

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of STATE WAREHOUSE COMPANY for
authority to increase and adjust
warehouse rates at Stockton,
Marysville, Chico and South Vallejo.

APPLICATION NO. 3023

Decision No. 4910

Goodfellow, Ellis, Moore & Orrick by C. J. Goodell; and
Neumiller and Ditz, for Applicant.

BY THE COMMISSION:

O P I N I O N

State Warehouse Company, incorporated October 20, 1911, applies for authority to increase and establish certain rates for the storage of grain and produce at its warehouses located at Stockton, Marysville, Chico and South Vallejo. Applicant also operates a warehouse at Salinas but no adjustment of rates is requested for that point. The application is based upon alleged recent increases in the cost of warehouse labor, material and general upkeep.

Public hearings were conducted by Examiner Westover at each of the points where increased rates are requested, and also at San Francisco. Notice of the hearing in each case was given to applicant's patrons, but no one appeared in opposition to the establishment of rates proposed in the application.

Grain is the principal commodity stored, but in addition thereto rice is stored at Marysville; and at Stockton almonds, bags, beans, flour, potatoes, onions and wool are also received for storage. In the following table in parallel columns are shown the present rates for storage and transferring, the rates which applicant desires to establish, and the resulting increases, at each of the points involved, viz:

GRAIN AND BEANS AT STOCKTON

<u>Storing</u>	<u>Present</u>	<u>Proposed</u>	<u>Increase</u>
	(Rates in cents per ton)		
1 month	50	50	-
2 months	50	75	25
3 months	75	1.00	25
Season	1.00	1.00	-

Transferring

From car or boat, including 10 days' storage	15	35	20
From team, if shipping directions be given within 3 days	25	35	10

GRAIN

<u>At Marysville and Chico</u>			<u>At South Vallejo</u>		
(Rates in cents per ton)					
<u>Pres.</u>	<u>Prop.</u>	<u>Incr.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Incr.</u>

Storing

1 month	25	1.00	75	25	50	25
2 months	50	1.00	50	50	50	-
3 months	75	1.00	25	50	(a) 75	25
Season	75	1.00	25	50	(b) 100	50

(a) Three months or to January 1st

(b) To end of season after January 1st

Applicant also desires to establish and collect at Stockton separate additional charges for certain classes of service heretofore performed under its general storage rates, - such as loading and unloading "gondola" cars, loading box cars to full visible capacity, reweighing, stenciling bags, deliveries in small lots and loading "decked" cars; and, at South Vallejo, a charge of 20 cents per ton for loading cars. Other minor matters pertaining to special service not now performed by applicant and to optional methods of piling potatoes and onions for preservation do not require consideration in this proceeding; they may be covered by tariff provision, if necessary.

State Warehouse Company was incorporated largely for the benefit of Sperry Flour Company which owns all of applicant's capital stock. With the exception of the property at Stockton, all the warehouses operated by applicant are likewise owned by Sperry Flour Company.

At Stockton the property known as Crown Mills is under lease to Sperry Flour Company for \$4200 per year, all of which amount is charged to applicant as rent for that section of the structure used as a public warehouse.

A portion of Sperry Flour Company's plant at South Vallejo, including that part devoted to public storage and operated by applicant was destroyed by fire on August 31, 1916. It is being rebuilt, and when finished applicant will reopen its warehouse; however, the amount of space available and rental therefor have not been determined, consequently rates, rules and regulations will not be established in the accompanying order for warehouse service at South Vallejo. Later the matter may be covered by supplemental order if necessary. At each of the other points involved in this proceeding the following table shows all tonnage capacity, the appraised value of the property devoted to public storage, except that at Stockton, and the annual rental paid by applicant for use of the same:

	<u>Capacity</u>	<u>Valuation by American Appraisal Co. of Milwaukee 1915</u>	<u>Annual Rental</u>
Stockton	10,000 tons	(Not known)	\$4200
Marysville	4,500 "	\$18,960.88	2400
Chico	1,000 "	15,872.18	600

Although applicant produced no figures to show cost or present value of the warehouse property at Stockton, the evidence shows that the entire rental of \$4200.00 per annum paid by Sperry Flour Company to Stockton Milling Company for the property is in turn charged against applicant for rent, notwithstanding the fact that nearly one half of the occupied floor space is used by Sperry Flour Company for other purposes.

On the other hand, taxes, insurance and the expense of repairs are all paid by Sperry Flour Company. The Marysville and Chico properties devoted to warehousing were assessed for taxation purposes in 1916 by the respective county assessors as follows:

	<u>Marysville</u>	<u>Chico</u>
Land (Whse. pro rata)	\$ 8,000.00	\$ 250.00
Buildings	<u>18,450.00</u>	<u>15,000.00</u>
TOTALS --	\$26,450.00	\$15,280.00

Based upon the assessed valuation shown above, the rental paid by applicant at Marysville amounts to 9% on the investment and at Chico about 4%, without providing for taxes, insurance, repairs and depreciation, which are to be borne by the flour company in each case. The valuation on each capacity ton of warehouse space available at Marysville is \$6.00. This, applied to the Stockton property, would indicate an approximate value of \$60,000 for the entire property, the present rental for which would equal 7%. These figures do not show that either rental is unreasonable for the property occupied, although less valuable property, if available, would probably meet all requirements. The Stockton rental charged applicant annually was \$2150 in 1915, \$3600 in 1916, and \$4200 in 1917. Its Marysville annual rental was \$600 in 1915, \$1200 in 1916 and \$2400 in 1917; that at Chico was \$300 for 1915 and 1916 and \$600 for 1917. These changes in rental charges should be kept in mind in connection with the operating statements hereinafter shown.

