

ORIGINAL

Decision No. 83155

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, 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.,
 COMMERCE WAREHOUSE COMPANY, CONSOLIDATED
 FREIGHTWAYS CORPORATION OF DELAWARE,
 DART PUBLIC WAREHOUSE, INC., DAVIES
 WAREHOUSE COMPANY, DEPENDABLE TRUCKING
 COMPANY, IMPERIAL VAN LINES, INC. OF
 CALIFORNIA, 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,
 TAB TRANSPORTATION, INC., TRAMMELL CROW
 PUBLIC WAREHOUSES OF LOS ANGELES, INC.,
 dba TRAMMELL CROW WAREHOUSE COMPANY,

Application No. 54752
 (Filed March 26, 1974;
 amended May 10 and
 May 17, 1974)

UNION TERMINAL WAREHOUSE, INC.,
USCO SERVICES, INC., VERNON CENTRAL
WAREHOUSE, INC., doing business as
VERNON WAREHOUSE COMPANY, WEBER TRUCK
AND WAREHOUSE, WEBSTER DELIVERY
SERVICE, INC., 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.

OPINION AND ORDER

Applicants are 47 public utility warehousemen who conduct operations in southern California.^{1/} They maintain generally uniform rates for the storage of merchandise in California Warehouse Tariff Bureau (CWTB) Warehouse Tariff No. 28-A (Tariff 28-A).^{2/} Thirty two of the applicants also participate in one or more items of CWTB Warehouse Tariff No. 29-B (Tariff 29-B) applicable principally to large storage lots of particular commodities and to other special warehouse situations. Certain other tariffs are maintained

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- 1/ Most of the public warehouse facilities of applicants are at one or more locations in Los Angeles County. However, some of the warehouses subject to this application are in Orange, Riverside, San Bernardino, and Santa Barbara counties.
- 2/ In second amendment to the application, Bernard J. Hecht, doing business as Los Angeles Distribution Center, Montebello, Los Angeles County, was added to the application as an applicant. This warehouseman participates in Tariff 28-A.

by some applicants in addition to their participation in Tariff 28-A and Tariff 29-B.^{3/}

In this application, as amended, applicants seek authority to establish a surcharge of five percent in their warehouse rates and charges in Tariff 28-A, Tariff 29-B, and Union Terminal Warehouse, Inc. Warehouse Tariff No. 2 (UTW Tariff 2). The last general adjustment of warehouse rates and charges in these tariffs was a nine percent surcharge authorized by Decision No. 82513 (1974).^{4/}

The application states that the warehousemen have experienced increases in expenses pertaining to their warehouse operations since the hearing on December 18, 1973 in Application No. 54216. It is explained that further increases in wage costs will become effective July 1, 1974 under terms of labor agreements currently in effect, and that increased costs for payroll taxes effective January 1, 1974, and a workmen's compensation insurance

^{3/} Several of the applicants also maintain individual tariffs which contain exceptions to certain provisions of Tariff 28-A at particular warehouse locations. Applicants Belkins Warehousing Corp. (Wilmington), City Transfer, Inc. (Carson), and West Coast Warehouse Corp. (Long Beach Harbor) participate only in Section B of Tariff 28-A (U. S. customs bonded storage rates). They maintain general merchandise storage rates at those locations in CWTB Warehouse Tariff No. 13-B, last adjusted pursuant to Decisions Nos. 81293 and 81758 (1973). West Coast Warehouse Corp. also participates in Tariff 29-B at Long Beach Harbor.

^{4/} The nine percent increase was in lieu of an interim increase of five percent in warehouse handling in-and-out rates and in labor-oriented accessorial charges authorized by Decision No. 82045 (1973) in Application No. 54216. Decision No. 82513 also authorized establishment of a new rule for will-call shipments. The increases authorized by Decision No. 82513 became effective March 17, 1974 and reflect, among other things, increased labor costs occurring on July 1, 1973.

rate increases effective April 1, 1974 are further increasing those expenses. It is alleged that revenue being derived from present rates is insufficient, and the proposed rate increases are necessary in order that applicants may continue to render efficient service to the public.

