

Decision No. 38652

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SAN JOAQUIN COMPRESS & WAREHOUSE )  
COMPANY, Bakersfield, California, for )  
authority under Section 63 of the )  
Public Utilities Act to increase its )  
Present Existing Warehouse Rates. )

Application No. 26390

**ORIGINAL**

BY THE COMMISSION:

Appearances

L. H. Stewart, for applicant.  
John Gallagher and John R. Bliss, for Chester  
Bowles, Administrator, Office of Price  
Administration, interested party.  
F. W. Docker and J. Richard Townsend for  
Producers Cotton Oil Company, in-  
terested party.

OPINION ON FURTHER HEARING

By this application San Joaquin Compress & Warehouse Com-  
pany, a corporation engaged in the business of compressing and ware-  
housing cotton at Bakersfield, seeks authority to increase certain  
of its public utility warehouse rates and charges.

After public hearings, the application was originally de-  
nied for lack of justification (Decision No. 38246, September 25,  
1945). Thereupon, applicant petitioned for further hearing in order  
that it might offer additional evidence in support of its proposal.  
Further hearing was granted and was had before Examiner Bryant at  
Los Angeles on November 13, 1945. This decision is based upon all  
of the evidence of record in this proceeding.<sup>1</sup>

San Joaquin Compress & Warehouse Company is engaged in the  
business of compressing and warehousing cotton, with plants in  
Bakersfield, California, and in Arizona. Only the warehousing opera-  
tion at Bakersfield is involved in this application.<sup>2</sup>

<sup>1</sup> Evidence in prior hearings, described in Decision No. 38246,  
*supra*, will not be discussed herein except as necessary for clarity.

<sup>2</sup> Applicant considers that the compression of cotton is a non-ware-  
house service not subject to the jurisdiction of this Commission.

At the further hearing, applicant's comptroller introduced and explained an exhibit containing financial statements showing segregated results of the warehouse, compress and other operations. He stated that accounts for the different operations have been maintained separately since November, 1943. For the purposes of this proceeding he allocated figures for previous years between warehouse and compress services based upon his experience and judgment. His exhibit contains a balance sheet as of June 30, 1945; income and expense statements for the fiscal years ended June 30, 1941, through 1945; and a schedule of reserves for depreciation. The following table shows warehouse income and expenses for the several years as set forth in the exhibit of the comptroller.

	For Years Ended June 30				
	1941	1942	1943	1944	1945
Bales handled	60,407	66,665	53,799	57,125	68,812
<u>Revenues:</u>					
Storage	\$52,535	\$46,238	\$41,287	\$37,213	\$35,332
Handling	6,585	14,929	17,591	13,283	17,203
Other	1,795	3,081	2,792	1,380	7,164
	<u>\$60,915</u>	<u>\$64,248</u>	<u>\$61,670</u>	<u>\$51,876</u>	<u>\$59,699</u>
Adjustment of Accruals		9,272	7,483		
TOTAL REVENUES	\$60,915	\$54,976	\$54,187	\$51,876	\$59,699
<u>Expenses:</u>					
Labor and Salaries	\$17,659	\$24,927	\$27,538	\$30,157	\$32,799
Depreciation	9,524	9,930	9,951	9,726	9,558
Other (Including Federal Income Taxes)	16,236	11,678	12,129	10,663	12,604
TOTAL EXPENSES	\$43,419	\$46,535	\$49,618	\$50,546	\$54,961
NET OPERATING REVENUE	\$17,496	\$ 8,441	\$ 4,569	\$ 1,330	\$ 4,738

The general manager of the company testified that during the current fiscal year the nature of the company's business had changed. He said that in the war years about 85 per cent of the business was controlled by the government. However, indications were that government business for the current year would account for not more than 10 or 12 per cent of the total, and that the remainder would be directly with the cotton shippers or owners. He said that one result of this change was that very little compressed cotton was being stored. Instead, cotton was moving into storage in uncompressed bales to be compressed to standard or high density just prior to reshipment, depending on whether it was destined for domestic or export markets. He did not anticipate that the change would have any material effect upon the volume of the company's revenues. He stated that the net storage rate charged the government was approximately 18 cents per bale, and that the tariff rate applicable to shipper cotton in uncompressed bales was 20 cents. He said that the higher storage rate applicable to shipper cotton was offset by the fact that the storage period of shipper cotton averaged somewhat less than that of government cotton.

