

Decision No. ✓.

ORIGINAL

Decision No. 2378

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of MADISON WAREHOUSE COMPANY for an order authorizing an increase in warehouse rates.

} Application No. 1519.

Chas. W. Thomas for applicant.
Rudolph Volmer and T.C. Friedlander
for Grain Trade Association
of San Francisco.

DEVLIN, Commissioner.

O P I N I O N

This is an application by Madison Warehouse Company of Madison, Yolo County, California, to increase its present storage rate on grain from 75¢ per ton per season, under which rate warehouseman assumes no responsibility for the expense of resacking, to \$1.00 per ton per season, which, if allowed, will place upon applicant the responsibility and expense of all necessary resacking or other overhauling preparatory to shipment. There has been some irregularity in assessing charges for warehouse service in the past, but rates filed with the Railroad Commission are as follows:

GRAIN

Storage - 30 days, 1st season.....50¢ per ton.

Storage - 1st full season.....75¢ per ton
 " 2nd full season.....75¢ per ton
 " 3rd season (June and
 July only) .50¢ per ton

WOOL

Storage - per season.....\$1.00 per ton

ALMONDS AND DRIED FRUIT

Storage - per season.....50¢ per ton

No charge for loading grain is shown in above schedule for the reason that this labor is done by an independent crew of loaders who go from place to place to do this special service, the expense being borne by the party storing the grain. Applicant does not ask for an adjustment of any of the present rates except those affecting the storage of grain. The aggregate of all other commodities offered for storage is insignificant in quantity and irregular as to time, the receipts being almost negligible.

The rate which applicant desires to establish for the storage and incidental handling of grain is a flat charge of \$1.00 per ton per season, and, if authorized, will include the service of receiving, weighing, piling, carrying in storage, resacking or otherwise placing in condition for shipment and loading on cars. In support of this application, a statement has been submitted showing property valuations as follows:

Real Estate.....	\$11,000.00
Warehouse structures.....	6,782.09
Wells and pumps.....	200.00
Other structures and fencing.....	<u>469.25</u>
Total.....	\$18,451.34
Equipment (added later).....	<u>75.50</u>
	\$18,526.84

There may be some doubt as to the accuracy of values placed upon the real estate upon which applicant's warehouses are

located, and also as to the implied contention that the whole of this land is required in the operation of the warehouses. The Commission's representative, who visited the property and checked these values, estimates that not more than one-half of the land upon which stands the so-called Madison Warehouse is necessary or useful for warehouse purposes, at least one-third of the tract (said to contain about five acres), being rented at the present time to other tenants. In view of the information furnished as to real estate values in the same locality, ranging in price from \$100.00 to \$400.00 per acre, the value placed upon this property, even with its favorable location for warehouse purposes, is not considered a fair estimate upon which returns in rates could be reasonably expected. However, in view of the showing made in the actual operation of these warehouses, it will not be necessary at the present time to announce a definite finding as to the value of these properties for the purpose of establishing just and reasonable rates.

The improvements, including warehouse structures, etc., after deducting for depreciation an amount representing from 23 to 27 years' service upon an estimated life of 60 years, were assigned a value of \$7451.34, and the evidence at the hearing supported this value. An examination of the financial statement submitted with this application showing receipts and disbursements for the years 1910 to 1914, inclusive, reveals a total profit for the five years of \$10.76. The statement follows:

STATEMENT OF EARNINGS AND EXPENSES FROM JANUARY 1, 1910 to DECEMBER 31, 1914.

