

Decision No. 22695

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SAN FRANCISCO WAREHOUSE COM-)
PANY, a corporation, for a cer-)
tificate of public convenience)
and necessity authorizing it to)
increase its storage space with-)
in the City and County of San)
Francisco.)

Application No. 22695

ORIGINAL

BY THE COMMISSION:

Appearances

Reginald L. Vaughan, for applicant.
Joe Robertson, for Robertson Drayage Company, as
its interest may appear.
Walter A. Rohde, for San Francisco Chamber of
Commerce, as its interest may appear.
L. A. Bailey, for California Warehousemen's Asso-
ciation and Warehousemen's Association of
the Port of San Francisco, interested parties.

O P I N I O N

In the above entitled application, as amended, filed
under Section 50 $\frac{1}{2}$ of the Public Utilities Act, San Francisco Ware-
house Company, a "warehouseman" operating in the City and County of
San Francisco, seeks a certificate of public convenience and neces-
sity authorizing the addition of 564,500 square feet to its ware-
house floor space. ¹ The matter was submitted on the record made at

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Under Section 50 $\frac{1}{2}$ of the Act, warehousemen operating in a city or
city and county with a population of 150,000 or more are required to
obtain a certificate of public convenience and necessity from the
Commission as a condition precedent to an increase of warehouse
floor space by more than 50,000 square feet.

As originally filed, the application sought the addition of but
135,000 square feet. Subsequently, the amount of additional space
sought was amended to 535,000 square feet. This figure was predi-
cated upon an increase of 50,000 square feet as provided for in
Section 50 $\frac{1}{2}$ of the Act. However, applicant requested that if it
should develop that the 50,000 square feet or any portion thereof
is a duplication of a previous increase, the additional space sought
herein be increased by the amount of such duplication. Annual re-
ports on file with the Commission disclose that from 1928 to 1933,
(Continued)

public hearings had at San Francisco before Examiner Mulgrew.

Applicant proposes that the additional space sought be restricted to storage of so-called "Government loan cotton," that is cotton held as security for loans made by Commodity Credit Corporation, an agency of the federal government. It also proposes that the authority to use this space be terminated upon the withdrawal of such cotton from storage. It was explained that the prospective storage involves cotton grown in the San Joaquin Valley, ginned at various points in the production areas and compressed at Fresno and Stockton while on route to San Francisco. Transportation from the gin to the compressor and thence to San Francisco was said to be performed by the rail lines under transit arrangements provided in their tariffs.

Witnesses for the applicant testified that growers, processors and storers of cotton were faced with abnormal conditions due to disruption of the export market. They said that, under such conditions, an amount of cotton greatly in excess of that normally stored in California must be placed in storage in the State, or its growers and processors will suffer severe losses. In the opinion of these witnesses, a preponderance of the cotton involved will be handled under loans from the Commodity Credit Corporation under terms which provide that the cotton must be stored by public utility warehousemen who have posted a \$75,000 bond, and in structures meeting certain standards as to construction. The Corporation determines the amounts of its loans from the type and quality of the cotton, the basic rates for computing these amounts being predicated upon the point of storage. These rates are higher at

1 (Concluded)

applicant operated 345,000 square feet of floor space and that the space was increased by 29,500 square feet during 1934 and 1935. Accordingly, the addition of 20,500 square feet exhausted the increase authorized without first obtaining a certificate and this application stands amended to the extent of adding 29,500 square feet to the 535,000 otherwise sought.

at seaboard points than at interior points and, in California, range from 9.8 cents per pound at San Francisco to 9.64 cents per pound at Pinedale (near Fresno).

