

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 1817

In the Matter of the Application
of SAUSALITO INCLINE STREET RAIL-
WAY COMPANY for an order author-
izing the issue of capital stock and
for a certificate of public conven-
ience and necessity and of
ALLEN H. VANCE to transfer street
railway franchise to Sausalito
Incline Street Railway Company.

Application No. 1268.

George H. Harlan for applicants.

THELEN, Commissioner.

O P I N I O N.

This is an application on the part of Allen H. Vance for an order authorizing him to transfer to Sausalito Incline Street Railway Company a franchise for an incline street railway granted to Dr. Vance by the Board of Trustees of Sausalito, Marin county, on June 8, 1914, by Ordinance No. 235; an application on the part of Sausalito Incline Street Railway Company for a certificate that the present and future public convenience and necessity require and will require the exercise by the Railway Company of the rights and privileges conferred by the ordinance and construction thereunder; and an application on the part of the Railway Company for an order authorizing the issue of capital stock for the purposes hereinafter specified.

A public hearing was held in Sausalito on August 31, 1914. Additional engineering data which was requested by the Commission has been supplied, the Commission's own engineering department has rendered a report and the application is now ready for decision.

Ordinance No. 235 of the Town of Sausalito grants to Allen H. Vance, his successors or assigns, for the period of 50 years, the right to construct and operate a single or double track railroad of 4 feet 8½ inches gauge, with the necessary

appurtenances. with the right to carry passengers on its cars for hire, over the following route:

Beginning on the westerly line of Water Street where the same is intersected by Excelsior Lane; running thence along the southerly side of Excelsior Lane to Bulkley Avenue; thence crossing Bulkley Avenue to a private right of way parallel, or nearly, with and extending along the northerly line of the continuation of Excelsior Lane to its intersection with Harrison Avenue; thence crossing Harrison Avenue to the extension of Excelsior Lane between Harrison Avenue and San Carlos Avenue, and thence running up said extension of said Excelsior Lane from Harrison Avenue to San Carlos Avenue; thence crossing San Carlos Avenue and continuing in a straight line, being a prolongation of said Excelsior Lane, through Block thirty-one (31) of the lands of the Sausalito Land and Ferry Company and crossing an un-named public street in the Pines Tract to Spencer Avenue; thence crossing Spencer Avenue and Prospect Avenue in a straight line and continuing through Block thirty-two (32) of the lands of the Sausalito Land and Ferry Company to Cobb Avenue; thence following Cobb Avenue in a southwesterly direction into the lands of H. H. Noble, where the proposed terminus of said street railroad shall be located.

The ordinance further provides in part as follows: that the proposed street railroad shall be constructed along the southerly side of Excelsior Lane between Water Street and Bulkley Avenue and along the northerly line of Excelsior Lane between Harrison Avenue and San Carlos Avenue; that streets and avenues shall be crossed horizontally; that cars shall be operated on a schedule to suit the arrival of all ferry boats arriving from San Francisco; that single fares for one continuous trip in one continuous direction shall not exceed five cents; that if the Board of Trustees condemns land to widen Excelsior Lane, the owner

of the franchise will reimburse the city; that the owner of the franchise shall provide suitable steps up Excelsior Lane for the use of pedestrians; and that transfers shall be exchanged with the proposed electric line on Water Street. The ordinance contains the usual provisions of the Broughton Act providing that the work shall commence within four months and that after five years 2 per cent of the annual gross revenue shall be paid to the Town of Sausalito. Certain rights as to fares and service reserved to the Town of Sausalito have now become vested in the Railroad Commission. The franchise contains other provisions to which it is not necessary here to refer.

Sausalito Incline Street Railway Company was incorporated under the laws of California on July 22, 1914, for the purpose primarily of taking over the franchise granted by Ordinance No. 235 and of constructing and operating an incline street railway thereunder. The authorized capital stock consists of 20,000 shares of preferred stock of the par value of \$1.00 each and 30,000 shares of common stock of the par value of \$1.00 each. The preferred stock is entitled to 7 per cent cumulative dividends and will also have preference in the distribution of assets. Common stock of the par value of \$6000.00 has been subscribed for, but no stock has been issued except one share to each of five directors.