<u>Earnings:</u>	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>Average</u> <u>per year.</u>
Storage	\$2329.31	\$2353.57	\$1480.54	\$ 910.60	\$4022.30	\$2219.26
<u>Expenses:</u>						
Salary of Manager	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00
<u>Labor:</u>						
Storing Grain	661.55	446.61	214.16	226.24	803.25	470.36
Interest	39.69	26.80	12.85	13.57	48.20	28.22
Main. & Repairs	40.38	8.25	9.30	--	139.57	39.50
<u>Taxes:</u>						
County	69.12	95.31	64.50	47.95	62.84	67.94
Franchise	10.00	10.00	10.00	10.00	10.00	10.00
Corporation	15.00	15.00	15.00	15.00	--	12.00
<u>Insurance:</u>	31.50	100.76	58.45	90.50	33.00	62.84
<u>Depreciation:</u>	202.40	202.40	202.40	202.40	202.40	202.40
<u>Stationery & Supplies:</u>	105.12	16.25	33.94	9.65	376.51	108.29
<u>Incidentals, Legal Fees, etc.</u>	9.75	1.00	11.00	5.50	7.50	6.95
<u>Total</u>	<u>\$2384.51</u>	<u>\$2122.38</u>	<u>\$1831.60</u>	<u>\$1820.81</u>	<u>\$2883.27</u>	<u>\$2208.50</u>

The only item in the above amounts which could be considered in any degree high is that of \$1200.00 set apart as the annual salary of the manager. The business at the two houses is probably not sufficient to engage the constant attention of a superintendent, yet the uncertainty due to the nature of the business, coupled with the fact that applicant's warehouses are located some three miles apart, would perhaps make it unsafe to reduce the amount allowed for this purpose. The evidence showed that the president of the company, who is also the manager of the warehouses, gives almost the whole of his time to the warehouse business. The cost of labor, repairs and incidentals set out in the foregoing statement were transferred from the company's books, as were also

the fixed charges for taxes, insurance, etc. As already noted, the depreciation is based upon an estimated life of 60 years for the improvements, which is perhaps too liberal, unless stricter attention is given to future repairs.

The territory from which applicant draws patronage has been circumscribed from year to year by the opening of other warehouses in the same vicinity; and this fact, added to the farming conditions which have transformed the once lucrative wheat storage to the less profitable storage of barley, as well as the increased acreage of crops not offered for storage, has tended further to reduce applicant's profits.

It should be noted in this connection that while applicant's warehouses have had considerable repairs for the year 1914, as is evidenced by the operating statement shown above, it will be necessary to lay out a much larger amount in the near future in order properly to protect the grain of customers. Roofs, doors, floors, scales and scale houses will all need more or less attention, and the rates which may be authorized herein will contemplate such necessary improvements as will guarantee accuracy in weighing as well as proper protection and preservation of all stored products. The details of these improvements will for the present, however, be left to the judgment of warehouseman, pending a more thorough inspection.

Although the usual publicity was given of the hearing to be held on this application, and each patron of the warehouses had personal notice of the proposed rate inquiry, not a single farmer or producer was present for the purpose of protesting, nor was there any other opposition to the establishment of rates prayed for. On the contrary, several witnesses testified that proper service could not be given for a rate less than \$1.00 per ton per season for the storage of grain in country warehouses. Rates

authorized under this application will be based upon a contemplated high quality of service.

For the reasons foregoing, and the further generally conceded fact that the low warehouse charges assessed for the storage of grain in the vicinity wherein applicant operates are largely responsible for the inferior quality of the service rendered,

I find, as a fact, that applicant is entitled to a higher rate for the storage of grain, and that \$1.00 per ton per season is a just and reasonable rate. I suggest the following form of order:

O R D E R

Madison Warehouse Company having applied to the Railroad Commission for an order authorizing an increase in warehouse rates for the storage of grain in its warehouses located at Madison and Esparto, respectively, and a hearing having been held upon said application and the Commission being fully advised in the premises;

IT IS HEREBY ORDERED that the application be granted and that applicant be permitted to charge and collect for the storage of grain the rate herein found to be just and reasonable for the service, viz.:

\$1.00 per ton per season.

IT IS FURTHER ORDERED that the collection of this rate shall be conditioned upon the rendering of first class service including receiving, weighing, piling, carrying in storage, resacking or placing in proper and safe condition for shipment, loading into cars, and any other service which it is customary for warehousemen similarly situated to give.

IT IS FURTHER ORDERED that a schedule embracing the above rate and condition be at once filed with the Railroad Commission and placed in effect as of June 1, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 20th day
of April, 1915.

Max Thelen

Howard

Miss Gordon

Edwin A. Egerton

Frank R. DeWitt

Commissioners.