

CHAPTER V

ELEMENTS WHICH REDUCE VALUE

Deductions from Value

The Lessening of Worth. — The value of a property may increase or decrease with age. Having in the preceding chapter called attention to the essentials of value and to certain elements which add value, there will be considered briefly in this chapter some of the factors which reduce value.

In the case of any operating plant there will be parts which deteriorate or wear out under the effect of continued use. By ordinary care the rate at which the perishable parts of a plant are consumed in rendering useful service is held at or near the average rate which experience teaches should be regarded as inevitable. If ordinary care is not exercised and a plant by reason of neglect gets into a condition which requires special attention to restore it to an average condition, all circumstances of use and age being considered, the prospective outlay to accomplish this rehabilitation is called deferred maintenance. But even when there is no deferred maintenance there may have been a lessening of worth due to the fact that on account of wear and tear, or by reason of obsolescence, or inadequacy, or from any other cause, the time of probable serviceability of any article in question is being continually lessened. Loss of value from such cause is depreciation. Or again, if cost is made a starting point, it may be found that there is included unused property perhaps held to meet a future demand, but which, when valuations as a basis for rates are under consideration, may have to be omitted or deducted from the aggregate of the listed properties. And, finally, the property under consideration may include items designed of a capacity to meet future