Representatives of cotton processors testified that they had advanced money to the growers with the 1940-41 crop as security and that these obligations would be liquidated when the Commodity Credit Corporation made its loans thereon. They said that usually such growers patronized their gins and compressors and that these facilities were arranged to process the cotton in its normal movement to San Francisco for transportation by vessel from that port. Disturbance of these arrangements by storage at interior points, they pointed out, would result in increased transportation expense, which they claimed would be a serious burden to the grower and might well result in their processing facilities losing business to competitors. A further loss faced by the growers, according to the witnesses, is the excessive shrinkage of cotton stored for any appreciable time at interior points. They estimated that this shrinkage would amount to as much as twelve pounds per bale and claimed that, in view of all the circumstances surrounding the marketing of the cotton involved, its storage elsewhere than at San Francisco would penalize the growers. Hence, they strongly urged that suitable additional space be made available at San Francisco where they estimated that at least 100,000 bales would be stored in the event the application is granted.

With respect to the situation at San Francisco, witnesses representing the Warehousemen's Association of the Port of San Francisco and individual warehousemen testified that, while the available public utility warehouse space was adequate for ordinary storage, the proposed cotton storage would be under materially different conditions than those usually prevailing. None of the

interested warehousemen opposed the granting of the application. On the contrary, they urged that it be granted. They explained their position by stating that their operations were not designed for the storage of substantial quantities of an inflammable commodity such as cotton, particularly where, as here, the storer requires that the identity of individual bales be preserved, resulting in excessive use of floor space because of the low piling occasioned thereby. Representatives of the warehousemen testified that, if the warehouse space now vacant were to be filled with cotton, they would be unable to render the public a satisfactory service for the storage of the commodities with which they ordinarily deal. The conditions surrounding the storage of this cotton, these witnesses claimed, would result in increasing their expenses, due to substantially higher insurance rates on any structure used in such storage and its contents. This was confirmed by the Secretary of the Board of Fire Underwriters, who estimated that the insurance premiums of these warehousemen would be trebled.

The applicant, other warehousemen and the processors stressed the urgency of this matter. It was represented that the cotton is moving into San Francisco at the rate of twenty carloads (1,800 to 2,000 bales) per day; faster than it can be accommodated in the limited warehouse space now available; and that the rate of movement will soon be accelerated. To hold this cotton on demurrage awaiting disposition of the matter would result, they said, in prohibitive costs. In the judgment of these witnesses the prospective storage would require the use of the 564,500 square feet of space sought in this application.

The record is clear that the authorization of the use of the space sought is and will be needed to supply the public with adequate space for public utility storage of so-called "Government

loan cotton" for the duration of the abnormal conditions faced by the growers, processors, storers and the governmental agency affected by those conditions. In regard to the duration of the authority, it is evident that the period for which the necessity for this storage will exist is impossible to ascertain at this time. The application will be granted, except that the certificate of public convenience and necessity will be made to expire on December 31, 1941, unless sooner cancelled, changed or extended by appropriate order of the Commission. Applicant will be expected to inform the Commission, promptly, when cancellation, change or extension becomes necessary.

O R D E R

San Francisco Warehouse Company, a corporation, having made application as above entitled, public hearings having been held, evidence received, the matter submitted, and the Commission being now fully advised:

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity requires the temporary establishment and operation by San Francisco Warehouse Company, a corporation, of 564,500 square feet of additional warehouse space in the City and County of San Francisco, said additional space to be used exclusively for the storage of cotton held as security for loans made by Commodity Credit Corporation; and

IT IS HEREBY ORDERED that a certificate of public convenience and necessity therefor be and it is hereby granted to said San Francisco Warehouse Company, subject to the following conditions:

1. The authority herein granted shall lapse and be void if applicant shall fail to file a written acceptance of the certi-

ificate herein granted within twenty (20) days from the date hereof.

2. The rights and privileges herein authorized may not be discontinued, sold, leased, transferred nor assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has first been obtained.

3. The rights and privileges herein authorized shall expire on December 31, 1941, unless sooner cancelled, changed or extended by appropriate order of the Commission.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 22nd day of October, 1940.

Ray L. Riley
Frank A. Newell
Robert A. ...
Justice J. Creever
Commissioners