Actual tests made by applicant at Stockton show that under the present wage scale it costs 22.9 cents per ton to receive, truck and pile grain. Estimates for the same service at Marysville and Chico indicate a cost of 19.5 cents and 17 cents respectively. Accepting applicant's contention that an equal or greater expense is involved in delivering grain, and adding to this amount the rentals per ton paid for storage space at the three points, the following showing as to costs would result in a year of capacity stor-

	<u>Rental per ton of space</u>	<u>Handling per ton</u>	<u>Total cost</u>
age: Stockton	.42	.46	.88
Marysville	.53	.39	.92
Chico	.60	.34	.94

An operating statement submitted by applicant for the calendar years 1915 and 1916 and the first six months of 1917, shows average net earnings per annum for this period to be,-

At Stockton -- \$2,590.13
 At Marysville 505.10
 At Chico 186.42 (loss)

A summary of the said statement follows:

<u>1915</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Profit</u>	<u>Loss</u>
Stockton	\$13,434.71	\$7,429.51	\$6,005.20	
Marysville	1,160.35	1,685.97	--	\$525.62
Chico	230.82	494.75	--	263.93
Salinas	12.75	21.57	--	8.82
South Vallejo (not operated)	--	--	--	--
TOTALS-	\$14,838.63	\$9,631.80	\$6,005.20	\$798.37
NET PROFIT	-----			5,206.83

1916

Stockton	7,551.01	8,328.02	--	777.01
Marysville	3,683.68	1,799.85	1,883.83	--
Chico	491.63	343.75	147.88	--
Salinas (not operated)	--	--	--	--
South Vallejo	<u>613.47</u>	<u>502.65</u>	<u>110.82</u>	<u>--</u>
TOTALS	-\$12,339.79	\$ 10,974.27	\$ 2,142.53	\$777.01
NET PROFIT	-----			-1,365.52

1917 1st 6 months only -

	<u>Receipts</u>	<u>Disbursements</u>	<u>Profit</u>	<u>Loss</u>
Stockton	\$6,004.17	(a) \$4,757.02	\$1,247.15	
Marysville	1,238.83	(b) 1,334.18	--	95.35
Chico	--	(c) 350.00	--	350.00
TOTALS -	\$7,243.00	\$6,441.20	\$1,247.15	\$445.35
NET PROFIT	-----			801.80

(a) Labor - \$1,421.71; Rent and Overhead \$3,335.31
 (b) Labor 134.18; Rent - - - 1,200.00
 (c) Labor 50.00; Rent - - - 300.00

In the \$14,838.63 representing total receipts for 1915 at all of applicant's warehouses is included \$8,253.50 storage accrued to December 31, 1915, on 8454 tons of grain for which no corresponding cost of delivery or other expense appears; in like manner the total receipts for 1916 include accrued storage amounting to \$3,116.00 on 5,195 tons of grain, the delivery expense for which is carried over to 1917. These items are not segregated as to warehouses.

The showing that the Stockton Warehouse made a profit of \$6,005.20 in 1915 and suffered a loss of \$777.01 in 1916, is explained in part by the fact that in 1915 Sperry Flour Company stored large quantities of grain with applicant at Stockton, which business was largely withdrawn upon completion of its own storage bins in 1916; the discrepancy is further accounted for by the higher cost of labor and incidentals in 1916 and an increase of \$1450 in the rental previously paid for the warehouse.

It will be observed that at Marysville a loss of \$525.62 is shown for 1915, and for 1916 a profit of \$1,883.83. The testimony shows this to be due to the fact that late in 1915 2,033 tons of rice were stored at Marysville, the revenue from which appears in the 1916 report. Rice storage at this point in 1916 fell to 908 tons.

As previously stated, applicant bases its request for higher rates upon alleged increases in the expense of operating its warehouses, with particular reference to the present cost of labor. At Marysville and Chico, as the testimony shows, from \$2.75 to \$3.00 per day is now paid for labor which previously cost a maximum of \$2.50 per day; and at Stockton, labor that could be employed a year ago for 30 cents per hour now costs 39 cents per hour, - an increase of 30%.

The shorter hours demanded and the general inefficiency of warehouse labor available at the present time as compared with that of previous years, according to witnesses for applicant, add to the present cost of operating these warehouses.

Unprecedented increases have been made in the prices of supplies necessary in the operation of a warehouse, such as bags and twine, and also in the cost of materials for general repairs.

