

ORIGINAL

Decision No. 84840

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 DISTRIBUTION SERVICES,  
 COMMERCE WAREHOUSE COMPANY, DART PUBLIC  
 WAREHOUSE, INC., DAVIES WAREHOUSE COMPANY,  
 DEPENDABLE TRUCKING COMPANY, IMPERIAL VAN  
 LINES, INC. OF CALIFORNIA, INTERAMERICAN  
 STAR TRUCK AND WAREHOUSE CORPORATION, LAW  
 WAREHOUSE, INC., BERNARD J. HECHT, doing  
 business as LOS ANGELES DISTRIBUTION  
 CENTER, LOS ANGELES TRANSPORT & WAREHOUSE  
 CO., LYON MOVING & STORAGE CO., M & M  
 TRANSFER COMPANY, MERCHANDISE CONTROL  
 SERVICE, 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. 55488  
 (Filed February 10,  
 1975; amended April 15,  
 1975)

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.

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

Lyle V. Abbott, for Ace City Warehouse; Harry  
Vermil, for California Warehouse Co.; Larry  
K. McCormick and Harry T. Hansen, for Dart  
Public Warehouse, Inc.; J. R. Thomas, for  
Davies Warehouse Company; Larry L. Pittman,  
for Interamerican Star Truck and Warehouse  
Corp.; Harold A. Drury, for Pacific Coast  
Terminal Warehouse Co.; Clyde R. Hoagland,  
for Redway Truck and Warehouse Company;  
Richard D. May, Jr., for States Warehouses,  
Inc.; and Nicholas Weber, for Weber Truck  
and Warehouse; applicants.

H. W. Hughes and J. C. Kaspar, for California  
Trucking Association; Flo McEuen, for  
California & Hawaiian Sugar Co.; Catarino C.  
Vega, for Teamsters Local No. 357; and M. J.  
Nicolaus, for Western Motor Tariff Bureau,  
Inc.; interested parties.

Frank M. Nyulassy and John M. Johnson, for the  
Commission staff.

O P I N I O N

Applicants are 47 public utility warehousemen who conduct operations in Southern California.<sup>1/</sup> By this application they seek authority to increase by eight percent the rates and charges they maintain for storage and handling of general merchandise, and for certain related services in connection therewith. The last general adjustment of warehouse rates and charges of these applicants was a five percent surcharge authorized by Decision No. 83155 (1974), and by STD 8146 (1974).

According to the application, as amended, applicants have experienced increases in expenses pertaining to their warehouse operations since July 1, 1974. Wage costs effective July 1, 1975 have further increased those expenses under terms of labor agreements providing for increases in basic wage rates and fringe benefits. As a result, it is alleged that revenues being derived from rates which became effective August 12, 1974 are insufficient, and the proposed rate increases are necessary in order that applicants may continue to render efficient service to the public.

Public hearing was held at Los Angeles on May 8 and 9, 1975. Applicants presented evidence through eight witnesses. Twelve exhibits were received. The staff participated in the development of the record through examination of applicants' witnesses. The matter was submitted on May 19, 1975 upon receipt of late-filed Exhibit 12.

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<sup>1/</sup> Applicants conduct operations principally in the most populous and developed portions of Los Angeles and Orange counties. A number of the applicants conduct business at more than one location. The addresses where each of the warehousemen maintain storage facilities for merchandise are set forth in the application.

Prior to June 15, 1975 applicants<sup>2/</sup> maintained rates and charges for warehouse services at the locations herein involved in California Warehouse Tariff Bureau (CWTB) Warehouse Tariffs Nos. 28-A and 29-B and certain individual tariffs. Effective June 15, 1975 the participation of applicants in Tariffs Nos. 28-A and 29-B was cancelled (except for Usco Services, Inc.). The rates and rules were transferred to Western Motor Tariff Bureau, Inc., (WMTB) Warehouse Tariffs Nos. 1 and 2, respectively. It is planned also to transfer the participation of Usco Services, Inc. to the two WMTB tariffs as soon as arrangements can be made. In transferring rates to WMTB Warehouse tariffs Nos. 1 and 2 applicants incorporated in them the surcharges previously authorized and published in CWTB Warehouse Tariffs Nos. 28-A and 29-B. Applicants specifically seek authority to apply the sought eight percent increase to all four of these tariffs, and to Union Terminal Warehouse, Inc. Warehouse Tariff No. 5.