The street railway is to run from its lower terminus on Water Street, opposite the depot of the Northwestern Pacific Railroad, up Excelsior Lane, across public streets and over private property to Cobb Avenue; thence along Cobb Avenue to the property of H. H. Noble; and thence into the Noble property to the terminus, a total distance of approximately 2800 feet. The elevation of the initial point is approximately 29 feet above sea-level and the elevation of the summit is approximately 595 feet. The average grade is 20 per cent and the maximum grade is 33 per cent.

H. H. Noble has agreed to donate one acre of land for the terminus on the high lands above Sausalito, if the road is

constructed within a reasonable time. The Sausalito Land and Ferry Company will sell for a very nominal consideration or will donate a right of way through the company's property. Certain other rights of way must be purchased and in one case possibly condemned. When the necessary real estate has been acquired by donation or the sale of stock, I see no reason why the funds for actual construction can not be successfully secured from an issue of bonds.

The Railway Company has presented three plans of construction. Plans 1 and 2 provide for a double track railway of the funicular type, with the two passenger cars balancing one another. Plan 3 contemplates for the present only a single track line with the counter weight in the form of a specially equipped flat car, operating on the opposite side of the upper terminal property over an ordinary tee rail track about 700 feet long. The adjustment for the difference in length between the passenger track of 2800 feet and the center-weight track of 700 feet will be made by a four to one multiple sheaves counter balance mechanism. The counter-weight flat car is not intended to transport passengers, but can handle a limited amount of freight from the road below the hill.

The Railway Company will probably use Plan 3 at the present time, to save operating expenses. When travel increases and one car can no longer handle the passengers, the line will be double tracked and two cars will be operated. Before stock or bonds are authorized for the actual construction of the railway, the Company will be required to submit definite, final plans and specifications.

The Commission's engineering department was instructed to investigate the proposed railroad from an engineering point of view and reports that from this point of view the railroad is entirely feasible and presents no unusual difficulties. The department also reports that the estimates of cost as presented by the Company are as nearly correct as they can be with the data now at hand.

The following table shows the Company's estimate of the cost of the railway and the tentative estimate of this Commission's engineering department, on the data now available:

Table I.

Preliminary Estimate.

Single track, one car line, with counter
balancing incline on opposite side of hill.
(Company's Plan No.3)

<u>Item</u>	<u>Company's Estimate</u>	<u>Engineering Department's Estimate.</u>
1. <u>Right of way and Station Ground and Franchise.</u>		
This item does not appear in the Company's estimate, for the reason that negotiations for several tracts are now under way. The amount here used is the amount shown to be necessary by the testimony. The cost of the franchise will be classed as "promoter's profit" and will be considered hereafter.	\$12000.00	\$12,000.00
2. <u>Roadway and Track.</u>		
2800 track feet of roadway; grading, ballasting, macadamizing; single track; 6" x 8" x 8' redwood ties. Redwood Lumber for board walk, steps, slots, etc; 45# Tee rail and 55# Trilby rail with fastenings; channel bars and fastenings for slots.....\$14120		
700 track feet of roadway and track for counter weight track on opposite side of hill, complete; (this track will be of cheaper construction than the passenger track, as no passengers will be carried on this portion of the line).....\$1500	\$15,620.00	\$15,620.00
3. <u>Cable and Accessories.</u>		
Standard cable road rope, supporting sheaves, deflection and depression pulleys - complete in place.....\$1500		
3000 lin.ft. of 1 1/4" cable..\$ 500	\$ 2,000.00	\$ 2,000.00
4. <u>Fencing right of way and restoring steps</u>	\$ 400.00	\$ 400.00
5. <u>Lower Terminal Station, Platform, Stairway, etc</u>	\$1,200.00	\$ 1,200.00
6. <u>Trolley System:</u>		
2850 feet of special electric trolley system for operating remote control device, which in turn operates the main electric hoisting motor; poles, brackets, wire hangers, porcelain sleeve, insulators, trolley clamps, messenger wire, rail binding; completely installed.....\$ 2,000.00	\$ 2,000.00	\$ 2,500.00