Attached to the application as Exhibits A and B are financial statements of applicants, including balance sheets as of December 31, 1973, and income statements for the year 1973. Exhibit C to the application is a study showing that applicants will experience an 8.62 percent increase in hourly labor cost as of July 1, 1974; that labor expense represents 58.7 percent of total expenses; and that as a result applicants will sustain an increase of 5.06 percent in overall expenses because of increased wages alone.

Exhibit D and the schedules attached to that exhibit show the results of operations of 14 test applicants^{5/} under present and proposed rates. Applicants consider these 14 warehouses to be representative of the public warehousing industry involved. Schedules I and II to Exhibit D show results of operations summarized from 1973 annual reports. Schedule III summarizes the operations after adjustments and allocations between public utility and nonutility expenses. Net public utility warehouse operating

5/ In Application No. 54216, 15 major warehouses who accounted for approximately 71 percent of total revenue among the applicants were selected as test warehouses, and the results were considered in Decisions Nos. 82045 and 82513. These same warehouses were selected as test warehouses for the purposes of the study reflected in Exhibit D of this application, except two have merged resulting in a total of 14 with approximately the same percentage of total warehouse revenues. Interamerican Star Truck and Warehouse Corporation was formed as the result of the merger of Interamerican Warehouse Co. and Star Truck and Warehouse.

income shows a loss of \$509,167 on total revenues of \$11,168,463 for an operating ratio of 104.6. Schedule III-A shows the detail of the operating expenses after the adjustments, summarized in Schedule III. Schedule IV is the development of operators invested capital.

Schedule V of Exhibit D is a modified income statement for each of the test warehouses to reflect revenues on the basis of present rates (including the increases authorized in Decisions Nos. 82045 and 82513 as though they had been in effect for the year 1973) and expenses adjusted to reflect total labor cost effective July 1, 1974 applied to a 12-month period. Expenses were further adjusted by substitution of owner's expenses in lieu of rents, where applicable, as shown in Schedule IV. The results show total net operating income of \$363,415 on total revenues of \$12,133,298, for an operating ratio of 97.0 before estimated provision for income taxes, and an operating ratio of 99.2 after taxes.

Schedule VI is a summary of income statements in Schedule V for the test warehouses, with public utility warehouse revenues adjusted and modified to reflect the proposed increase of five percent in all rates and charges. The proposed increase calculated on each individual warehouse would result in a total of \$606,654. That schedule shows that under proposed rates the test warehouses in the aggregate would experience an operating ratio of 92.4 before provision for income taxes and 95.9 after income taxes. A summary of adjusted income statements for each of the 14 test warehousemen is contained in Table 1, below. Composite rate of return in Schedule VI for the 14 test warehousemen was calculated to be 9.6 percent.

TABLE 1

Income Statements of 14 Test Warehousemen
For 1973 Adjusted to Reflect Current Labor
Costs and Proposed Increase in Rates for
Tariff 28-A, Tariff 29-B, and UTW Tariff 2

	<u>Revenues</u>	<u>Adjusted Expenses</u>	<u>Net Operating Income After Income Taxes</u>	<u>Operating Ratio (%)</u>
Ace City Warehouse \$	527,568	\$ 487,235	\$ 40,333	92.4
California Warehouse Co.	366,550	356,179	10,371	97.2
Commerce Warehouse Co.	684,411	601,030	83,381	87.8
Dart Public Warehouse, Inc.	339,341	283,383	55,958	83.5
Davies Whse. Co.	793,280	724,789	68,491	91.4
Interamerican Star Warehouse Co.	1,442,884	1,368,451	74,433	94.8
Metropolitan Warehouse Co.	2,318,049	2,336,501	(18,452)	100.8
Overland Terminal Warehouse Co.	650,413	602,331	48,082	92.6
Pacific Coast Warehouse Co.	2,077,957	2,073,194	4,763	99.8
Pacific Commercial Warehouse Co.	520,661	498,129	22,532	95.7
Redway Truck & Warehouse Co.	457,602	423,725	33,877	92.6
States Whse., Inc.	418,723	369,721	49,002	88.3
Union Terminal Warehouse, Inc.	1,584,278	1,536,395	47,883	97.0
Weber Truck & Warehouse	<u>558,245</u>	<u>561,368</u>	<u>(3,123)</u>	<u>100.6</u>
Total	\$12,739,962	\$12,222,431	\$517,531	95.9

(Red figure)

Schedules VII and VII-A of Exhibit D are unadjusted summaries of balance sheet and income statements for the remaining 33 non-test applicant warehouses.

