

ORIGINAL

Decision No. 2324

DECISION NO. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the Application)
of the COLUSA AND LAKE RAILROAD)
COMPANY for permission to dis-)
continue operation.)

APPLICATION NO. 1550.

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P. J. Harnoy, for Applicant.
I. F. Monteagle and Albert S. Tubbs, representing
Bondholders of Applicant.
B. M. Atkins, for McGilvray Stone Company, Protestant.
Edwin T. Cooper, for Colusa Sandstone Company,
Protestant.

GORDON, Commissioner.

O P I N I O N

This is an application of the Colusa and Lake Railroad Company requesting permission to discontinue operation of its line of railroad, it being alleged that the line is being operated at a loss; that the rolling stock is old and in poor condition; that the road-bed, rails and ties are in poor condition; that the passenger service has been discontinued; and that the floating indebtedness at the date of application amounted to about \$8000.00. A public hearing was held in San Francisco on March 23, 1915, at which time all interested parties were represented.

The Colusa and Lake Railroad Company is a consolidation of the Colusa Railroad Company and the Colusa and Lake Railroad, said consolidation having been effected November 27, 1886, by ratification

and consent of holders of more than three-quarters of the capital stock of each the Colusa Railroad and the Colusa and Lake Railroad. The Colusa Railroad Company was incorporated July 23, 1885, and was constructed from Colusa to a junction with the line of the Southern Pacific Company on the west side of the Sacramento Valley, the original reason for its construction being for the purpose of retaining the county seat of Colusa County at Colusa, there having been agitation for its removal to the town of Williams on account of the alleged isolation of the town of Colusa after the construction of the Southern Pacific Railroad on the west side of the Sacramento Valley. The records indicate that practically every citizen of Colusa subscribed for stock in the Colusa Railroad Company and that the line was immediately built from Colusa to Colusa Junction and was opened for operation in the year 1885. The Colusa and Lake Railroad was incorporated June 8, 1886, for the purpose of constructing a railroad from Colusa Junction in Colusa County to the town of Lower Lake in Lake County; the line was actually constructed by the Colusa and Lake Railroad from Colusa Junction to a point in Antelope Valley in the County of Colusa known as Sites. No extension of the lines abovementioned was made after the consolidation of the Colusa Railroad Company and the Colusa and Lake Railroad into the Colusa and Lake Railroad Company.

The capital stock of the Colusa and Lake Railroad Company was authorized in an amount of \$400,000.00. There is outstanding at this time stock to the face value of \$100,500.00, consisting of 1005 shares at a par value of \$100.00 per share. There is outstanding a funded debt consisting of a bond issue, in amount \$50,000.00, the date of this issue being 1907, the date of maturity 1927. Bonds are interest bearing at the rate of six per cent per annum, interest being payable semi-annually and due on April 1st and October 1st of each year.

The Colusa and Lake Railroad Company operate a narrow gauge line from Colusa to Sites, all in Colusa County, a distance of

22 miles. The line crosses the main line of the Southern Pacific Company at Colusa Junction. The country traversed is not thickly populated and the portion of the line between Sites and Colusa Junction has been the source of practically all the freight business contributing to the earnings of the company. At Sites there are located two sandstone quarries, from which the building stone known as "Colusa sandstone" is obtained. The remainder of the freight shipments originating on this portion of the line have been grain which has been hauled from warehouses at Sites or other stations to Colusa Junction for trans-shipment via the Southern Pacific Company to its ultimate destination or to Colusa over the remaining portion of the Colusa and Lake Railroad Company for warehousing at that point or for shipment via the river steamers of either the Sacramento Transportation Company or the Farmers' Transportation Company. The portion of the line between Colusa Junction and Colusa is not productive of freight tonnage of any description, the character of the land through which the line operates not being adapted to agriculture.

The results from the operation of the Colusa and Lake Railroad Company for the fiscal year ending June 30, 1914, as reflected by the annual report filed with the Commission are as follows:

REVENUE FROM TRANSPORTATION.

Freight Revenue - - - - -	\$ 6242.73
Passenger Revenue - - - - -	7518.49
Mail Revenue - - - - -	987.00
Express Revenue - - - - -	990.74
Total Revenue from Transportation	\$15738.96

OPERATING EXPENSES.

