

COMMODITY	STATIONS	MILES	PRESENT		PROPOSED	
			RATE PER TON	RATE PER TON PER MI.	RATE PER TON	RATE PER TON PER MI.
	To <u>San Francisco</u> (proper)					
	From					
Sand & Gravel C.L.	Brighton McNee Pilarcitos	14.8 22.5 29.3	25. 30 30	1.7 1.33 1.02	40 40 40	2.7 1.8 1.4
Crushed Rock, Granite Spalls, Gutter Rock, etc., C.L.	Ebalstone Ransome	16.6 18.9	30 30	1.8 1.6	40 40	2.4 2.1
	To <u>Paoli</u>					
	From					
do.	Ebalstone Ransome	8. 10.3	25 25	3.12 2.42	40 40	5 3.9
	To <u>San Francisco</u> S.P. Co. transfer (when destined beyond)					
	From					
Sand, C.L.	Brighton McNee Pilarcitos	13.8 21.5 28.3	25 25 25	1.8 1.16 0.883	35 35 35	2.5 1.6 1.2
Crushed Rock, etc. C.L.	Ebalstone Ransome	15.6 17.9	25 25	1.6 1.4	35 35	2.1 1.85

The E. B. & A. L. Stone Company, hereinafter referred to as the Stone Company, protested the granting of the application on the grounds that the present rates are just and reasonable and any increases therein would force the abandonment of its crushing plant at Ebalstone which the predecessor of the applicant induced it to install at great expense upon the promise that the present rates would be maintained.

Case No. 150, 4-CRC-1328, in the matter of the valuation of the Ocean Shore Railroad Company, was made a part of this proceeding, and in order that the history of the company may be understood the following extracts from the decision in that case are pertinent:

(1330)

"The properties of the present Ocean Shore Railroad Company have been in control of the following legal owners and managements:

1. Ocean Shore Railway Company, from April 18, 1905, to December 5, 1909.
2. F. S. Stratton, receiver, from December 6, 1909, to February 2, 1911.
3. Bondholders of the Ocean Shore Railway Company, from February 2, 1911, to November 27, 1911.
4. Ocean Shore Railroad Company, from November 27, 1911, to date of this report.

The Ocean Shore Railway Company, a California corporation, was incorporated on May 18, 1905, to construct and operate a single or double track line from San Francisco to Santa Cruz, a distance of 80.26 miles; the road to follow as nearly as possible the shore line of the Pacific Ocean. The line was to run through the city and county of San Francisco, through San Mateo County, and through Santa Cruz County.

The plans for this line called for a double track electric railway from San Francisco to Santa Cruz, and construction commenced in 1905 from both termini. In the same year contracts were entered into with certain firms for a steam power plant for electric power generation and for a large amount of electrical equipment. These contracts involved an expenditure of over seven hundred thousand dollars (\$700,000) and are mentioned to show the scale on which the work was undertaken. It was the intention of the company to push the work of construction to the earliest possible conclusion, and work was being actively prosecuted in the latter part of 1905 and the early part of 1906. Steel for the substations and for other structures was ordered and part of it delivered."

(1331)

"The earthquake of April 18, 1906, did considerable damage to the roadbed, and the period of financial stringency which followed the San Francisco disaster greatly embarrassed the company, which from that time on found itself in continually rising financial difficulties. It may be stated that this disaster was the initial cause for the bankruptcy, which finally came about in December, 1909. When the shortage of money became manifest on every side the electric construction and equipment contracts were abrogated, and although the company tried to maintain itself by repeated assessments on the capital stock, and

by finally attempting to dispose of its bonds in one hundred dollar denomination, these measures proved to be of no avail. * * * * * In 1905, at about the same time as the Ocean Shore Railway Company was incorporated, there was incorporated also the Shore Line Investment Company, which dealt in lands along the route of the railway company. It was the intention of the railway to establish a fast suburban service between a number of newly laid out towns and San Francisco, and many people had invested in the lands of the Shore Line Investment Company. The road was therefore opened for operation as fast as portions of it were completed, the opening of the first section occurring in 1907. The books of the company were changed to an operating basis on January 1, 1909, and the last portion of the road was put in operation on May 15, 1909. At this time the northerly portion of the line from San Francisco south had reached Tunitas, a distance of 38.2 miles, and the southerly end, from Santa Cruz northerly, had reached Swanton, a distance of 15.5 miles. There was left uncompleted "the gap" between Tunitas and Swanton, a distance of 26.56 miles. No new construction was undertaken since 1909, and the road remains in this unfinished condition to-day."