Applicants' Evidence

The Los Angeles supervisor of the California Trucking Association, Division of Transportation Economics (cost witness), explained the cost and financial exhibits appended to the application and the amendment, plus 12 additional exhibits, some of which were the same as exhibits appended to the application. He also explained Item A which is a notice he prepared for the purpose of

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<sup>2/</sup> By Decision No. 84236 (1975) the warehouse operating authority of applicant, Storecenter, Inc., was transferred to Spreneff, Inc., dba Air Speed Systems, and moved from Vernon to Commerce. By Decision No. 84048 (1975) the warehouse operating authority of Webster Delivery Service, Inc., was transferred to Wide World Cargo Service, Inc., dba American Warehouse, Inc. The application was amended on the record to include these transferees.

advising storers of the sought eight percent increase, the general bases therefore, and the time and place of hearing. He distributed a supply of the notice to each of the applicants who reported to him that it was mailed to a total of approximately 2,500 customers. Two letters were received protesting the increase, however, no representative of those parties appeared at the hearing.

In measuring the effect of increased warehouse operating expenses, the cost witness utilized the results of operations of 14 test warehousemen. These are the same 14 test warehousemen whose composite operating results were utilized in Application No. 54752 to justify the last increase in rates for the 47 applicants authorized by Decision No. 83155 (1974). He testified that the 14 test warehouses were chosen because the major portion of their operations are public utility warehouse operations. He said that these 14 warehousemen account for approximately 70 percent of the public utility warehouse revenues of the 47 applicants, and also provide from 70 to 75 percent of the total square feet of public utility warehouse space provided by all of the applicants. The CTA cost witness stated that the public utility warehouse operations of the other applicants do not represent a major portion of their activities.

The cost witness explained Exhibit 1 which contains development of total labor cost. It shows that warehousemen who have agreements with the General Warehousemen Union experienced a total hourly labor cost increase of 7.42 percent as of July 1, 1975. According to the witness labor expense represents nearly 60 percent of total expenses. The witness asserted that other expenses also have risen substantially due to inflation, and that those expenses have placed additional pressures upon the ability of applicants to meet current and future financial needs.

Exhibit 2 shows the results of operations for the 14 test warehouses. The exhibit contains an update of the information that was used and considered by the Commission in the last rate increase authorized by Decision No. 83155 in Application No. 54752. In preparing this exhibit and in the analysis of the warehousemen's operations, the sampling tools, calculations, and other premises used in developing information, were the same as used and considered by the Commission in prior rate increase applications involving these applicants. Annual reports on file with the Commission, and financial data taken from the books and records of applicants for the year 1974 were used as the latest financial information available.

Balance sheets for the 14 test warehouses as of December 31, 1974, and income statements for the year 1974 are contained in Schedules 1 and 2 of Exhibit 2. Schedule 3 summarizes the operations after adjustments and allocations between public utility and non-utility expenses. Schedule 4 shows the detail of operating expenses after the adjustments summarized in Schedule 3. Schedule 5 is the development of operators' invested capital. This includes substitution of owners' expenses in lieu of rents, where applicable.

Schedule 6 of Exhibit 2 is a modified income statement for each of the test warehouses to reflect revenues on the basis of present rates which include increases authorized in Decisions Nos. 82513 and 83155 as though they had been in effect for the year 1974. Expenses were adjusted to reflect labor cost increases effective July 1, 1975 for a full year period. Expenses were further adjusted by substitution of owner's expense in lieu of rents, where applicable, as shown in Schedule 5. The modified income statements are set forth in Table 1, below. Table 1 incorporates certain changes in figures in Schedule 6 of Exhibit 2 for Weber Truck and Warehouse, and in the total figures, as set forth in Exhibit 10. Table 1 shows total net operating loss of \$251,830 on total revenues of \$13,205,440 for an operating ratio of 101.91 after income taxes.