The additional revenue to be derived from applicant's proposed rates cannot be estimated with accuracy. If, however, the rates requested had been in effect in 1916, the following figures would show approximately the increased receipts for the storage of grain:

At Stockton,-

Storage for 2 months	-558 tons at .25	- \$139.50
Storage for 3 months	282 tons at .25	70.50

At Marysville,-

Storage for 1 month	40½ tons at .75	30.37
Storage for 2 months	1½ tons at .50	.75
Storage over 2 months	51½ tons at .25	12.88

At Chico,-

Storage for 1 month	81 tons at .75	60.75
	TOTAL -	<u>314.75</u>

Applicant made no segregation of the miscellaneous service at Stockton which could be used as a basis for estimating increased revenue from other sources; but it seems fair to assume that whatever increases may result from such incidental warehouse service will be equalized by the increased cost of labor necessary to supply the service.

To summarize:

Applicant's present rates have been in effect without protest for more than three years, justifying the impression that they have not been unreasonably high for the service rendered; at Marysville and Chico they are lower than the prevailing rates in that section of the State. Substantial increases in the cost of labor and material have been shown to have increased the expense of operating applicant's warehouses.

Additional costly service with reference to loading and unloading cars, stenciling bags, making small deliveries, and reweighing is demanded by patrons. Transferring grain and other commodities relates almost wholly to labor, the most costly item of warehouse expense, the increase in which has already been indicated. At Marysville and Chico the present rate of 25 cents per ton for one month's storage involves a direct loss on each ton so handled, as already shown by the cost per ton to receive and deliver grain.

The rates requested by applicant, insofar as they agree with the rates prescribed in the accompanying order, have been justified and should be authorized.

Rates, rules and regulations now in force but not affected by the accompanying order, may, if desired, be refiled in connection with the changes authorized. All authorized increases in rates, or adjustments bringing about increases, are set forth in the order.

O R D E R

STATE WAREHOUSE COMPANY, a corporation, having applied to the Railroad Commission for authority to increase and adjust its warehouse rates now in effect at Stockton, Marysville, Chico and South Vallejo, public hearings having been held thereon, the matter having been submitted and being now ready for decision,

IT IS HEREBY FOUND AS A FACT that the rates now charged by applicant for warehouse service at Stockton, Marysville and Chico, insofar as they conflict with the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates.

Basing its order upon the foregoing findings of fact, and upon the other findings which are contained in the opinion preceding this order,

IT IS HEREBY ORDERED that State Warehouse Company be, and the same hereby is authorized to publish, file with the Railroad Commission and thereafter collect for service at its warehouses located at Stockton, Marysville and Chico, rates conforming to the following schedule, to wit:

SCHEDULE OF CHARGES FOR WAREHOUSE SERVICE

AT STOCKTON, CALIFORNIA.

Grain or Beans in Bags

Item

1 - (a) Storing:

For 1 month, or less,	\$.50 per ton
For 2 mos., or any fraction over 1 mo.	.75 " "
For any period over 2 mos. to include -	
Season ending May 31, for grain)	1.00 " "
" " Aug. 31, " beans)	

2 - (a) Transferring through Warehouse:

Including not over	(Grain	.35	"	"
10 days storage,	(Beans (b)	.25	"	"

(a) Rates for storing or transferring (Items #1 and #2) include unloading from car or team, weighing in, and loading on cars, except as shown in Items #6 and #7.

(b) Applies only when in transit for cleaning.

3 - Reweighing - for convenience of owner .10 " "

4 - Delivering - in small quantities:

Grain, less than 2 tons,	.25 each del'y.
Beans, " " 1 ton,	.25 " "

5 - Stenciling Bags - .03 per ton

6 - Loading Box Cars:

When necessary to pile grain or beans in vertical tiers to a height or more than 7 bags, add to rates shown in Items #1 and #2, and apply on entire contents of cars so loaded, .10 per ton

7. - Loading and Unloading "Gondola" cars:

Add to rates shown in Items #1
and #2, and apply on entire
contents of cars,

\$.15 per ton

Onions and Potatoes in Bags

8. - (a) Storing:

For 1 month, or less,

.03 per bag

For each month or fractional
part thereof, after 1st month,

.01 " "

(a) Includes weighing out and loading
on cars (not "decked"); but owner
must deliver into warehouse.

9. - Loading "decked" cars -

.60 per carload

10. - Delivering in Lots less than 1 Ton -

.25 each del'y.

AT MARYSVILLE AND CHICO

Grain

11. - (a) Storing

For 2 months, or less

.75 per ton

Over 2 months, and including
May 31, following,

1.00 " "

(a) Includes loading on cars.

12. - Resacking Charges:

Applicable at all points named in this schedule,
necessary expense of resacking or repairing sacks,
when not attributable to warehousemen's negligence,
will be charged to the owner of the commodity at
the actual cost of labor and material used.

Dated at San Francisco this 30th day of November-
1917.

Max Thelem
at Oakland

Edwin A. Edwards