(1532)

"On October 9, 1911, the Ocean Shore Railroad Company was organized, its purpose being to engage in the business of a common carrier and to acquire parts of and complete a railroad from San Francisco to Santa Cruz. This new company inherited a large portion of the difficulties of the old company, and has not yet been able to finish its program, namely, the making of the Ocean Shore into a through line from San Francisco to Santa Cruz."

(1535)

"Beginning at Twelfth and Mission streets in San Francisco the line follows the city streets for approximately 2.4 miles to the company's shops, where it meets the freight line extending from a junction with the joint Southern Pacific and Santa Fe tracks at Army and Illinois streets. This portion of the line is operated by electricity, the power being purchased and distributed by catenary trolley system with steel center pole and bracket construction on the Twelfth street line, and a simple span suspended trolley wire on the Army street line. From the shops the line follows the bed of Islais Creek to a summit near Ocean View, and thence to the shore of the Pacific Ocean. Upon reaching the ocean the line is built along Mussel Rock Bluffs for some two miles, with a maximum elevation of about one hundred and fifty (150) feet above the water. These bluffs are of soft material, having cohesion enough to permit steep slopes when dry, but being of the consistency of quicksand when wet. On miles 11 and 12 alone over one and one half million cubic yards were moved, this including excavation and pay embankment only, and not overhaul. The track at one point is to-day some fifty feet inland from its original location, the inroads of the ocean at the foot of the bluff having forced this move. This part of the line has been in the past and will always be expensive to maintain. Leaving the bluffs the road crosses the mouths of several fertile valleys with comparatively little heavy work."

until San Pedro Point is reached, in mile 19; then for approximately four miles the line continues along the steep bluffs overlooking the ocean with the grade of from one hundred to two hundred and fifty feet above the water. The slopes here are very precipitous, and the work was heavy, and in the neighborhood of two million cubic yards of material, mostly loose and solid rock, were moved northerly four miles. Southerly from these bluffs the road again crosses the mouths of several fertile valleys and lies on the tableland some distance back from the shore. Purissima and Lobitas creeks are crossed on high single track trestles. North of Tunitas the bluffs are again encountered and heavy work was necessary, until just south of Tunitas the track crosses Tunitas Creek, and a few rail lengths beyond the end of track is found, this being the southerly end of the northerly portion of the road."

Testimony would indicate that conditions have not improved since the decision was rendered June 29, 1914, in Case No. 180.

The Ocean Shore Railroad has been operated at a loss in the past with the exception of the year ending June 30, 1913, which showed a net income of \$5,312.73. For the year ending June 30, 1914, the income was insufficient to cover operating and other expenses by \$45,263.31 and this deficit, applicant contends, may be attributed largely to the insufficiency of compensation received for the transportation of Sand, Gravel and Crushed Rock between points on the San Francisco Division.

The following exhibit introduced at the hearing shows the apportionment of revenue and expenses as between the Santa Cruz and the San Francisco Divisions for the year ending June 30, 1914:

