out rates and in labor-oriented accessorial charges was urgently needed to offset increases in wages and costs being incurred by applicant warehousemen and that said warehousemen were not financially able to absorb such increases in labor costs without a related increase in rates. That decision authorized a five percent interim increase in labor-oriented charges in applicants' tariffs and stated that the balance of the relief sought should be the subject of a public hearing.

Public hearing was held and the matter submitted before Examiner Mallory at Los Angeles on December 18, 1973. No one appeared in opposition to the relief sought. The Commission staff assisted in the development of the record through examination of applicants' witnesses.

Applicants introduced into the record copies of letters sent by individual warehousemen to their customers advising them of the relief sought in the application and the time and place of hearing.

The supervisor of the southern California office of the California Trucking Association presented financial data in support of the relief sought. The witness selected 15 applicants as representative group of applicants' operations as a whole. The

witness testified that he carefully reviewed the financial data set forth in the 1972 annual reports filed by the 15 test warehousemen and made adjustments in said data in order to reflect (a) straight-line depreciation in lieu of accelerated depreciation for warehouse buildings and equipment when the latter method of depreciation was reflected on the books of individual warehousemen and, (b) the substitution of ownership costs of property and annual expenses in lieu of rent for facilities of individual warehousemen rented from affiliated companies. The witness also verified the methods of allocating overhead and administration expenses between the public utility warehouse operations of the 15 test warehousemen and the trucking and other nonpublic warehouse operations conducted by them.

The 1972 revenues from warehouse operations of the 15 test warehousemen were adjusted by the witness to reflect on a full-year basis the increase in warehouse rates and charges granted in Decision No. 80989 in Application No. 53404, which became effective February 25, 1973. Expenses were further adjusted to reflect current warehouse and clerical wage rates which became effective July 1, 1973 pursuant to collective bargaining agreements. The composite income statement for the 15 test warehousemen showing 1972 operations adjusted to reflect existing rates and current wage costs would have resulted in a net operating loss of \$103,503 and an operating ratio of 100.92 percent.

The following table shows the estimated results of operations of the 15 test warehousemen when adjusted to reflect the full rate increase sought in the application herein. The witness estimated that warehouse revenues would be increased one percent from the establishment of a charge for will-call shipments. Testimony of individual warehousemen shows that less than half the revenue increase from that source will materialize.

TABLE 1

Income Statements of 15 Test Warehousemen  
For 1972 Adjusted to Reflect Current Labor  
Costs and Proposed Increase in Rates for  
Tariffs 28-A and 29-B

	<u>Revenues</u>	<u>Adjusted Expenses</u>	<u>Net Operating Income After Income Taxes</u>	<u>Operating Ratio (%)</u>
Ace City Warehouse	\$ 531,475	\$ 424,208	\$ 57,259	89.2
California Warehouse Co.	457,644	432,739	17,678	96.1
Commerce Warehouse Co.	499,229	390,707	57,853	88.4
Dart Public Warehouse, Inc.	390,821	255,458	70,554	81.9
Davies Warehouse Co.	677,860	585,095	50,396	92.6
Interamerican Warehouse Co.	704,830	593,415	59,222	91.6
Metropolitan Warehouse Co.	2,214,451	2,183,668	21,067	99.1
Overland Terminal Warehouse Co.	704,958	656,510	29,426	95.8
Pacific Coast Terminal Warehouse Co.	2,154,420	2,036,839	62,139	97.1
Pacific Commercial Warehouse Co.	514,017	370,706	74,315	85.5
Redway Truck & Warehouse Co.	399,384	366,232	22,187	94.4
Star Truck & Warehouse	812,856	834,645	(21,989)	105.4
States Warehouse, Inc.	287,720	205,348	45,480	84.2
Union Terminal Warehouse, Inc.	1,669,161	1,494,899	88,961	94.7
Weber Truck & Warehouse	403,714	364,557	25,029	93.8
Total	\$12,422,540	\$11,195,026	\$659,577	94.7

(Red figure)

The operating results shown in Table 1 include an allowance for income tax expense calculated by applying state and federal statutory rates to the projected net operating revenue of each warehouse. The staff through cross-examination developed evidence indicating that applicants' method of computation may be in error. The staff requested that applicants be required to submit a late-filed exhibit showing income tax expense computed on an "as paid" basis.

While there may be merit to staff's request, the fact remains that this matter has been before the Commission for a number of months and any further delay might unjustly penalize the applicants. The issue was resolved when applicants' counsel stipulated that they would present an "as paid" projection of income taxes in connection with their next rate application. The staff thereupon withdrew their request for a late-filed exhibit.

The witness also presented 1972 operating revenues and expenses from the annual reports of other applicants, which were adjusted to reflect current levels and proposed levels of rates for operations under Tariffs 28-A and 29-B, and for current wage costs. The witness did not audit the annual report data nor review the allocation methods employed by those warehousemen.

Included in the latter group of warehousemen were Vernon Central Warehouse, Inc. and M & M Transfer Company whose principal revenues from warehouse operations are derived from rates maintained in tariffs other than Tariffs 28-A and 29-B. The data supplied in the amended application and by applicants' financial witness do not show the effect on the revenues and expenses of Vernon and M & M of the proposed nine percent increase in the rates maintained in the individual tariffs of these warehousemen. Therefore, it was agreed that the rates maintained in the individual tariffs of these warehousemen could not be adjusted in this proceeding because no showing with respect to operations under Vernon Central Warehouse Tariff 10 or under M & M Transfer Company Tariff 21 was made.