<u>Item</u>	<u>Company's Estimate</u>	<u>Engineering Department's Estimate</u>
6. (continued).		
<p>The company's estimate for this item appears too low. The installation will be comparatively slow and the labor cost will exceed the company's figure. I have added, more or less arbitrarily, and on the basis of the cost of work done elsewhere under more favorable conditions, 25% of the company's estimate to my estimate.</p>		
7. <u>Hoisting Machinery:</u>		
Hoisting rig operated by G.A.C. motor with remote control device, magnetic brake, etc., as per company's plans and details, including three sheaves with shafts and box; installed.....	\$ 5,300.00	\$5,300.00
8. <u>Equipment.</u>		
One standard passenger car without motor, large enough to seat at least 32 people and about an equal number standing.		
This car is estimated to be purchased second-hand.....	\$2,000	
One standard flat freight car, (second-hand) to be rebuilt with superstructure and platform,.....	\$1,000	
	\$3,000.00	\$ 3,000.00
9. <u>Overhead expenses and Contingencies.</u>		
<p>The company's sub-totals of items 1 to 8 inclusive equal--\$41520.</p> <p>To this total it adds \$3,000 for "engineering and contingencies," which is but slightly in excess of 7%. It will very likely develop that this amount is insufficient, and it is possible that it may have to be doubled. I shall allow: Engineering and Law Expenses, 5% of items 1 to 8 inclusive.....</p>		
Contingencies, 10% of 1/8 inc....	\$4400	
	\$ 3,000.00	\$ 6,500.00
10. <u>Interest during Construction.</u>		
<p>Nothing is allowed by the company for this item.</p> <p>Considering that the right of way is being acquired now and will have to be paid for, either in cash or securities, prior to the construction of the road, an interest period of 3 months seems fair. The rate of interest is assumed at 6%. Then, 6% for 3 months on items 1 to 9 inclusive(\$48520).....</p>		
		\$ 727.80
Grand Total.....	\$44,520.00	\$49,247.80

The foregoing table does not include promoter's profit, which will be discussed hereafter. The Company may decide to secure a first class car of larger capacity, but these and other changes will be taken care of in the final estimate.

The Company presented at the hearing the following estimate of gross earnings per month:

Table II.

Estimated Monthly Gross Earnings.

200 commuters at \$1.50 (5¢ round trip)	\$ 300.00
Excursion and tourist tickets, 4000 round trips, at 10¢ each,	400.00
Local traffic, 2000 round trips at 10¢ each,	<u>200.00</u>
Total,.....	\$ 900.00

While it is obviously difficult to estimate the revenue in advance, I believe that this estimate is as correct as it can now be made and is conservative. During the year ending June 30, 1914, the Mill Valley and Mt. Tamalpais Scenic Railway transported an average of approximately 3600 passengers per month. I consider it conservative to estimate that at least twice as many people (excluding the commuters) will spend 10¢ for the round trip on this railway as now spend \$1.10 for the round trip between Mill Valley and Mount Tamalpais. The upper terminus of the proposed railway commands a magnificent view and will undoubtedly be a point of much attraction. The Commission has also considered the number of passengers traveling between San Francisco and Sausalito each month over the Northwestern Pacific Railroad Company's system. From the data at hand, I consider it entirely reasonable to expect a gross revenue of \$900.00 per month from this project after it has been completed and is fairly in operation.

The Company has estimated its operating expenses as follows:

Table III.

Estimated Operating Expenses.