TABLE 1

Income Statements of 14 Test Warehousemen for  
 Test Year 1974 Reflecting Present Warehouse Rates,  
With Expenses Adjusted for Labor Costs Effective July 1, 1975

	<u>1974 Revenues</u>	<u>Adjusted Expenses</u>	<u>Net Operating Income After Income Taxes</u>	<u>Operating Ratio (%)</u>
Ace City Warehouse	\$ 492,811	\$ 457,692	\$ 35,119	92.87
California Warehouse Co.	434,058	427,799	6,259	98.56
Commerce Warehouse Co.	652,867	615,405	37,462	94.26
Dart Public Warehouse, Inc.	408,434	373,092	35,342	91.35
Davies Whse Co.	913,505	879,475	34,030	96.27
Interamerican Star Warehouse Co.	1,283,142	1,268,615	14,527	98.87
Metropolitan Warehouse Co.	2,461,434	2,865,923	(404,489)	116.43
Overland Terminal Warehouse Co.	697,924	649,227	48,697	93.02
Pacific Coast Terminal Co.	1,909,840	2,010,492	(100,652)	105.27
Pacific Commercial Warehouse Co.	411,608	405,373	6,235	98.49
Redway Truck & Warehouse Co.	434,585	410,369	24,216	94.43
States Whse., Inc.	827,337	813,669	13,668	98.35
Union Terminal Warehouse, Inc.	1,628,793	1,600,221	28,572	98.25
Weber Truck & Warehouse	649,102	679,918	30,816	104.75
Total	\$13,205,440	\$13,457,270	\$(251,830)	101.91

(Red Figure)



Schedule 7 of Exhibit 2 contains modifications of Schedule 6 that include adjustments to public utility warehouse revenues to reflect the proposed eight percent increase in rates and charges. The results of these adjustments on the operations of the 14 test warehousemen are reflected in Table 2, below. Table 2 incorporates certain changes in figures in Schedule 7 of Exhibit 2 for Weber Truck and Warehouse, and in total figures, as set forth in Exhibit 11. Table 2 shows total net operating income of \$445,211 on total revenues of \$14,261,875 for an operating ratio of 96.88 after income taxes.

TABLE 2

Income Statements of 14 Test Warehousemen  
for Test Year 1974 Adjusted to Reflect Proposed  
Eight Percent Increase in Warehouse Rates, and  
Labor Costs Effective July 1, 1975

	<u>Adjusted</u> <u>Revenues</u>	<u>Adjusted</u> <u>Expenses</u>	<u>Net Operating</u> <u>Income After</u> <u>Income Taxes</u>	<u>Operating</u> <u>Ratio (%)</u>
Ace City Warehouse	\$ 532,236	\$ 478,461	\$ 53,775	89.90
California Warehouse Co.	468,783	441,679	27,104	94.22
Commerce Warehouse Co.	705,096	642,898	62,198	91.18
Dart Public Warehouse, Inc.	441,109	390,304	50,805	88.48
Davies Whse. Co.	986,585	917,973	68,612	93.05
Interamerican Star Warehouse Co.	1,385,793	1,321,034	64,759	95.33
Metropolitan Warehouse Co.	2,658,349	2,865,923	(207,574)	107.81
Overland Terminal Warehouse Co.	753,758	678,640	75,118	90.03
Pacific Coast Terminal Co.	2,062,627	2,031,362	31,265	98.48
Pacific Commercial Warehouse Co.	444,537	418,298	26,239	94.10
Redway Truck & Warehouse Co.	469,352	428,684	40,668	91.34
States Whse., Inc.	893,524	846,592	46,932	94.75
Union Terminal Warehouse, Inc.	1,759,096	1,668,913	90,183	94.87
Weber Truck & Warehouse	<u>701,030</u>	<u>685,903</u>	<u>15,127</u>	<u>97.84</u>
Total	\$14,261,875	\$13,816,664	\$445,211	96.88

(Red Figure)

