

Decision No. 13063

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
SAN FRANCISCO-SACRAMENTO RAILROAD  
COMPANY, to discontinue San Ramon  
Branch, operated between Saranap  
and Diablo, California, and inter-  
mediate points.

Application No. 9081.

In the Matter of the Investigation  
upon the Commission's own motion  
into the practices, service, safety  
and operating conditions of the San  
Francisco-Sacramento Railroad upon  
its Danville Branch.

Case No. 1931.

ORIGINAL

Jesse E. Steinhart, for San Francisco-Sacramento  
Railroad Company.  
Devlin & Brookman, by Frank R. Devlin, for Danville  
Grange, and other protestants.  
T. C. Nelson, for Contra Costa County Farm Bureau,  
Protestant.  
Frank E. Richey, for Blyth-Witter & Co. and E. E.  
Rollins & Sons.  
J. J. Deuel and L. S. Wing, for California Farm  
Bureau Federation, Protestant.

MARTIN, Commissioner:

OPINION

In the above entitled application No. 9081, the San  
Francisco-Sacramento Railroad Company alleges that a branch of  
its railroad known as the "San Ramon Branch", extending between  
the stations of Saranap and Diablo in Contra Costa County, has  
been operated at a material loss; that the revenues have been  
insufficient to cover operating expenses, and that the line cannot  
be made to operate at a profit. An order authorizing the abandon-  
ment of this branch line is asked. Case No. 1931 was instituted

by the Commission on its own motion after certain informal representations had been made to it concerning service and safety conditions upon this branch line, and the two matters were consolidated for hearing and decision. Public hearings were held at Danville on July 19th and September 25th, and at San Francisco on October 3, 1923. Abandonment was vigorously protested by residents of the section served by this branch line, and the Board of Supervisors of Contra Costa County filed with the Commission a Resolution stating that it deplored the proposed abandonment, and urging that the application be denied.

DESCRIPTION OF LINE PROPOSED TO BE ABANDONED.

The applicant, San Francisco-Sacramento Railroad Company, operates a line of electric railway between Oakland and Sacramento, connecting at Oakland with the Key System Transit Company for through service to San Francisco. As a part of its system, it operates two branch lines, - the one here in question, and another between West Pittsburg and Pittsburg. This company is the result of the reorganization of corporate ownership of the properties formerly operated by the Oakland, Antioch & Eastern Railway, one of which was the San Ramon Valley Railroad, then operated under lease, and controlled by stock ownership. Under the reorganization plan, the line of this San Ramon Valley Railroad, a corporation, was included with the other properties leased and operated by the Oakland, Antioch & Eastern Railway, and became the San Ramon Branch of the new corporation, the applicant herein (See 16 C.R.C. 960; 17 C.R.C. 493; 17 C.R.C. 675). This line had been constructed in 1913-1914, from Saranap, where it joins the main line of the system, to Danville, and had later been extended to Diablo, a total distance of approximately 10 miles, the cost having been in the neighborhood of \$179,000.

The valley through which this branch line runs is some 10 miles in length and of an average width of one-half mile, given over largely to the raising of fruit and nuts. The valley is also traversed by the San Ramon branch of the Southern Pacific Company, which antedates the electric line here in question, and by a concrete highway, paved in 1920, leading to Walnut Creek and thence to Oakland. Both passengers and freight are carried by the branch line of the Southern Pacific, but as the service on that line is limited to one mixed train daily except Sunday, it is in effect freight service only. No common carrier automobile track or stage line operates at present over the highway.

The service rendered by the San Francisco-Sacramento Railroad Company on this branch line consists of 5 round-trips daily between Saranap and Diablo by a combination passenger and express electric motor car. At Saranap connection is made with applicant's through electric trains for Oakland and Sacramento, the schedule running time between Diablo and San Francisco being approximately 2 hours, of which 30 to 40 minutes are consumed on the branch line. Local less than carload freight, mail and express are handled in the express compartment of the electric motor car above mentioned, and this car acts as a locomotive to haul such carload freight as may be offered for transportation over the branch.

