

ORIGINAL

Decision No. 39484

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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

Application No. 27745

Appearances

L. H. Stewart, for applicant.

O P I N I O N

San Joaquin Compress & Warehouse Company, a corporation engaged in the business of compressing and warehousing cotton at Bakersfield, seeks authority to increase certain of its public utility warehouse rates and charges. The application was submitted at a public hearing held at Bakersfield on September 4, 1946, before Examiner Bryant.

The rates and revenue needs of San Joaquin Compress & Warehouse Company (hereinafter sometimes called "San Joaquin") were considered by this Commission in a recent application proceeding. The decision therein authorized specific increases of varying percentages in the rates and charges, estimated to produce a net annual operating revenue of \$12,490 after allowing for federal income taxes.¹ The rates became effective on February 28, 1946. San Joaquin alleges in the instant application that the rates have failed to yield the anticipated net operating revenues, and would have been entirely deficient even had they been in effect throughout the full cotton season.

¹

Decision No. 38652 of January 29, 1946, in Application No. 26390.

Testimony in support of the application was offered by applicant's secretary-treasurer and general manager, and by its controller. Although some of applicant's operating expenses have increased since the present rates were authorized, and further increases are anticipated, its present difficulties as disclosed on this record must be attributed almost entirely to a sharp reduction in the number of bales of cotton handled. The smallest number of bales handled in any of the five fiscal years ending June 30, 1941, through 1945, was 53,800. During the year ending June 30, 1945, 68,812 bales were handled through the warehouse. By contrast, only 26,695 bales were handled during the latest fiscal year ending June 30, 1946. Whereas the total warehouse revenue during the five years ending June 30, 1945, never fell below \$50,000 annually, the revenue for the latest fiscal year was only \$27,520. Expenses could not be reduced proportionately to the reduction in income, hence a net operating loss occurred.

San Joaquin's general manager testified that the reduction in storage requirements for cotton was not peculiar to his company, but was rather general throughout the country. He explained that increased demand for cotton manufactures since the end of the war, combined with subnormal crops, had drawn stored cotton from the warehouses and encouraged incoming crops to move directly from the compresses to the mills. He thought that the cotton industry was going through at least a two-year reconversion period, and doubted that there would be any substantial increase in long-term storage requirements for some time. For his own company, however, he felt with some degree of confidence that it could build up the volume of storage business over that received last season. He thought it might be possible through managerial methods and active solicitation, to attain a maximum of 41,000 bales during the 1946-1947 season.

Applicant introduced an exhibit showing in some detail, with

segregation between warehouse and compress operations,² a balance sheet as of June 30, 1946, a schedule of reserves for depreciation since 1940, profit and loss statements for several past years including the fiscal year ending June 30, 1946, and a more detailed statement of actual warehouse revenues and expenses for the fiscal year under rates assessed, and as estimated under the rates herein sought. The following table, developed from the exhibit, shows the sources of warehouse revenue for the fiscal year, estimated revenues under present and proposed rates assuming no change in the number of bales handled or in other conditions, warehouse expenses as incurred during the year, and net warehouse operating losses or revenues under each basis of rates:

	Actual Revenues For Year Ending June 30, 1946	Calculated Revenues Had Present Rates Been in Effect Throughout Period	Calculated Revenues Had Proposed Rates Been in Effect Throughout Period
Storage	\$14,486	\$15,401	\$21,504
Handling	7,135	10,945	13,348
Removing Tags	532	577	659
Sampling & Weighing at same time	841	1,471	2,101
Sampling in Storage	651	1,356	1,769
Sampling on Delivery	154	154	231
Weighing in Storage	872	1,993	2,600
Weighing on Delivery	295	293	439
Delivering Uncompressed Cotton	362	364	470
Extra Services Per Man Hour	0	0	0
Extra Services on Govern- ment Cotton	34	34	34
Receipts from Sale of Loose Cotton	2,158	2,158	2,158
Total Operating Revenues	\$27,520	\$34,746	\$45,313
Total Operating Expenses	41,272	41,275	41,275
	(\$13,755)*	(\$6,529)*	\$4,038

* () - Indicates Loss

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The compression of cotton is considered by San Joaquin to be a non-warehouse service not subject to jurisdiction of this Commission.

As shown in the table, applicant calculates that it would have earned a net revenue of \$4,038 during the past fiscal year if the rates now proposed had been applied to all services performed during the year. Applicant anticipates that it will be able to develop a greater volume of storage business during the coming season, the natural effect of which would be to increase both the gross revenues and the operating expenses. On the basis of San Joaquin's maximum expectation of 41,000 bales, the gross revenues at the proposed rates may be approximated at \$68,789. If the operating expenses were to increase proportionately, the expenses would be \$62,715, leaving a net revenue of \$6,074. Actually, the expenses would not increase proportionately, since certain fixed expenses would be unaffected by the volume of business handled, but the record does not afford a basis for estimating the future expenses more accurately.