Schedules 8 and 9 of Exhibit 2 and Exhibits 3 and 4 contain summaries of financial data for certain of the other (non-test) applicant warehousemen for 1974. No adjustments or modifications were made in those data. For 21 non-test warehousemen total operating revenues were \$5,341,433; total expenses were \$5,332,347; and net operating income was \$9,086. The resulting operating ratio was 99.83 before income taxes. Operating data (1974) for 12 other non-test warehouses either were not available at time of hearing, or they showed no storage or very minor storage under the tariffs involved. Several of these applicants store mostly household goods. The cost witness stated that because these 12 warehouses perform only a small percent of merchandise warehousing, their inclusion or exclusion would have little effect, if any, on overall results. Exhibit 5 shows that the combined operating ratio for the 35 test and non-test applicants for 1974 was 102.61.

The cost witness estimated that the effect of the sought eight percent increase would be an increase in revenue for the 14 test warehouses of \$1,056,435, and for the other (non-test) warehouses the increase would be between \$200,000 and \$300,000.

Exhibit 6 shows the operating ratios sought (after taxes) for each of the 14 test warehousemen for the years 1972 through 1975. Also shown are the low, high, and average operating ratios for each of the 14 warehousemen, and the totals. This exhibit discloses that during the last four years the operating ratios generally varied both up and down for the various warehousemen and that there was no set pattern of operating ratios among the warehousemen. The CTA witness explained that the differences result from differences in nature and characteristics of each warehouse business during the four years.

Exhibit 7 is a table showing certain facilities and characteristics of each of the 14 test warehouses. For each warehouseman there are shown the number of locations, total floor space, percents of single story and multistory space, percent of floor space racked, and percent of business turned over up to 30 days, between 30 and 60 days, and over 60 days. There are wide variances in many of the figures shown. The cost witness stated that the differences in warehouse operations and characteristics shown in Exhibit 7 are among those that contribute to the differences in operating ratios for the four years shown in Exhibit 6. ✓

Exhibit 8 is an analysis of 30 main groups of commodities stored by the 14 test warehouses, and the percentage of space devoted to each group. The commodity group figures range from 0 to 100 percent of total space occupied, depending upon the warehouse involved. Exhibit 8 shows that the test warehouses do not store the same kinds of commodities. The cost witness asserted that the various commodities, with their differences in storage and handling characteristics, also contribute to the differences in operating ratios shown in Exhibit 6 by the test warehouses.

Exhibit 9 is a summary of data from wholesale commodity price indices prepared by the U. S. Department of Labor, Bureau of Labor Statistics (1) for all commodities, and (2) for industrial commodities. The data are shown for the six years from 1970 through 1975. The figures show that for the three years from 1970 through 1972 there were relatively slight increases in prices. Beginning in 1973 prices increased substantially. For example, in March, 1973 the industrial commodity index was 122.8, however, by March, 1975 it was 168.9, reflecting a 37.5 percent increase. The witness stated that the applicants were authorized increases in rates of about 21 percent during the same three-year period. He said that

in addition to labor cost increases during the period, applicants' books show that they have experienced increases in other costs due to inflation. Between 1973 and 1974 there were increases of 35 percent in costs of paper, racks, and other plant materials and supplies; 31 percent in plant maintenance and repairs; 37 percent in plant utilities; and 26 percent in office materials and supplies.

Exhibits 10 and 11 contain changes in certain income statement figures in Schedules 6 and 7 of Exhibit 2, as explained in connection with Tables 1 and 2, above. Exhibit 11 also shows a consolidated rate of return for the 14 test warehouses under proposed rates and adjusted expenses of 7.71 percent. There is no consolidated rate of return in Exhibit 10 under present rates and adjusted expenses due to the estimated consolidated operating ratio of 101.91 percent.

Late-filed Exhibit 12 shows the numbers of locations of each of the 14 test warehouses, and the total square feet dedicated to public utility storage space for the test year 1974. The square feet range from 82,500 for Dart Public Warehouse Company to 497,175 for Union Terminal Warehouse, Inc. The total square feet of public utility space reported by the test warehouses is 3,717,868.

