

Decision No. 2463

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of
CAPAY WAREHOUSE ASSOCIATION, an
association of persons, for an order
fixing warehouse rate.

} Application No. 1663.
}

Harry L. Huston for applicant.

LOVELAND, Commissioner.

O P I N I O N

This is an application by Capay Warehouse Association, a co-partnership of Capay, California, for permission to increase its present rate for the storage of grain. As required under the terms of the Public Utilities Act, this Association on April 25, 1912, filed with the Railroad Commission its schedule of rates charged for warehouse service as follows:

Grain

Storage, 1st season..... 50¢ per ton
Storage, 2d season,
(June 25¢ - July 25¢)..... 50¢ per ton
Storage, 3rd season,
(June 50¢ - July 50¢)..... 1.00 per ton
Loading..... 20¢ per ton

Wool

Storage, per bale..... 25¢ per month.

The rates which the Commission is asked to establish,

viz., \$1.00 per ton per season, will, after approval, cover the storage and incidental handling of all kinds of grain which may be offered, and would eliminate warehouseman's present method of assessing a higher or different charge for the second, third or succeeding seasons. This charge would affect the storage of grain only and the charges heretofore filed with the Commission to cover other commodities offered for storage would, under this application, be in no way disturbed.

The financial statement, tonnage statement, estimated value of warehouse property, and other alleged facts submitted with the application have been checked by a representative of the Commission, and were fully covered by the testimony of applicant's manager, Mr. S. Schwab. The tonnage, income and expense accounts presented with this application as an exhibit showing operations for the four years 1911-1914, inclusive, are as follows:

	<u>Tonnage</u>	<u>Receipts</u>	<u>Expenses</u>
1911 -	972	\$ 1,079.77	\$ 490.17
1912 -	2,323	694.96	602.22
1913 -	583	744.24	428.04
1914 -	1,767	1,132.13	765.77

Those figures representing expenditures cover items of necessary outlay only, and do not take into account a sinking fund for annual depreciation; nor has there been allowed any sum whatsoever to pay for the supervision and management which the evidence in this case indicated is necessary in the operation of this property. The testimony further shows that during the past four years the present manager has devoted a large portion of his time to the warehouse business, for which he has received no compensation whatever. By this means he has been able to lay by an average annual surplus for each season amounting to \$341.22 to be distributed as

dividends among the various stockholders. Upon the basis of the increased rates applied for, should the future years prove to be as profitable as the record shows the last four years to have been, this amount may be augmented, upon the same tonnage basis, so as to realize an additional \$422.30 per annum,-or somewhat more than \$35.00 per month,- to pay for warehouse supervision. Certainly, this would not appear to be unreasonably high for the service required. If, on the other hand, there should be allowed for this service \$600.00 per year, which applicant estimates it to be worth, the annual surplus would be reduced from \$341.22 to \$161.22, or about 4% on an investment of \$4,000.00.

Concerning the value of the property which has been placed at \$4,000.00, this may be said: It is located in the outskirts of the village of Capay, on the line of the Southern Pacific Company, with the usual spur track facilities, and measures 40 by 300 feet, with a 16 foot wall. The building is constructed of corrugated iron,-both walls and roof. Approximately 10% of the floor is solid cement, the remainder being rough boards laid on gravel. The life of such a building, kept in proper repair, is estimated by the manager to be about 50 years.

The chief reason set forth in the application to justify an advanced rate is the alleged greatly increased cost of operation. There was but little evidence presented tending to establish this fact; however, the claim was not controverted. Other and greater reasons appeared in the testimony, upon which could very properly be based a claim for additional income. These points had to do with the diversity of crops during the last few years whereby not only the stored crops are changing from wheat to barley,-the latter being considered less profitable from a warehouseman's standpoint,-but the proportion of land devoted to orchards is continually increasing. It is probably only a question of years, when by reason of gradual

replacement of grain acreage by more valuable crops, the grain warehouse business will fail entirely. On the other hand, it is agreed by applicant and others concerned that although a continuation of the present tendency would result in a falling off in receipts, \$1.00 per ton per season is probably the maximum rate which grain growers could be expected to pay for storage.

There was also testimony concerning the old controversy between warehouseman and grain buyers as to when it is necessary to resack wasting grain, and who should pay for such resacking and needed repairs before shipping the grain out. It has been customary for warehousemen in the Sacramento Valley to assess this charge against the final holder of the warehouse receipt. Owing to the uncertainty of the amount which accrues, not only by reason of the condition of the grain and sacks when placed in storage but also because of the length of time held in storage, it has been impossible for the grain buyer to make an accurate estimate in all cases of the probable resacking expense which might be necessary as to any particular lot of grain. This, according to common report, has led to a practice which compels the grower, in order to dispose of his grain, to deduct an amount from the market price sufficient to cover all possible resacking and other incidental charges not shown on the warehouse receipt, and in many cases an additional margin for safety.

It is clear that under this practice a farmer would be at the mercy of an unscrupulous grain dealer who would be prepared to enumerate previous expenses and quote figures (howsoever fanciful they may be) to show the enormous resacking charges which he may be called upon to make. On the other hand, there have also been complaints that some warehousemen have chosen to enrich themselves unjustly by assessing resacking charges where, in fact, no resacking had been done. Thus it will be seen that the farmer is, in certain

instances, between the horns of this dilemma and will be forced to pay for the resacking and repairing howsoever indirectly it may be done. If the rate requested is authorized, it will be largely for the purpose of eliminating this uncertainty by which the grower himself suffers; and while a direct charge of \$1.00 per ton per season will on its face appear to be an increase to the farmers of 30¢ per ton over the present rate, it will, nevertheless, mean the removal of the doubtful feature of the charge and enable him upon negotiations with the buyer to point to his warehouse receipt and affirm that all service charges are contained in the flat rate there shown.

That the proposed rate set out in this application is looked upon by the growers as not being unfair, is indicated by the fact that although each patron of the warehouse was informed by letter of the pending application and invited to be present and be heard should he so desire, not a single protest was received nor was there any evidence of dissatisfaction from any individual concerned.

By reason of the foregoing statements, I am of the opinion and find as a fact that the rate prayed for is a just and reasonable rate and that this application should be granted, and that applicant should be permitted to charge and collect \$1.00 per ton per season for all grain stored in warehouses now under its control, such authorization to be conditioned upon a high class of service of the general kind heretofore rendered, and in addition thereto, all necessary resacking (including sacks), repairing of sacks, and loading into cars, upon order for shipment.

I recommend the following form of order:

O R D E R

Capay Warehouse Association having applied to the
Railroad Commission for an order authorizing an increase in its

warehouse rates applying to the storage of grain at Capay, and a public hearing having been held upon such 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 the following rate for warehouse service:

Grain

Storage, per season, (June 1 to May 31, following).....\$1.00 per ton.

IT IS FURTHER ORDERED that those rates shall include all service usually rendered in handling stored grain such as receiving, weighing, piling, carrying in storage, necessary resacking (including sacks), or placing in proper condition for safe shipment and loading out.

IT IS FURTHER ORDERED that a schedule embracing the above rates as well as rates now on file with this Commission and covering the storage of other commodities be promptly filed with the Railroad Commission and that the same be placed in effect as of June 1, 1915.

The foregoing Opinion and Order are heroby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of June, 1915.

Max J. Hecker
H. D. Loveland
Edwin J. Edgerton
Mark R. [illegible]
Commissioner.