This witness said that the cost of labor was a principal item of warehouse expense and that labor costs had increased several times in recent years. He testified that wage rates for the fiscal year ending June 30, 1946, were 11.7 per cent over those for the previous fiscal year and were 135.8 per cent over those paid during 1937. He stated that, notwithstanding the higher labor costs, the company had not increased its charges to the public; however, it could not continue absorbing increased costs without seeking an increase in revenue.

In his exhibit the general manager calculated that had the proposed rates been charged during the current fiscal year, they would have resulted in an increase of \$11,545 in gross revenue.

He also calculated that expenses, because of higher labor costs, would be increased \$3,438. Assuming that other expenses would remain at 1945 levels, that the volume would be the same, and that the proposed rates had been applicable since the start of the current fiscal year, the general manager estimated applicant's net earnings for the year would have been \$9,132, after an allowance of \$3,640 for federal income taxes.

One adjustment appears necessary in the expense figures upon which applicant based its prediction of net income from the proposed rates. Applicant excluded from estimated revenues \$3,712 earned in the fiscal year 1945 for the performance of extra services in handling government cotton, but failed to exclude corresponding labor, salary, and other expenses in the total amount of \$4,200. The elimination of \$4,200 expenses would increase net operating revenue to \$16,972 before taxes and to \$12,490 after allowing \$4,482 for federal income taxes.

It is apparent that under present rates the company has had only a small profit margin. From the foregoing figures it appears that the proposed rates would yield returns more commensurate with the investment and operation involved, and would not be unreasonable. We turn then from the over-all financial requirements to a consideration of the specific rates, in order that it may be seen whether, aside from their net effect upon applicant's revenue, they may be reasonable by other standards.

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 Upon net operating revenue of \$16,972, it may be calculated that a normal federal tax of 15 per cent on the first \$5,000 net revenue, plus 17 per cent on revenue over \$5,000 but not over \$20,000, plus surtax of 10 per cent, would result in a total tax of \$4,482.

The proposed rates, as well as the present tariff rates for comparison, are set forth in detail in Appendix A which is attached hereto. The principal rate changes that applicant would accomplish are an increase of 16 cents per bale for handling services; an increase of 3 cents per bale in the monthly storage rate for high density compressed cotton and a reduction of 2 cents per bale in the monthly storage rate for standard density compressed cotton; and elimination of the provision for free storage time. Other rate changes proposed include increases in the rates for sampling, weighing, delivering, handling, marking and tagging.

The general manager asserted that the proposed rates are used with the approval of federal agencies by about 90 per cent of the cotton warehouses throughout the United States. He declared that these rates have been accepted by the cotton trade in other states and that rate uniformity would benefit producers, buyers, and others interested in the handling of cotton.<sup>5</sup> Discussing the specific rates, he said that handling was primarily a labor item and that the increase of 16 cents per bale in the rate for handling was necessary to compensate for the increased labor costs. As to the elimination from the warehouse tariff of the provision for free storage time, the witness said this provision was originally included to facilitate the company's compress operations which are considered to be non-utility services. He testified that the change in storage rates would have little effect on revenues, for he did not anticipate that much compressed cotton would be offered for storage during the current fiscal year; furthermore, the proposed storage rate for standard density compressed cotton was approximately the same as that charged for the storage of government cotton in prior years. The witness said that the effect of the other rate changes would be minor. He testified

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<sup>5</sup> Similar rates were sought by other California warehousemen. See Application No. 26450 of Producers Cotton Oil Company, submitted November 13, 1945, on further hearing; and Application No. 26582 of Western Compress Company, denied by Decision No. 38244 of September 25, 1945, for lack of justification.

also that cotton producers will receive \$61.65 more per bale during the 1945-1946 season than they did during the fiscal year ended June 30, 1941, and concluded that because of the increased value of the commodity, the burden of the rate increases would be negligible.