Officers of seven of the test warehouses (operating witnesses) testified on behalf of applicants. These witnesses confirmed that the notice to storers (Item A) was mailed to customers prior to the hearing. Their testimony confirmed data in the exhibits and the other testimony of the CTA cost witness insofar as they related to their individual companies.

The operating witnesses testified that variations in operating ratios over the last four years were due principally to variations in business. They explained that primary factors affecting warehouse operations are the types of storage accounts and the rates of turnover of merchandise in storage. Assertedly the economic slowdown in 1974 caused tires, jute, and various other commodities to remain in storage longer than usual. The operators explained that warehousing generally is more profitable as the rate of turnover of a commodity or storage lot increases.

The testimony of the operating witnesses confirmed that some of the applicants conduct operations at more than one location; that there is a wide variance in the age of the structures; and that some of the structures are single story and others are multistory. One operator had changed structures and added square footage in 1974 and 1975.

The individual operators confirmed that costs, other than wages, also have risen substantially. They cited increases in costs of electricity,<sup>3/</sup> gas, propane for forklifts, forklift and other material handling equipment, pallets, racks, and office machine maintenance. The operators have continued to make changes to effect efficiencies in material handling techniques and warehouse layouts. Modern computers have been utilized and office procedures revised for more efficient handling of paper work. The operators testified that they have ongoing employee training programs.

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<sup>3/</sup> In addition to plant lighting, etc., some operators consume substantial amounts of electric energy charging storage batteries in electric-powered forklifts, and in providing temperature control service in insulated rooms. General tariff provisions for temperature control service and rates are contained in Item 70 of WMTB Warehouse Tariff No. 1, and in Rule A 35 and in Section 2 of WMTB Warehouse Tariff No. 2.

Discussion

Applicants seek an eight percent increase in rates to offset a 7.42 percent increase in costs of labor and also to offset recent increases in costs of utilities, equipment, materials, and supplies. Analysis of the financial statements of the 14 test warehouses selected as representative indicates that on the basis of present rates and charges the warehousemen will suffer a serious deterioration in their operating ratios in order to absorb the cost increases involved. The total dollar amount of rate increases sought is approximately \$1,300,000.

It is apparent from the record in this proceeding that there is no single factor which explains the variability of operating ratios and rates of return among the test warehouses. Variations might be due, among other factors, to: (1) failure of the relative rates for warehouse services to correspond to the relative cost of services--thus, for example, if storage charges are relatively too low and handling charges relatively too high, warehouses which perform a disproportionate amount of storage services will be less profitable than others; (2) differences in management efficiency; (3) unpredictable shifts in market conditions for storage for different commodities; and (4) the age of the warehouse. An older warehouse, which has been highly depreciated, may have a market value considerably higher than its book. Its rate of return on book value might then exceed the average for newer warehouses.

The appropriate way to reflect these differences is through the competitive process. Warehousing, today, is an inherently competitive industry, not a natural monopoly. For this reason the Commission has urged the Legislature to end the public utility regulation of warehouses.

Absent new legislation, this Commission continues to have the duty to regulate warehouse rates. The record in this proceeding indicates that applicants are in need of rate relief and that the rates requested will allow applicant warehousemen an opportunity to experience operating results which have been found justified by this Commission in the past. The rate relief requested will be authorized.

However, the Commission's concern over the manner in which rates for warehousemen are currently determined dictates that henceforth a new regulatory policy should be adopted in the regulation of warehouse rates. Principally, the Commission intends to encourage the availability of individual tariff filings by the various warehousemen and to protect the potentiality of individual action both within and among the various tariff bureaus. Accordingly, the Commission will henceforth set rates on an individual basis, granting permission to increase rates only to those warehouses which are both efficiently operated and unable to earn a reasonable return at existing rates. Group filings of a single rate for warehousing services where no individual justification has been made by the members of the group will be subject to dismissal. ✓

The Commission is aware that the difficulty with this proposal is that individual warehouses may be unwilling to put rate increases into effect for fear of competition from other warehouses not allowed to increase rates. However, in that case the low-return warehouses could propose a rate schedule which would reflect the special aspects of their business (other than any inferior efficiency of their operations) which are responsible for their relatively unsatisfactory rate of return. Thus, for example, the relative rates for storage and handling could be adjusted if it developed that most of the low-return warehouses were specialized in one or the other activity. Similarly, any enduring cost advantage of handling a particular commodity could be reflected in a new rate structure.



