

Decision No. 42267

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

WESTERN COMPRESS COMPANY )

for an Order Authorizing Increases )  
in Rates on Less than Thirty Days' )  
Notice. )

Application No. 29731

Appearance.

Ray J. Coleman, L. J. Brungs, and Frank B. Wilmer,  
for applicant.

ORIGINAL

O P I N I O N

Western Compress Company, a corporation, is engaged in the business of compressing and warehousing cotton at Fresno, Tulare, and San Pedro, California, and at Phoenix, Arizona. By this application it seeks authority to increase the charges maintained for warehousing services at its California plants.

Public hearing was had before Examiner Bryant at Fresno on October 26, 1948. The matter is ready for decision.

Applicant alleges that the costs of rendering the warehouse services have increased substantially since the tariff rates were last adjusted in January, 1947; that the services have been and are being conducted at a loss; and that rate increases as herein sought are necessary if further substantial losses are to be avoided. In support of the application an officer of the company testified and introduced exhibits showing in detail the physical and financial aspects of the company's operations. The exhibits include, among other items, balance sheets, income and surplus statements for the past five years, and schedules of investments, depreciation, amortization, wage rates, various costs per bale, and statements of revenues and expenses under present and proposed rates.

Western Compress Company, according to the exhibits, sustained substantial losses from its California warehouse operations in each of the last three years.<sup>1</sup> For the latest fiscal year, which ended with July 31, 1948, the indicated net operating loss exceeded \$78,000.<sup>2</sup> Moreover, subsequent to that date the rates of pay to warehouse labor were raised in amounts which the witness estimated would increase the company's annual labor expense by about \$9,000. The following table summarizes the revenue and expense figures, under present and proposed rates, as set forth in or developed from the exhibits of record:

WAREHOUSE OPERATIONS  
YEAR ENDED JULY 31, 1948

	<u>Under Rates As Assessed</u>	<u>Had Sought Rates Been in Effect</u>
<u>Operating Revenues</u>		
Storage	\$165,002	\$196,528
Handling	110,707	166,060
Sampling and Weighing	29,999	39,866
Sale of Loose Cotton	28,217	28,217
Other Services	15,694	16,103
	<u>\$349,619</u>	<u>\$446,774</u>
<u>Operating Expenses</u>		
Labor and Salaries	\$287,656	* \$296,723
Depreciation	44,433	44,433
Taxes	39,596	39,596
Rent	20,093	20,093
Insurance	18,305	18,305
Other Expenses	17,920	17,920
	<u>\$428,003</u>	<u>\$437,070</u>
<u>Net Operating Revenues</u>	<u>\$(78,384)</u>	\$ 9,704
<u>Income Tax</u>	-	# \$ 2,389
<u>Net Revenues After Income Tax</u>	<u>\$(78,384)</u>	\$ 7,314
<u>Operating Ratio (after taxes)</u>	<u>122.42%</u>	98.36%

\* Adjusted to basis of estimated labor costs under present contract.

# Based upon corporation tax rates applicable to the revenue herein involved. When combined with the nonutility income, higher tax rates would apply.

( ) Denotes Loss

<sup>1</sup> The nonutility operations, which for purposes of this application embrace all operations at the Arizona plant and the compression and other nonwarehouse services at the California plants, were profitable in themselves but not in sufficient amounts to offset fully the warehouse losses.

<sup>2</sup> The combined utility and nonutility services for the year resulted in operating revenues of \$1,074,001 and expenses of \$1,073,330, producing an over-all net revenue of only \$671, and an operating ratio of 99.94 per cent.

The witness did not undertake specifically to predict operating results for the coming year. He declared that he knew of no satisfactory basis for estimating how much cotton would be offered for storage, nor for what periods it would be held in storage. Forecasts made in prior years, he stated, had proved to be entirely unreliable. The witness pointed out, however, that the warehousing services have been performed at a loss for a number of years. He argued that the company should not be expected to continue operating without profit; and testified ~~to~~ his conviction that further losses could be avoided only by the establishment of higher rates as herein sought.