Schedule VIII is a listing of the 14 test warehouses showing total amount of state and federal income taxes as paid for the year 1973 on their total operations conducted during the year. This schedule was prepared in compliance with the staff request referred to on page 6 of Decision No. 82513.

Analysis of the financial statements of the 14 test warehouses selected as representative indicates that even on the basis of present rates and charges the warehousemen will suffer a serious deterioration in their operating ratios in order to absorb the labor cost increase which will be effective on July 1, 1974. The total dollar amount of labor cost increase as computed for each warehouse is estimated to be approximately \$500,000, or four percent of revenues under present tariff rates. Assertedly the warehousemen have been making a genuine effort to control costs and improve productivity. The five percent increase sought in this application will recover generally the amount of increase in labor cost that the warehousemen will experience under labor agreements in effect and restore their operating ratio to a level that has been considered reasonable in past proceedings.

The application states that sampling procedures, calculations, and other premises used in developing the study and analyses of warehouse operations are the same as used and considered by the Commission in the last rate increase authorized by Decision No. 82513, and that essentially nothing new has been introduced except updated information. Applicants assert that the delay involved in hearings would be detrimental to warehousemen and their ability to serve the public and to continue to meet their financial commitments. They request ex parte disposition of the application. The Transportation Division recommends ex parte disposition.

Notice of the application and the two amendments were listed on the Commission's Daily Calendars of March 27 and May 14 and 20, respectively. Applicants' storers were informed in writing of the relief sought on or about May 1, 1974. Only one protest was received which was insubstantial. A public hearing is not necessary.

Findings

1.a. Decision No. 82513 authorized the last general increase in warehouse storage and handling rates of substantially all of the applicants in this proceeding. The decision found as follows:

- (1) Applicants who are parties to Tariff 28-A and Tariff 29-B compete extensively for the business of storers of general commodities in the metropolitan Los Angeles area.
- (2) The warehousemen participating in Tariff 28-A and Tariff 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. 82513 continue to be pertinent to applicants' operations and are adopted for the purposes of this proceeding.

2.a. Decision No. 82513 also found that it would be reasonable for the purposes of that proceeding to use the composite operating results of 15 warehousemen selected by applicants for their presentation. Those same warehousemen were selected for their presentation herein, except that two have merged, resulting in a total of 14.

b. It will be reasonable for the purposes of this proceeding to use the composite operating results of the 14 warehousemen selected by applicants as being representative of the

operations of all applicants under Tariff 28-A, Tariff 29-B, and UTW Tariff 2.

3. The composite 1973 public utility operating results for the 14 selected warehousemen, when adjusted for the levels of rates authorized in Decision No. 82513 and for wage increases granted in 1974, show that those warehousemen in the aggregate would have operated at little or no profit. Applicants operating under Tariffs 28-A, 29-B, and UTW Tariff 2 are in urgent need of a further increase in rates to offset the further increases in costs of labor 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 95.9 after income taxes would be achieved by the test warehousemen under the rate levels proposed for Tariff 28-A, Tariff 29-B, and UTW Tariff 2. Said operating ratio does not produce excessive earnings and is comparable with operating ratios authorized for applicant warehousemen in the past.

5. The proposed five percent increase in all rates and charges in Tariff 28-A, Tariff 29-B, and UTW Tariff 2 is justified, and will increase applicants' revenues by approximately \$600,000.

It is concluded that applicants should be authorized to increase their rates and charges by five percent in Tariff 28-A, Tariff 29-B, and UTW Tariff 2.

IT IS ORDERED that:

1.a. Applicants in Application No. 54752, as amended, are authorized to increase the rates and charges published for their account in California Warehouse Tariff Bureau Warehouse Tariffs Nos. 28-A and 29-B, Cal. P.U.C. Nos. 193 and 252, respectively, issued by Jack L. Dawson, Agent, by five percent.

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

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 five percent. The surcharge will be applied as follows:

"Compute the total charge under the applicable rates and charges and increase such total charge by five percent, resulting fractions 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."

2. Tariff publications authorized to be made as a result 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. 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.

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

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

Dated at San Francisco, California, this 16th day of JULY, 1974.

William L. L. L.
President

[Signature]
Commissioners

I dissent
I [Signature], Commissioner