#### RESULTS OF OPERATION.

In support of its application for leave to abandon this

branch line, applicant presented the following statements of revenue and expenses during the 4 years ending December 1, 1922:

REVENUE AND OPERATING EXPENSES DANVILLE BRANCH  
for years  
1919 1920 1921 and 1922

<u>Revenue</u>	1919	1920	1921	1922
Passenger	\$ 5,612.19	\$ 5,614.37	\$ 7,044.42	\$ 5,456.81
Freight	2,030.30	2,126.85	2,174.56	3,328.04
Milk & Express	404.34	338.81	523.92	610.54
Mail	304.72	370.84	370.84	370.84
<b>Total Revenue</b>	<b>\$ 8,351.55</b>	<b>\$ 8,450.87</b>	<b>\$10,113.74</b>	<b>\$ 9,766.23</b>
<u>Operating Expenses</u>				
Way & Structures	\$11,611.88	\$16,475.06	\$11,373.84	\$ 8,814.99
Equipment	2,622.57	2,012.90	2,121.06	1,910.26
Power	1,020.28	1,207.36	1,276.04	1,254.94
Conducting Trans.	6,790.42	7,120.94	6,855.73	6,918.88
Genl. & Misc.	432.78	684.58	440.58	612.58
Taxes	438.46	443.67	530.97	512.73
<b>Total Expenses</b>	<b>\$22,916.39</b>	<b>\$27,944.51</b>	<b>\$22,598.22</b>	<b>\$20,024.38</b>
<u>Net Deficit</u>	<b>\$14,564.84</b>	<b>\$19,493.64</b>	<b>\$12,484.48</b>	<b>\$10,258.15</b>

This statement shows a progressively decreasing net deficit for the years 1921 and 1922 respectively, accounted for by the substantial decrease in the amounts expended for the maintenance of way and structures during these years. This matter of deferred maintenance is discussed hereinafter under the heading of Rehabilitation.

The revenue items were arrived at by pro-rating the revenues from all business moving over any portion of the branch on a mileage basis, the total amount received for transportation being pro-rated to the branch and main line, respectively, in proportion to the number of miles upon the branch and main lines consumed in the movement. The actual expense for labor and material in maintenance of way and structures was used, while the figures for equipment maintenance were derived by applying the average car mile maintenance of equipment cost throughout the system to the number of car miles operated upon the branch. The amount allowed for power is

based upon an actual test of the power consumed by the motor car used upon the branch, power being figured at its cost at the substation, plus 25% current conversion charge, plus 15% allowance for line losses. Actual expense of crews on the branch, together with the salary and expenses of the Danville agent, constitute the charge for conducting transportation. The estimates of general and miscellaneous include only per diem and insurance charges, and do not include any portion of applicant's general office, legal, traffic or operating expenses. Taxes are pro rated in the same manner as revenue. If we are to accept this mode of figuring operating costs and revenue upon this branch line, it is evident that substantial loss has been incurred, and will continue unless conditions materially change.

Engineers from the division of transportation of the Commission made a survey of the operation of this branch line and presented a report showing financial results to applicant which they estimated might be expected from its abandonment. In this estimate, revenues which would be lost to the system if the branch line were abandoned, are considered as revenues of the branch, and expenses which would be saved are considered as operating expenses. Excluding the items of renewal and depreciation, this method originally showed an estimated total revenue of \$20,474, and an estimated total operating expense of \$18,775, leaving a net income of \$1,699. It was the later opinion of the Commission's engineers, however, that \$3,400 should be added to cover main line expense, and that \$500 should be subtracted because of decreased renewal costs, making a net result of \$1,201 loss per annum. This method of estimating the results of operation, while no doubt an approximation, shows the operations of this line in the most favorable possible light.

## REHABILITATION

It appears that if operation over this branch line is to continue a substantial program of rehabilitation must at once be undertaken, since for sometime the branch has not had sufficient earnings to cover maintenance or depreciation charges, and expenditures that would normally have been made for maintenance purposes have been deferred.