The present and proposed rates are set forth in detail in Appendix "A" hereto. The witness explained that the sought rates were developed from analysis of his company's costs of performing the various services, giving due consideration to the rates maintained by competing warehouses. He stated that direct labor is the most significant cost item, and that the rates proposed for the several services vary principally according to the amount of labor involved in each type of service. The sought rates are in general the same as, or less than, those which were recently established by other cotton warehouses in this State.<sup>3</sup>

No opposition was offered to the granting of this application. No one other than representatives of Western Compress Company appeared at the hearing or otherwise participated in the disposition of this proceeding. Applicant's witness testified that his company gave timely notice of the filing of this application to

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<sup>3</sup> San Joaquin Compress & Warehouse Company, California Compress & Warehouse Company, and Haslett Compress Company, authorized by Decisions Nos. 42036, 42037 and 42119, respectively.

all storers and other parties believed to be interested, and received no response of any kind.

The record in this proceeding is clear that the rates and charges now maintained by Western Compress Company are not sufficient to return the costs which it incurs in connection with its California warehouse services. Based upon volume handled and services performed in the past fiscal year, as developed in the foregoing table, the proposed rates would return a revenue sufficient to meet all of the costs, but would return a net revenue, after taxes, of only \$7,314. The operating ratio would be 96.36 per cent, leaving a profit margin of less than two per cent of the gross revenues.<sup>4</sup> Whether or not the actual operating experience for the current fiscal year is likely to be more favorable or less favorable than these figures would indicate cannot be definitely determined. On the available evidence, however, no probability appears that the sought rates would produce excessive revenues. As has been hereinbefore indicated, the proposed rates and charges are similar to or lower than those which have been found to be justified for establishment by several other cotton warehouses in this State.

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 specifically set forth in Appendix "A" hereto, are justified; and that their publication on less than statutory notice should be authorized. The application will be granted.

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<sup>4</sup> The indicated profit represents about one-half of one per cent of the investment cost (\$1,422,367) allocated to the public utility operations.

O R D E R

Public hearing having been had in the above entitled application, and based upon the evidence received at the hearing and upon the findings and conclusions set forth in the preceding opinion,

IT IS HEREBY ORDERED that Western Compress 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 increased rates and charges as 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 expire 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 23rd day of November, 1948.

R. Z. [Signature]  
[Signature]  
[Signature]  
[Signature]  
Commissioners

APPENDIX "A"

RATES AND CHARGES FOR THE STORAGE AND HANDLING  
OF COTTON, AND FOR MISCELLANEOUS SERVICES

<u>ITEM</u>	<u>R A T E S</u>	
	<u>(In Cents Per Bale)</u>	
	<u>Present</u>	<u>Proposed</u>
1	STORAGE:	
	(a) Uncompressed cotton - per month or fraction thereof -	
	Subject to Note 1 - - - - -	25 30
	(b) Compressed cotton - Standard density or high density - per month or fraction thereof -	
	Subject to Note 1 - - - - -	20 25
	NOTE 1 (no change)	
2	HANDLING:	
	Including unloading, handling in, weigh- ing and sampling upon arrival, tagging and issuing negotiable warehouse re- ceipt, and loading out, if compressed by this company - - - - -	
		50 75
3	SAMPLING:	
	At time of shipment or compression - -	
		20 25
	Except at time of unloading shipment or compression - - - - -	
		25 30
	Drawing an extra or double sample at time of any sampling - - - - -	
		15 15
4	WEIGHING:	
	At time of shipment or compression - -	
		25 25
	Except at time of unloading shipment or compression - - - - -	
		35 35
5	WEIGHING AND SAMPLING - AT SAME TIME:	
	Weighing and sampling except at time of unloading, shipment or compression - -	
		50 55
6	DELIVERING:	
	Cotton shipped without being compressed by this company, including loading on railroad cars on compress siding and/or to trucks at compress platform - - - -	
		50 75
7	MARKING:	
	When cotton is compressed by this company two marks, not exceeding five letters or characters each, will be applied on one side of bale - - - - -	
		Free **
	Any and all marks, other than those de- scribed in the preceding paragraph of this item - - - - -	
		#3 **
	# Cents per mark	
8	TAGGING:	
	With shipper's tags - - - - -	
		5 6
	Removing tags - - - - -	
		5 6

R A T E S  
(In Cents Per Bale)  
Present      Proposed

ITEM

9	EXTRA SERVICES: All services performed (other than com- pressing) which are not specifically provided for herein will be charged at * Cents per hour per man	* 150	* 175
10	GOVERNMENT LOAN COTTON: Transmitting samples, postage, filling out schedule of pledged cotton, and signing loan papers - - - - -	25	25

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\*\*\* Item to be eliminated, account nonutility service.

(End of Appendix "A")