Findings

1.a. Decision No. 80989, supra, authorized the last general increase in the warehouse charge and handling rates of the applicants in this proceeding. That decision found as follows:

- (1) The 48 applicants in that proceeding (except with respect to M & M Transfer Company and Vernon Central Warehouse) compete extensively for the business of storers of general commodities in the Metropolitan Los Angeles Area, for which rates are set forth in California Warehouse Tariff Bureau Tariffs 28-A and 29-B.
- (2) The warehousemen participating in Tariffs 28-A and 29-B require uniformity of rates to effectively compete.

- (3) The composite operating ratios of a group of representative warehousemen provide an adequate basis for determining the relative profitability and the revenue needs of the warehouse industry as a whole in a given area.

b. The foregoing findings set forth in Decision No. 80989 continue to be pertinent to applicants' operations and are adopted for the purposes of this proceeding.

2.a. Decision No. 80989 also found that it would be reasonable for the purposes of that proceeding to use the composite operating results of 13 of the 15 warehousemen selected by applicants for their presentation herein (excluding Overland Terminal Warehouse Company and Union Terminal Warehouse, Inc.). Overland was excluded because its records for the test period used in Decision No. 80989 were incomplete; Union was excluded because it had incurred substantial losses over a sustained period.

b. Applicants have shown that circumstances have changed with respect to Overland and Union. Overland's records are complete for the test period used herein; Union's current operations are profitable.

c. It will be reasonable for the purposes of this proceeding to use the composite operating results of the 15 warehousemen selected by applicants as being representative of the operations of all applicants under Tariffs 28-A and 29-B.

3. The composite 1972 operating results for the 15 selected warehousemen, when adjusted for the levels of rates authorized in Decision No. 80989 and for wage increases granted in 1973 pursuant to collective bargaining agreements, show that said warehousemen would have operated at a loss. Applicants operating under Tariffs 28-A and 29-B are in urgent need of a permanent increase in rates in order that their operations, as a whole, will be profitable.



4. The estimated operating results set forth in Table 1 of this opinion show that a composite operating ratio of 94.7 percent would be achieved under the rate levels proposed for Tariffs 28-A and 29-B. Said operating ratio does not produce excessive earnings and is comparable with operating ratios authorized for applicant warehousemen in the past.

5. The proposed nine percent increase in all rates and charges in Tariff 28-A and Tariff 29-B, and in Union Terminal Warehouse, Inc. Tariff 2 (in lieu of the five percent interim increase granted in Decision No. 82045), and the increase resulting from the establishment of charges for handling will-call shipments are justified and will increase applicants' revenues by approximately 1.6 million dollars.

6. No showing has been made with respect to the operations of M & M Transfer Company under its Tariff 21 nor with respect to Vernon Central Warehouse, Inc. under its Tariff 10. Increases in rates proposed in said tariffs have not been shown to be justified.

#### Conclusions

1. Applicants should be authorized to increase their rates and charges by nine percent in Tariffs 28-A and 29-B, and in Union Terminal Warehouse, Inc. Tariff 2, in lieu of the interim five percent authorized in Decision No. 82045.

2. The interim increase authorized in Ordering Paragraphs 1(c) and 1(d) of Decision No. 82045 with respect to M & M Transfer Company Tariff 21 and Vernon Central Warehouse, Inc. Tariff 10 should be rescinded, and those warehousemen should be directed to refund the amount of increased charges collected pursuant to the interim rate authority granted in said ordering paragraphs.

#### FINAL ORDER

IT IS ORDERED that:

1.a. Applicants in Application No. 54216, as amended, are authorized to increase the rates and charges published for their account in California Warehouse Tariff Bureau Tariffs Nos. 28-A and 29-B, Cal. P.U.C. Nos. 193 and 252, respectively, issued by Jack L. Dawson, Agent, by nine percent, in lieu of the interim increase of five percent authorized by Decision No. 82045.

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b. Union Terminal Warehouse, Inc. is authorized to increase the rates in its Warehouse Tariff No. 2, Cal. P.U.C. No. 2, by nine percent in lieu of the five percent increase authorized by Decision No. 82045.

c. The foregoing increases shall be accomplished 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 9%. The surcharge will be applied as follows:

Compute the total charge under the applicable rates and charges and increase such total charge by 9%, 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."

2. Applicants in Application No. 54216 are authorized to establish a new rule for will-call shipments as set forth in the amendment to the application filed November 26, 1973.

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 in Ordering Paragraph 1 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.

5. In all other respects Application No. 54216 is denied.
6. The authority herein granted shall expire unless exercised within one hundred twenty days of the effective date of this order.
7. Pursuant to Ordering Paragraph 3 of Decision No. 82045,
  - a. M & M Transfer Company is directed to cancel in its Warehouse Tariff No. 21, Cal. P.U.C. No. 21, the interim increase authorized in Ordering Paragraph 1(c) of that decision, 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 that tariff.
  - b. Vernon Central Warehouse, Inc., doing business as Vernon Warehouse Company, is directed to cancel in its Warehouse Tariff No. 10, Cal. P.U.C. No. 10, the interim increase authorized in Ordering Paragraph 1(d) of that decision, 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 that tariff.
  - c. Tariff publications directed by this ordering paragraph shall be filed on or before thirty days after the effective date of this order on not less than two days' notice to the Commission and the public.
8. 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

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cancelled tariffs. They shall make such refunds on or before sixty 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 20<sup>th</sup>  
day of FEBRUARY, 1974.

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

I abstain  
[Signature], Commissioner