Maintenance of Way & Structures - - - - -	\$ 6753.98
Maintenance of Equipment - - - - -	2264.25
Transportation Expenses - - - - -	7003.80
General Expense - - - - -	1007.00
Total Operating Expenses	\$17029.03
Taxes	1297.75
Bond Interest	3000.00
Total Expenses	\$21326.78
Deficit	\$ 5587.82

The operation of passenger trains and the carrying of passengers by mixed train on the line of the Colusa and Lake Railroad Company was discontinued on August 5th, 1914 for the reason that the physical condition of the property was not deemed safe for passenger operation. The abandonment of passenger service eliminated earnings formerly derived from passengers, express and the carriage of United States Mail, leaving earnings from freight transportation the entire revenue received from the operation of the line. In an endeavor to minimize the loss in revenue, the applicant reduced the train service to one freight train per day and continued such restricted service until on or about December 20, 1914, when a further reduction of service was made to a round trip three times per week. Notwithstanding the reduction in train service and the exercise of all possible economy by the management of the applicant, the results from operation show a considerable monthly deficit. The cost of operation on the basis of three trains per week appears from the testimony offered at the hearing to be approximately \$750.00 per month, the revenue from freight operation during the month of January, 1915, was \$315.06, and during the month of February, 1915, was \$540.00, resulting in a deficit for these months of about \$434.94 and \$210.00 respectively. The operation of the line is conducted with the greatest possible economy and it is not apparent where any reduction in operating costs can be made, certainly not in an amount sufficient to bring the operating expenses below the limited amount of revenue derived from the limited freight business handled. The physical condition of the line is such that a very considerable amount should be expended by the applicant to place the road in safe operating condition, especially as to the repair of bridges and trestles and the renewal of ties.

From testimony presented by witnesses for the applicant it would appear that the prospects for an adequate freight revenue sufficient to meet the operating expenses are not in evidence, and that a decided falling off in the amount of tonnage handled has been in

evidence during recent years.

In the earlier years of operation of the line, a large tonnage of grain was handled, in some years approximately 14000 tons; but it appears that about fifty per cent of the land formerly devoted to the raising of grain is now used for that purpose and the land now used for the raising of grain does not produce as heavy crops as in former years. Some of the land diverted from the raising of grain has been converted to deciduous fruit orchards and a portion has been planted with orange trees. This land has not as yet reached such stage of productiveness that would make it a factor in prospective freight tonnage contributory to the line of the Colusa and Lake Railroad Company. As evidence of the material falling off in the shipments of grain from the considerable tonnage enjoyed by the Colusa and Lake Railroad Company in former years, the following figures showing tonnage moved during recent years are of interest:

	GRAIN (tons)
Year ending Nov. 30, 1911 (approximately)	4700
" " Nov. 30, 1912	4815
" " Nov. 30, 1913	2745
From Dec. 1, 1913, to Mar. 22, 1915	4800

It is quite evident that the amount of tonnage to be anticipated by reason of prospective grain shipments in the near future is not sufficient to justify the Colusa and Lake Railroad continuing its freight operation with the expectation of deriving sufficient revenue to equal its costs of operation.

At the hearing of this application, counsel for the McGilvray Stone Company and the Colusa Sandstone Company objected to the abandonment of the freight service by the applicant, Colusa and Lake Railroad Company, claiming that the plant investment at the quarries of their respective clients would be rendered worthless if the abandonment of the line were permitted, for the reason that there would

be no method by which the products of the quarries could be marketed unless by the use of automobile trucks and that such method of transportation would be accompanied by unreasonable expense.

The total sandstone shipments over the line of the Colusa and Lake Railroad Company have averaged a freight revenue of \$50.00 per month during the eighteen months preceding the date of this application, the last shipment made by the Colusa Sandstone Company moving in the month of December, 1914, and the last shipment from the McGilvray Stone Company moving during the month of August, 1914. It is evident that the amount of freight tonnage offered for movement from the stone quarries at Sites is not sufficient to justify the continued operation of the Colusa and Lake Railroad Company in view of the fact that there is but slight demand for this stone in the building industry at the present time.

Mr. Louis F. Monteagle, one of the bondholders and also a trustee under the deed of trust executed as security for the bond issue of the applicant, Colusa and Lake Railroad Company, was present at the public hearing and did not express any serious objection to the granting of the application and was of the opinion that the operation of the line should be suspended.

In view of the foregoing facts and the continued monthly deficits caused by the operation of the Colusa and Lake Railroad, I am of the opinion that this application should be granted and that the Colusa and Lake Railroad Company be given permission to suspend operation until the further order of the Commission.

I hereby recommend the following form of order:

O R D E R

The Colusa and Lake Railroad Company, having made application for permission to discontinue operation, a public hearing having been held, and the Commission being fully advised in the premises,

IT IS HEREBY ORDERED, that the Colusa and Lake Railroad

