

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application . . .  
of E. H. Rollins & Sons, Anglo . . .  
California Trust Company and United . . .  
Railroads of San Francisco for an . . . Application No. 148.  
order authorizing the execution of . . .  
a car equipment trust. . .

W. S. Goodfellow for E. H. Rollins & Sons.  
Charles N. Black and Wm. M. Abbott  
for United Railroads of San Francisco.

Alexander T. Vogelsang, Daniel C. Murphy and  
Byron Mauzy for City of San Francisco.

THELEN and EDGERTON, Commissioners.

O P I N I O N.

This is an application for an order of this Commission authorizing applicants to enter into an agreement of trust and conditional sale of 65 street railway cars. United Railroads of San Francisco, hereinafter called the United Railroads, is a corporation operating a street railway within the City and County of San Francisco, with one line of railway running into the County of San Mateo. E. H. Rollins & Sons, hereinafter called the Bankers, is a bond and banking house doing business in San Francisco and elsewhere. Anglo-California Trust Company, hereinafter called the Trustee, is a bank and trust company with its principal place of business in San Francisco.

The United Railroads needs 65 additional cars for its business in San Francisco and San Mateo County. In order to secure these cars without mortgaging its property, against which \$39,925,000 of bonds and an additional indebtedness of \$4,088,731 are already outstanding, the United Railroads desires to enter into what is known as a car equipment trust. A draft of the proposed agreement of trust and conditional sale is attached to the application and

marked "Exhibit B" and applicants request this Commission's order authorizing their execution thereof.

The essential provisions of the agreement are as follows: The Bankers agree to buy from the manufacturers the necessary 65 additional cars. The title to the cars shall vest in the Trustee. The cars shall be delivered to the United Railroads for use, but the title shall remain in the Trustee. The United Railroads shall pay to the Bankers the sum of \$25,000 upon the execution of the agreement and an additional \$49,000 at a later date in 1912. Of this amount, \$9,000 will be retained by the Bankers for their services. The United Railroads shall pay<sup>to</sup> the Trustee for the benefit of the Bankers \$300,000 in ten equal annual installments of \$30,000 each, with interest on the sum of \$300,000 at the rate of 6% per annum. The Trustee will issue to the Bankers its trust certificates in the sum of \$300,000, consisting of three hundred certificates of \$1,000 each, bearing interest at 6% per annum, and running serially, so that 30 certificates become payable each year. The United Railroads guarantee the payment of principal and interest on the certificates. Payment by the United Railroads of the certificates and the coupons attached shall be payment and satisfaction of their obligation to pay to the Trustee said sum of \$300,000 and interest. The United Railroads may redeem the certificates at any time by paying 102 1/2 and accrued interest. When the United Railroads have paid the amounts agreed in full, they shall re-deliver the cars to the Trustee, which will then sell the cars to the United Railroads for the total sum of \$100. The agreement has been drawn with care to prevent its being a mortgage on the property of the United Railroads. The United Railroads do, however, guarantee the payment of the trust certificates and in that respect being themselves within the terms of Section 51-a of the Public Utilities Act, so that an order of this Commission authorizing the execution of the agreement is necessary.

It is clear that the additional cars are much needed.

We have not in this application examined the financial condition of the United Railroads further than to assure ourselves that they will be able to pay the \$30,000 per year specified in the agreement. Mr. Charles N. Black, Vice President and General Manager of the United Railroads, testified positively to the ability of the United Railroads to make such payment during the life of the agreement after paying operating expenses, and interest and sinking fund on their present obligations. The proposition amounts in effect to their securing money at 6% with a 3% discount on the obligations.

On the request of the Commission, three supervisors of the City and County of San Francisco were present at the hearing. While stating frankly that the proposed type of cars will remove some of the most obvious objections to the type of cars now in use in San Francisco, the supervisors objected to the proposed type on two grounds:

1. That the width of the cars is so great as to interfere with street traffic in San Francisco, particularly on narrow streets. The width proposed is 9 feet two inches, and that desired by the supervisors is 8 feet 6 inches.

2. That the seats in the inner portion of the car should be arranged cross wise instead of lengthwise. The United Railroads claim that under their plan just as many people can be seated, while there will be more room in the aisle for standing and passing purposes.

The supervisors filed with the Commission in this connection a report of Bion J. Arnold to the City and County of San Francisco on its street railroad system.

Under Sub-section 27 of Section 1 of Chapter 2 of Article II of the Charter of the City and County of San Francisco, the Board of Supervisors has the power "to regulate street railroads, tracks and cars." Under this provision, the Board of Supervisors has the power to regulate the type of cars to be used by the United Railroads and such cars as may be purchased under the agreement hereby authorized must accord with such requirements as the Board of Supervisors may lawfully establish. As it appears from the

testimony that no contracts for the purchase of the cars or their component parts have been entered into, it is not too late for the City to take such action as it may deem advisable without inflicting a hardship on the United Railroads.

We consider the proposed deed of trust and conditional sale to be reasonable and proper in so far as this Commission has jurisdiction over the same and recommend that the applicants be authorized to execute the same.

We submit herewith the following form of order.

O R D E R.

E. H. ROLLINS & SONS, ANGLO-CALIFORNIA TRUST COMPANY and UNITED RAILROADS OF SAN FRANCISCO having filed with this Commission their application for an order of this Commission authorizing them to enter into a certain agreement of trust and conditional sale, also called a car equipment trust, providing in effect for the purchase by said United Railroads of 65 cars for the sum of \$365,000, a copy of which proposed agreement of trust and conditional sale is attached to the application and marked "Exhibit B," and a public hearing having been held on said application, and it appearing to the Commission that the proposed agreement is a proper and reasonable one, subject to the conditions hereinafter specified,

IT IS HEREBY ORDERED that the applicants be and they are hereby authorized to execute an agreement substantially in the form of said Exhibit B, subject to the following express conditions precedent and not otherwise:

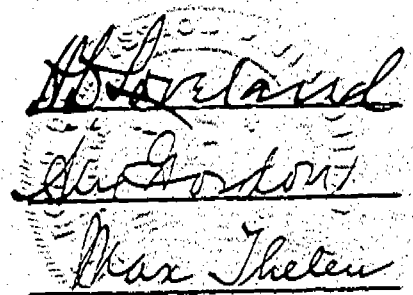
1. The language of said agreement of trust and conditional sale shall be so altered as to show clearly that the certificates of trust therein provided for are serial certificates, of which thirty (30) shall be due and payable each year.

2. A certified copy of the agreement of trust and conditional sale, when executed, shall be filed with this

Commission and said agreement shall be approved by it before any trust certificates are issued thereunder.

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 7<sup>th</sup> day of September, 1912.

  
Commissioners.