Electric current at 2½¢ per K.W.H., with allowance for cable friction, line losses, motor generator set losses, etc..... \$ 2.00

This figure is based on 32 trips per day up grade and down grade.
length of trip, .54 miles;
Difference in elevations approximately 600 feet;
Total car miles per day, 34.56;
Speed, 600 feet per minute;
Load estimate, 200 passengers per day carried to top of hill.

Labor of two motormen, 10 hours per day each, at \$3.00 per day,..... \$ 6.00

These men, according to the company's estimate, are also to repair track and machinery.

Supplies,..... \$ 1.00

Maintenance and depreciation at 10% of \$30,000 \$ 8.40

Total per day..... \$ 17.40

Total per month..... \$522.00

Additions will have to be made for taxes and certain other items.

While I believe that these operating expenses are too low, particularly in the matter of maintenance and repairs, I am convinced that even with increased operating expenses there will be a substantial margin between the gross revenue and the operating expenses and depreciation sufficient to justify this enterprise. This conclusion is based on the assumption that a considerable portion of the funds for this enterprise will be secured from the sale of common stock at par to property owners in Sausalito who desire to assist the development of the Town ~~and to enhance~~ and to enhance the value of their holdings and who will not look forward to dividends on the stock.

At the present time, the Railroad Commission's authority

is only requested as follows:

1. Transfer of franchise.

I recommend that Allen H. Vance be authorized to transfer his franchise to Sausalito Incline Street Railway Company.

2. Certificate of Public Convenience and Necessity.

I find that the Town of Sausalito will be greatly benefited by the construction and operation of the proposed incline street railway and that ~~the~~ public convenience and necessity require the exercise by Sausalito Incline Street Railway Company of the rights and privileges granted by Ordinance No. 235 of the Town of Sausalito and construction thereunder.

3. Issue of Stock for Real Estate and Preparation of plans.

The Company asks authority to issue at par sufficient preferred stock or common stock to purchase the real estate which will not be donated and to pay for the preparation of complete, detailed final plans. While the evidence at the hearing seemed to show that \$12,000.00 might be sufficient to acquire all the necessary remaining real property, the Company's attorney suggested \$15,000.00, to be safe in case of eminent domain proceedings. I consider this suggestion to be reasonable. Of course no more stock will be issued for this purpose than is absolutely necessary. In this case, as in all others of like kind, the Commission desires to protect subscribers to stock in new enterprises by providing that a sufficient amount of cash shall have been paid in before expenditures of any magnitude start, so as to give a reasonable guaranty of the success of the enterprise and to prevent the possibility, of such frequent occurrence hitherto in the history of this state, of having the moneys which are paid in spent as they are paid and then be totally lost because of impossibility of completing the project. The order herein will accordingly provide that the moneys paid on stock shall be placed in a reputable bank or banks in Marin county and that no

portion thereof shall be spent for the acquisition of real property until at least \$6,000.00 in cash shall be so deposited. If this amount is not realized, the moneys on deposit will thereafter, under supplemental order from this Commission, be returned to the parties who paid them.

I recommend that authority be given to issue at once, capital stock of the par value of \$500.00 for the purpose of paying for the preparation of complete detailed final plans. I understand that public spirited citizens of Sausalito stand ready to pay for this amount of stock at once, for this purpose.

4. Issue of Stock for Promoter's Services and Franchise.

The Railway Company asks authority to issue 15,000 shares of common capital stock of the total par value of \$15,000.00 to Allen H. Vance in payment for the franchise, the services which he has hitherto performed and his services to the completion of the enterprise. The franchise was granted without any payment, but a printing bill of \$130.00 was paid by Dr. Vance. He has devoted much time and energy during the last two years in promoting this project and should be liberally treated. However, if he is paid in common stock, he may in effect receive little or no pay whatever. The Company does not consider that his services are worth \$15,000.00. The common stock is to be issued at only a fraction of its par value on the chance that it may later become valuable. It is to start in circulation with more water in it than real value - a condition which this Commission is constantly trying to cure and to prevent. I think it far more fair to Dr. Vance as well as more in accordance with this Commission's constant aim, if he were paid in something which has real value and in accordance with the real value of his services. After considerable thought, I recommend that Dr. Vance be paid now \$2,500.00 par value of preferred stock, and that after the project is successfully launched he be paid such additional amount in common stock as may then seem fair and just to the

Company and the Railroad Commission. It must be remembered that the value of a promoter's services depends almost entirely on the ultimate success of the project and that his payment must be deferred either entirely or to a considerable extent until the project is successfully carried out.