After making these adjustments, the rate structure should provide a comparable rate of return to warehouses of comparable efficiency, with two exceptions: (a) any inaccuracies in the depreciation formula used for warehouses might be reflected in a relationship between the age of a warehouse and its profitability; and (b) unpredictable market shift would still affect profitability. These conditions, however, are likely to hold true under any system of regulation, and even in some degree under a competitive regime.

This alternative to the present regulatory scheme is not fully satisfactory as it will not produce as fair a rate schedule as would competitive pricing. We conclude, however, that this approach is more compatible with our regulatory responsibilities. So long as warehouses are regulated as public utilities, the Commission must aggressively pursue a policy that will not grant rates which result in exceptionally high profits unrelated to efficiency.

#### Findings

1. Applicants are public utility warehousemen engaged in the storage of merchandise at one or more locations in southern California, largely in the most populous and developed portions of Los Angeles and Orange Counties.
2. Applicants compete among each other for storage business. They also compete with other storage in California and various western states. Applicants also compete with commercial arrangements which can and do obviate the necessity for storage in southern California.
3. All of the applicants, except Usco Services, Inc., participate in the storage rates and rules in WMTB Warehouse Tariff No. 1. Those rates and rules are generally uniform for all participants.

4. Thirty-one of the applicants also participate in one or more of the commodity items in WMTB Warehouse Tariff No. 2. The rates in that tariff are designed for special conditions relative to individual operators, such as large annual volume, large monthly turnover, or ease of handling in and out of the warehouse.

5. Applicant, Usco Services, Inc., participates in CWTB Warehouse Tariffs Nos. 28-A and 29-B. The rates and rules in those tariffs are the same, or essentially the same, as the rates and rules in WMTB Warehouse Tariffs Nos. 1 and 2, respectively.

6. Applicant, Union Terminal Warehouse, Inc., publishes its own Warehouse Tariff No. 5, in addition to its participation in WMTB Warehouse Tariffs Nos. 1 and 2.

7. Table 1 of this opinion shows that from the composite 1974 public utility operating results for the 14 selected warehousemen, when adjusted for the levels of rates authorized in Decisions Nos. 82513 and 83155, and for wage increases granted in 1975, those warehousemen in the aggregate would have operated at little or no profit. Applicants are in urgent need of an increase in rates to offset the increases in costs of labor, utilities, equipment, materials, and supplies they have experienced in order that their operations, as a whole, will be profitable.

8. The proposed eight percent increase in all rates and charges under CWTB Warehouse Tariffs Nos. 28-A and 29-B, WMTB Warehouse Tariffs Nos. 1 and 2, and Union Terminal Warehouse, Inc., Warehouse Tariff No. 5 is justified. It will increase applicants' revenues by approximately \$1,300,000.

9. There is no apparent single factor which explains the variability of operating ratios and rates of return experienced by the test warehousemen. The appropriate method to reflect these differences is through the competitive process.

10. To promote the establishment of competitive ratemaking, rates should be set on an individual basis granting authority to increase rates only to those warehousemen which are both efficiently operated and unable to earn a reasonable return at existing rates. Henceforth, rate increase applications involving warehousemen will be considered on an individual basis.

The Commission concludes that the application should be granted.

#### O R D E R

IT IS ORDERED that:

1. Applicants are authorized to increase their warehouse rates by eight percent. 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 less than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

2. The increased rate authority granted in Ordering Paragraph 1 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 eight percent. The surcharge will be applied as follows:  
'Compute the total charge under the applicable rates and charges and increase such total charge by eight 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.'"

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 is the date hereof.

Dated at San Francisco, California, this 26<sup>th</sup> day of AUGUST, 1975.

*I dissent as to future suggested rate regulation*  
*William J. Queros*

*I dissent*  
*Vernon L. Stinger*

*[Signature]*  
President

*[Signature]*  
Commissioners