It seems proper that if this rehabilitation is to be undertaken at all it should be complete and should put the line in first class operating condition to handle the present volume of business, together with a reasonable increase in traffic, and the Commission is in accord upon all the main items suggested by the Commission's engineers, after investigation and survey, as necessary to a reasonable rehabilitation program. In brief, such a program would include:

Ballast	13,000 cu.yds.	@ \$1.50	\$19,500
Cross Ties (two-year renewal) 6"x 8"x 8' Redwood	16,600	@ 1.05	17,430
Switch ties	7 sets	@ 80.00	560
Tie plates (all ties)	53,000	@ .16	8,480
Bridges and trestles			4,160
Bank restoration			2,000
Rip-rap			2,500
Street paving at Danville	19,800 sq.ft.	@ .15	2,970
Overhead construction			4,500
Rebuild car body			5,600
Track labor	25,000 hours	@ .40	10,000
Store expense, tools, supervision, etc. 10%			7,800
	Total		<u>\$85,500</u>

If to these sums be added the salvage value of the line, if abandoned (estimated at \$30,000), the loss which applicant would suffer in case of non-abandonment would be considerably enhanced.

## FUTURE POSSIBILITIES

The evidence presented at the hearings in these matters shows that at the time the San Ramon Valley Railroad was constructed there was in the minds of a large number of persons, including the builders of the line, an expectation that the San Ramon Valley would develop into a commuting residence area similar to certain sections of Marin and San Mateo Counties, but the hope of such development has not materialized. Danville is one-half hour farther removed from San Francisco as regards time than are either San Rafael or Palo Alto, which appear to limit the reasonably profitable commuting areas north and south from San Francisco, and while those areas have undergone rapid development during the past five years, the number of regular commuters originating on the line here in question has remained small and practically constant. In 1919 there were twenty-one such commuters; in 1920 twenty-four; in 1921 twenty-five; in 1922 seventeen, and in 1923 twenty-two, figures for May, the month of heaviest travel, being taken.

It was suggested by protestants that this section might develop into a commuting area for Oakland and other "East Bay" points, but the record before us shows that no such development has, in fact, taken place and future development is speculative and uncertain both as to fulfillment and to time. It was also suggested that better service on this line would tend to increase the number of commuters. However, evidence submitted by the applicant showed that increased service on the main line, regarding which the same argument was formerly made, has not so resulted, and that the number of regular commuters from main line points in and about Walnut Creek, a section comparable to the one here in question, is now actually less than it was five years ago. Successful commutation business requires the support of a large number of regular commuters, and we cannot escape the conclusion that appli-

cant can scarcely hope to render this branch a profitable venture from a commuting point of view.

During the past few years there has been, in this area, considerable development in the raising of horticultural products, chiefly fruits and nuts, and it appears that there is room for more development along this line, together with that of livestock raising. The evidence before the Commission, however, does not justify the conclusion that the business which may reasonably be expected from such development would accrue to applicant in sufficient amounts to enable the profitable operation of this line.

In addition to the failure of the San Ramon Valley to develop materially as a suburban residence area there have been a number of unexpected, and we think, unforeseeable factors which have militated against the success of this venture. Chief among these has been the rapid development of privately owned automobile competition, which has been aided by the construction of the concrete highway above mentioned. In addition, the operations of this line have been carried on during a period of unprecedented labor and material cost increases, as a result of which many enterprises of this type in all parts of the country have succumbed. These factors have served materially to accentuate the task of profitably operating this branch line. A further unforeseen difficulty has arisen from the fact that, when the county highway along which this branch runs for more than four miles was paved in 1920, its elevation was slightly raised for portions of this distance, with the result that the roadbed of this railroad receives whatever water drains therefrom. It is imperative that if service over this branch be continued, the roadbed be raised sufficiently to escape this surface drainage. This forms a part of the necessary rehabilitation expense.



It was claimed by protestants that applicant has not seriously endeavored to build up certain types of freight business on this branch, such as the carriage of live-stock and hay. To controvert this contention applicant introduced testimony showing that it does not reach either the points of origin or of destination of a large proportion of such possible traffic, but that the Southern Pacific Company, its competitor in this region, does in most cases, have direct access to such points. Applicant also offered testimony to the effect that the hay business was nonremunerative. As to the more profitable types of freight, such as fruit, applicant showed that it had not only sought the business, but had been successful in obtaining the bulk of it in this area. The testimony indicated clearly that applicant has in the past not actively solicited certain lines of business, but there was lacking testimony to show that such business, if obtained, would or could have rendered operations profitable. The evidence tended to show that the loss sustained by this branch line was not in material degree caused or augmented by certain embargoes placed at various times upon certain types of freight.