Three public hearings have been held in this proceeding, one at Fresno and two at Los Angeles. The customary notices have been given to parties believed to be interested. No one has appeared to interpose any objection to the proposed rates nor to contend that they would be excessive or otherwise unreasonable. The Office of Price Administration representative stated that the proposed rates would not exceed those authorized for similar services in other states, and that his agency was not opposed to the granting of this application.

From the full record now before the Commission it appears that the rates and charges now proposed by applicant will be reasonable. Upon careful consideration of all of the facts and circumstances of record, the Commission finds as a fact that the increased rates and charges proposed by the applicant in this proceeding, as set forth in Appendix A attached hereto, are justified. The application will be granted.

O R D E R

Further hearing having been had in the above entitled application, the proceeding having been duly submitted, full consideration of the matters and things involved having been had, and the Commission now being fully advised,

IT IS HEREBY ORDERED, that San Joaquin Compress and Warehouse Company be and it is hereby authorized to establish, on not less than ten (10) days' notice to the Commission and to the public, the proposed rates and charges which are specifically set forth in Appendix A which is attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void unless the rates and charges authorized in this order are published, filed and made effective within ninety (90) days from the effective date of this order.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 29<sup>th</sup> day of January, 1946.

Harold Anderson  
Justus F. Carver  
Francis W. Clark  
Joseph H. Lowell  
Harold P. Huls  
Commissioners

APPENDIX A.

Item	Charge per Bale (unless otherwise indicated)	
	Present	Proposed
<b>1. STORAGE</b>		
<u>Present:</u>		
a. For the first month or part thereof	\$ .20	
Extra storage per month or part thereof	.20	
b. High density, compressed cotton, per month or fraction thereof	.15	
c. Free time: Fourteen days free time allowed before storage begins.		
<u>Proposed:</u>		
a. For first month or part thereof (Storage will be computed from date of receipt to same date of succeeding month.)	\$ .20	
Extra storage per month or part thereof	.20	
b. Standard or high density compressed cotton, per month or fraction thereof (Storage will be computed from date of receipt to same date of succeeding month.)	.18	
<b>2. HANDLING</b> - Including unloading, handling in, weighing and sampling upon arrival, tagging and issuing negotiable warehouse receipt, and loading out of warehouse by this company.		
	.25	.41
<b>3. SAMPLING AND WEIGHING</b> - At same time, in storage:		
	*	.35
<b>4. SAMPLING</b>		
In storage	.10	.23
On delivery, or when other service is being performed:	.10	.12
<b>5. WEIGHING</b>		
In storage	.25	.23
On delivery, or when other service other than resampling, is being performed	.10	
On delivery, or when other service is being performed		.12
<b>6. DELIVERING</b> - Cotton removed without being compressed by this company, including loading on railroad cars or compress siding and/or to trucks at compress platform		
	.50	.58



APPENDIX A (Continued)

Item	Charge per Bale (unless otherwise indicated)	
	Present	Proposed
7. BANDS		
On uncompressed cotton received with less than six bands on each bale a charge for each missing band will be made - per band.	\$ .10	
Where more than nine bands to each bale are ordered - per band	.10	
Where more than eight bands to each bale are ordered - per extra band		\$ .12
Compressing cotton received with less than eight bands - per missing band.		.12
Uncompressed cotton received with less than six bands - per missing band.		.12
8. MARKING		
When compressed by company	Free	
When not compressed by company	.05	
One side		Free
Two sides		.06
Stencil branding one side		Free
Stencil branding two sides		.06
9. TAGGING		
With shippers' tags	.03	.035
Removing tags	.03	.035
When both services performed jointly		.06
10. EXTRA SERVICES		
All labor performed which is not specifically provided for, per man hour	1.00	1.17

\*No such item in present tariff

(End of Appendix)