The net revenue of \$4,038 which applicant would receive under the proposed rates if operating expenses and volume of business remained unchanged would represent an annual return of only about two per cent on the depreciated book value of applicant's warehouse properties. The net revenue of \$6,074 which would accrue under the proposed rates if revenues and expenses increased proportionately to an expansion in business from 27,000 bales to 41,000 bales would represent an annual return of about three per cent on the same value figure. As hereinbefore indicated, the Commission found as recently as January, 1946, that a net annual operating revenue of \$12,490, after income taxes, would not be an unreasonable return on the warehouse operations of this company. Under favorable circumstances applicant might earn a net revenue in excess of \$6,074 under the sought rates, but it is altogether improbable that they would permit the company under any foreseeable circumstances to earn during the fiscal year a net

operating revenue of as much as \$12,490 heretofore found to be not unreasonable. On this record, therefore, we conclude that the revenue which may be anticipated under the proposed rates would not be excessive.

San Joaquin's general manager declared that the company was entitled to earn a greater profit than it can reasonably expect to get from the proposed rates, but felt that under existing circumstances it would be unwise to establish rates higher than those now sought. He recognized that lower rates are maintained at warehouses located in Fresno and Tulare. He thought that the rate differences which would exist if this application were granted would not cause any material diversion of cotton to the lower-rated warehouses under current conditions, and indicated that the competitive factor had been considered by his company before advancing the present proposal. He felt that at the least the rates now proposed would permit the warehouse operation to pay its way and earn some small profit, and he thought no more than that could be counted upon under prevailing conditions.

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 from 20 cents to 25 cents per bale per month for storage of uncompressed cotton, an increase from 18 cents to 23 cents for storage of cotton compressed to standard density or high density, and an increase from 41 cents to 50 cents per bale for "handling," which includes unloading, handling in, weighing and sampling upon arrival, and loading out of warehouse. Other changes proposed include varying increases in the rates for sampling, weighing, tagging, delivering uncompressed cotton, and for extra services not specifically provided for in the tariff.

The general manager stated that the rates herein sought were first proposed in April, 1946, by spokesmen for some 90 per cent of the cotton warehouse space in the United States, and had already been published in California for application at warehouses located in Stockton.³ Although some other California warehouses maintain lower rates, the witness believed that publication by his company of the proposed rates would result in more uniformity in warehouse charges than would otherwise be the case. He declared that uniformity would benefit producers, buyers, and others interested in the handling of cotton.

The customary notice of hearing was given to parties believed to be interested. No one 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 did not intervene in this proceeding.

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.

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The April decision was made by an industry advisory committee of the Office of Price Administration, prior to decontrol of the cotton warehouse industry in so far as that agency is concerned. The Stockton warehouses were identified by the witness as Haslett Compress Company, operating at the Port District Compress, and Haslett Warehouse Company, operating warehouses designated A to M, inclusive.

O R D E R

Public 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 five (5) 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 except to the extent that the rates and charges published pursuant to this authority are 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 8th day of October, 1946.

Harold F. Hule
Justus F. Craven
W. H. ...
...
A. E. ...
Commissioners.

APPENDIX "A"

Item	RATES	
	Pre- end	Pro- posed
1. STORAGE: Includes tagging and issuing warehouse receipt:		
A. For first month or part thereof.....per bale	\$.20	\$.25
(Storage will be computed from date of receipt to same date of succeeding month)		
Extra storage per month or part thereof.....per bale	\$.20	\$.25
B. STANDARD OR HIGH DENSITY COMPRESSED COTTON:		
Per month or fraction thereof.....per bale	\$.18	\$.23
(Storage will be computed from date of receipt to same date of succeeding month)		
2. HANDLING:		
Including unloading, handling in, weighing and sampling upon arrival and loading out of warehouse by this company.....per bale	\$.41	\$.50
3. SAMPLING AND WEIGHING: - At same time.		
A. In storage.....per bale	\$.35	\$.50
B. On delivery or when other service is being performed.....per bale	\$ -	\$.30
4. SAMPLING:		
A. In storage.....per bale	\$.23	\$.30
B. On delivery or when other service is being performed.....per bale	\$.12	\$.18
5. WEIGHING:		
A. In storage.....per bale	\$.23	\$.30
B. On delivery or when other service is being performed.....per bale	\$.12	\$.18
6. DELIVERING:.		
Uncompressed cotton delivered by this company, including loading on railroad cars on warehouse siding and/or to trucks at warehouse platform...per bale	\$.58	\$.75
7. BANDS:		
When more than eight bands to each bale are ordered.....per extra band	\$.12	\$.12
Compressed cotton received with less than eight bands.....per missing band	\$.12	\$.12
Uncompressed cotton received with less than six bands.....per missing band	\$.12	\$.12
8. MARKING: (See Note)		
One side.....Per bale	Free	Free
Two sides.....per bale	\$.06	\$.06
Stencil branding one side.....per bale	Free	Free
Stencil branding two sides.....per bale	\$.06	\$.06
NOTE: Above rate is limited to four letters per mark or brand.		
9. TAGGING:		
With shipper's tags.....per bale	\$.035	\$.04
Removing tags.....per bale	\$.035	\$.04
With both services performed jointly.....per bale	\$.06	\$.06
10. EXTRA SERVICES:		
All labor performed which is not specifically provided for herein will be charged at.... Per man-hour	\$1.17	\$1.50

(End of Appendix "A")