Authority for the abandonment of public utility service has been granted by this Commission only in cases where it has clearly appeared that operation could not be continued save at an actual loss, and the Commission in this, as in all cases of proposed abandonment, has weighed the evidence with particular care, in order to ascertain whether there might be present some opportunity of economies or increased business which would make profitable operation possible. A public utility, while it owes large

duties to the public, cannot, under the law, be compelled to continue its operation at a loss. (Lyon & Hoag v. R. R. Co., 183 Cal. 145; Brooks Scanlon L. Co. v. R. R. Com., 251 U. S. 396; 64 L. Ed. 323).

Where the operations of a railroad are, as a whole, over the entire system, yielding a fair return, authority for the abandonment of an unprofitable branch line may, we think, sometimes be denied. (See Application of G.B. & W.R.R., 70 I.C.C. 251, 253.) In other words, if a railroad as a whole is profitable (that is, enjoying a fair return) it seems to us proper that it would not be unfair to ask it to stand some loss upon a branch line, where public convenience and necessity appear actually to demand the continuance of service thereon. But in the present case, the railroad, as a whole, earned in 1922 barely two per cent upon the submitted value of its system, as shown by the evidence in this proceeding, with a probability that operation results for 1923 will fall below even that figure. We are of the opinion that in such a case the above principle does not apply, and that it would, therefore, be neither equitable nor legal to demand in the present instance that these branch line losses be longer absorbed. This opinion is strengthened by the fact that we have nothing conclusive before us which would justify the opinion that the loss on this branch line is temporary, or that there is any reasonable prospect of increased business sufficient to render operations profitable. Attention is also directed to the further important fact that an expenditure of approximately \$85,000.00 is necessary to rehabilitate the road for safe and continued operations. The application for leave to abandon will, therefore, be granted, and the proceeding on the Commission's own motion will be dismissed.

We particularly call attention to the fact that the abandonment of this line will not leave this valley without

transportation service. The Southern Pacific Company's San Ramon branch possesses ample facilities to handle the freight traffic of this region, and applicant has offered to install an automobile stage service connecting with its main line at Walnut Creek, to accommodate such passenger business as may develop. While no definite schedule has as yet been proposed, it is our conclusion that such substitutional automobile stage service is practicable, and that by it more frequent connections with main line trains would be possible than are now obtained. Both at the hearings and in its brief filed in these matters, applicant has declared that, if granted authority to abandon the branch line, it will proceed to place before the Commission definite plans for the inauguration of such automobile stage service. The Commission will look to applicant to carry out this expressed intention at once.

#### ORDER

Public hearings having been held in the above entitled proceedings, briefs having been filed, the Commission being fully apprised of the facts, said matters having been submitted, and now being ready for decision, and basing our order upon the above opinion and the findings and statements of fact therein contained:

IT IS HEREBY ORDERED that the San Francisco-Sacramento Railroad Company be, and it is hereby granted permission to abandon operation over its branch line of railroad between Saranap and Diablo in the County of Contra Costa, State of California, and to remove its tracks and appurtenances therefrom, subject to the following conditions:

(1) The operation of said branch shall not cease prior to the 24th day of February, 1924.

(2) With the removal of said track from any portion of any public highway along or across which said track may be located, the said public highway shall be restored to a condition suitable for public use and travel similar to that in which the said highway or highways now are.

(3) Applicant shall cause to be posted notice of abandonment of service in each and every passenger car operated on applicant's system and in each passenger station for ten consecutive days prior to the abandonment of said service.

(4) Applicant shall notify this Commission, in writing, of the removal of said track, within thirty (30) days after said removal.

IT IS HEREBY FURTHER ORDERED, that the above entitled proceeding instituting an investigation upon the Commission's own motion into the practices, service, safety and operating conditions of the Danville branch of San Francisco-Sacramento Railroad Company be, and it is hereby dismissed.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19<sup>th</sup> day of January, 1924.

C. Leary  
H. B. Andie  
Quinn Martin  
Gertrude Shaw  
J. Whitney  
Commissioners.