I recommend to the Railway Company that it amend its articles of incorporation so as to eliminate the provision that with certain exceptions no change whatever can be made in the amount and kind of stock authorized unless each stockholder consents. This provision may later place the company at the mercy of a single stockholder and for that reason should, in my opinion, be eliminated.

I submit the following form of order:

O R D E R.

ALLEN H. VANCE having applied to the Railroad Commission for an order authorizing the transfer to Sausalito Incline Street Railway Company of franchise granted by Ordinance No. 235 of the Town of Sausalito; and SAUSALITO INCLINE STREET RAILWAY COMPANY having applied for a certificate that public convenience and necessity require and will require the exercise by said company of the rights and privileges granted by said ordinance and the performance of construction work thereunder; and Sausalito Incline Street Railway Company having applied for an order authorizing the issue of capital stock in the amount and for the purposes specified in the opinion which precedes this order; and a public hearing having been held on said application; and the Railroad Commission finding that the purposes for which it is proposed to use the proceeds of the capital stock herein authorized to be issued are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED AS FOLLOWS:

1. Allen H. Vance is hereby authorized to convey to

Sausalito Incline Street Railway Company the franchise granted by Ordinance No. 235 of the Town of Sausalito.

2. The Railroad Commission hereby declares that public convenience and necessity require and will require the exercise by Sausalito Incline Street Railway Company of the rights and privileges conferred by said Ordinance No. 235 of the Town of Sausalito and construction thereunder.

3. Sausalito Incline Street Railway Company is hereby authorized to issue its preferred capital stock of the par value of \$2500.00 to Allen H. Vance and its preferred or common capital stock of the par value of \$15,500.00, on the following conditions and not otherwise, to-wit:

(a) The \$2500.00, par value, of preferred stock are to be issued to Allen H. Vance in partial payment for said franchise and for his work hitherto performed in promoting the enterprise and for his services hereafter to be rendered until completion of the enterprise, with the understanding that the franchise is not being capitalized except as provided by Section 52 of the Public Utilities Act, and that when the enterprise is successfully completed Sausalito Incline Street Railway Company may apply for authority to issue such additional common capital stock to Mr. Vance as the Company then believes should be paid to him.

(b) The \$15,500.00, par value, of preferred or common capital stock hereinbefore referred to may be issued only at par, and only when fully paid for, and on the following conditions:

(1) \$500.00 of said capital stock may be issued immediately and the proceeds thereof, so far as necessary, used to pay for the preparation of complete, final, detailed plans and specifications for the construction of the railway.

(2) \$15,000.00 of said capital stock may be issued

from time to time, for the purpose of securing the funds to acquire the necessary rights of way and other real property, but all the funds secured from such issue shall be deposited at once in a reputable bank or banks in Marin county, and no such funds shall be withdrawn until at least \$6,000.00 in cash is so deposited. If it should become impossible to raise the sum of \$6,000.00 for this purpose, the moneys so deposited will thereafter be repaid, under supplemental order from the Railroad Commission, to the parties who paid the same, their successors or assigns.

(c) Sausalito Incline Street Railway Company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the capital stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the Company shall make verified reports to the Railroad Commission stating the sale or sales of stock during the preceding month, the moneys realized therefrom and the disposition of said moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order

The authority hereby given shall apply only to such capital stock as shall have been issued on or before October 1, 1915. If it becomes necessary, application may hereafter be made for an extension of time.

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 23rd day
of September, 1914.

H. D. Loveland

Alex Gordon

Max Thelen

Commissioners.