

Decision No. 35590

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Coast Counties Warehouses for)
permission to increase rates or) Application No. 24922
to alter rules or regulations so)
as to effect increases in rates)
on all commodities in San Luis)
Obispo and Santa Barbara Counties)

BY THE COMMISSION:

ORIGINAL

Appearances

Herbert C. Grundell, for applicant,
Ray D. Felton, interested party,
L. D. Hirschler, for Farmers Alliance
Business Association, interested
party,
Bert Marshall, for Santa Maria Valley
Warehouse Company.

O P I N I O N

By this application Coast Counties Warehouses, a corpora-
tion, seeks authority to increase certain handling charges in
connection with commodities stored in its warehouses located in
San Luis Obispo and Santa Barbara Counties, and to make the charges
effective on less than statutory notice.¹

Public hearing was had before Examiner Bryant at San Luis
Obispo on June 4, 1942.

Testimony in support of this application was offered by
C. C. Brown, manager of the warehouse properties, and by C. R.
Jacobson, assistant secretary and district manager. From the
record thus developed it appears that the proposed handling charge
is deemed necessary in order to offset, so far as possible, recent
advances in wages and salaries, and in the cost of materials and

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The warehouses are located at Arroyo Grande, Harris Station, Los
Alamos, Nipomo, Orcutt, Santa Maria, San Luis Obispo and Sisquoc.

supplies used in operation of the warehouses. It was estimated that the charge would produce additional revenue of about \$2,500 a year, while from the testimony of the witnesses it appears that the cost of operation has increased in recent months at a rate considerably greater than this. Salaries of the manager, general auditor, agents and clerks were recently advanced by amounts which will total \$6,300 a year. Wages of laborers and foremen were increased more than 60 per cent, although the record does not indicate what this would amount to on an annual basis. Increases of an indefinite amount are attributed to higher costs of materials and supplies.

The handling charge for which authority is here sought is 25 cents per ton, which covers the service of loading property into cars or delivering it to vehicles, and the preparation and execution of shipping documents. The charge will not apply on property delivered to resident growers for their own use, this exception being intended primarily for farmers withdrawing small quantities of grain or beans for seeding purposes. The present tariff provides no charge comparable to the one proposed, except as indicated in the footnote,² but it appears that other warehouses located in the same area have made a similar charge for about eight years.³ Brown, who managed the same warehouse properties under a predecessor company, declared that he had not wished to establish the charge in question when competing warehouses

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Charges ranging up to 25 cents per ton are named in the tariff for loading into cars, including preparation and execution of shipping documents. Witnesses explained that these charges are not a source of revenue, inasmuch as service on the Pacific Coast Railway (on which the warehouses are located) has been discontinued, and property is therefore now delivered to motor vehicles and not to rail cars.

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Rule No. 16 of California Warehouse Tariff Bureau Warehouse Tariff No. 16, C.R.C. No. 74 of L. A. Bailey, Agent.

did so some eight years ago, because farm incomes and warehouse operating costs were then relatively low. He said that both were now considerably higher, and he considered it necessary and reasonable to publish the charge at this time.

The actual labor cost of delivering commodities from the warehouses, according to an exhibit covering the first four months of 1942, is about 38.9 cents per ton. This compares with an asserted cost to the predecessor company for the corresponding months of 1941 of 28.6 cents per ton, and with the proposed charge for the service of 25 cents per ton.

Applicant submitted an operating statement for the first four months of 1942, according to which a net loss was experienced for the period of \$6,121.81. However, the statement is of limited value for the purpose of showing the warehouse experience, as it includes substantial revenues and expenses incidental to the purchase and sale of sacks, feed, hardware and other merchandise, and virtually no attempt was made to segregate these nonoperating items from the operating figures. It was explained also that the income from the warehouses is highly seasonal, and that the bulk of the revenue accrues from June to December of each year. From a comparison of operating expense items of Coast Counties Warehouses for the first four months of 1942 with those of the predecessor company for the corresponding months of 1941, as shown on an exhibit of record, it appears that the total expenses increased from \$8,239.44 in 1941 to \$9,691 for the same period in 1942.

The warehouse properties here involved have been the subject of consideration in two recent applications to the Commission, and some information concerning them may be obtained by reference

to the decisions in those proceedings.⁴ They were acquired from Pacific Coast Railway Company by Alphonzo E. Bell and associates on January 1, 1942, and have been operated by the applicant corporation on a monthly rental basis since April 1, 1942. In authorizing the lease the Commission indicated that if called upon to fix rates it might proceed on the theory that the corporation is the owner of the warehouses.

We are unable to determine from the information made available in the instant record what has been the financial experience of either Bell and his associates or of the applicant corporation in connection with their brief operation of the public utility warehouse properties. The operating statements, comparison of operating expenses, and comparison of labor cost of delivering property from the warehouses, all cover only the first four months of the year, and are necessarily inconclusive in view of the admittedly seasonal nature of the warehouse operations. The witness Jacobson stated that the properties had been appraised on a salvage basis at \$25,000; that they had an insurable value of \$200,000, and that in his own opinion they were worth \$80,000 on an operative basis; but the witnesses were unable to answer questions asked by the presiding examiner as to original cost of the warehouses and equipment, or the original cost less accrued depreciation. Even the cost to the present owners was not made clear.

In a proceeding involving a proposed increase in rates it is incumbent upon the applicant to justify its application by making an affirmative showing as to the necessity for the adjustment by the

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Decision No. 34852 dated December 16, 1941, as amended, in Application No. 24577 of Coast Counties Warehouses; and Decision No. 35189 of March 31, 1942, in Application No. 24721 of Coast Counties Warehouses.

presentation of complete factual data. (In re Application of A. J. Richardson, 21 C.R.C. 923.) The information of record here does not enable us to make a finding that the increase sought is justified. The application will be denied.

O R D E R

This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that the above entitled application be and it is hereby denied.

The effective date of this order shall be ten (10) days from the date hereof.

Dated at San Francisco, California, this 14th day of July, 1942.

Justin J. Cameron
Ray J. Riley
M. B. Allen
Francis R. Havenner
Richard L. Laube

Commissioners