	D I V I S I O N S		
T O T A L	SANTA CRUZ	SAN FRANCISCO	
Rail Operation:			
Revenue	\$ 264050.21	\$24679.92	\$239370.29
Expenses	<u>273924.75</u>	<u>24905.08</u>	<u>249021.65</u>
Net Deficit	9874.52	225.16	9651.36
Tax accruals	<u>14577.99</u>	<u>1334.44</u>	<u>13243.55</u>
Operating Loss	24452.51	1557.60	22894.91
Other Income:			
Misl. Rents	\$5045.31	\$5045.31	
Other Income	<u>181.92</u> 3227.23	<u>181.92</u>	<u>3227.25</u>
	21225.28	1557.60	19667.68
Other Deducts:			
Hire of Egypt.	5718.75	411.30	5307.45
Mis. Rent Ded.	13685.60	83.10	13602.50
Misc. Ded'ns.	<u>4653.68</u> 24058.03	<u>494.40</u> 4653.68	<u>23543.63</u>
	\$45263.31	\$2052.00	\$43211.31

In another exhibit applicant undertakes to segregate the total operating expenses of \$249,021.65 charged to the San Francisco Division on the foregoing statement between the freight and passenger operations for the purpose of showing the expense incident to the handling of the particular traffic upon which it seeks to increase its rates. This exhibit is as shown below:

EXHIBIT "D"

OPERATING EXPENSES - SAN FRANCISCO DIVISION ONLY
YEAR ENDING JUNE 30, 1914.

DIVIDED BETWEEN FREIGHT AND PASSENGER SERVICE AS
DIRECTED BY THE INTERSTATE COMMERCE
COMMISSION AS PER THEIR CIRCULAR
NO. 3, MARCH 19, 1914.

	TOTAL	DIRECTLY ASSIGNED		APPORTIONED		UNAPPORTIONED
		FREIGHT	PASS'NGR	FREIGHT	PASS'NGR	
Main-tenance of way & structures	\$71568.59					71568.59
Maintenance of Equip'mt	\$53231.70	\$11190.75	\$ 9377.60	\$ 9213.74	\$13103.25	\$ 10346.38
Traffic Expen's	6068.10	106.50	2905.14			3056.66
Transp. Expen's	95380.54	10962.29	12412.27	56283.31	30497.90	3224.77
Gen. Expen's	24772.72	214.00	163.25	56.89	81.47	24257.11
	<u>\$249021.65</u>	<u>\$22473.84</u>	<u>\$24858.26</u>	<u>\$45553.94</u>	<u>\$43682.60</u>	<u>112453.51</u>

It will be noted that the expense assigned direct and apportioned to the freight and passenger service is approximately 55 per cent of the entire expense of the line and that the remainder is unapportioned. This latter amount applicant divided equally between freight and passenger service, this being the approximate ratio that the aggregate of the directly assigned and apportioned freight expense bears to the corresponding passenger expense and by this method the applicant ascertained the aggregate expense for each service as shown in the following table:

	<u>FREIGHT</u>	<u>PASSENGER</u>
Expenses directly assigned as per Exhibit "D"	\$ 22,473.34	\$ 24,858.26
Expenses apportioned in accordance ICC Circular 3 of Mar. 14, 1914, as per Ex. "B"	45,555.94	45,682.60
Expenses unapportioned as per Ex. "D" divided equally between Freight and Passenger service	<u>56,226.76</u>	<u>56,226.76</u>
	\$124,254.04	\$124,767.62

Into the aggregate freight expense applicant divided the total tons one mile for the San Francisco Division for the fiscal year ending June 30, 1914, which it states approximates 4,731,168, and found that the cost of handling all freight on its San Francisco Division for that period was .026 cents per ton mile. This cost figure the applicant compared with the revenue per ton mile accruing during the same period from the Sand and Rock traffic of .01002 to .01319 cents, dependent on the point of origin of the traffic, and concludes that the Sand and Rock traffic is not contributing its fair share of the operating expenses. As heretofore stated, the basis upon which the entire expenses of the system was apportioned to the separate divisions was not submitted nor was the detail data from which the applicant ascertained the ton miles for the San Francisco Division furnished, but assuming that the segregation used in reaching the conclusion is correct, it appears that the entire freight traffic affords a return over and above the cost of operation and that the deficit is wholly chargeable to the passenger service. Thus on the basis of apportionment used the applicant's operating expense chargeable to freight service is \$124,254.04 and to passenger service \$124,767.62, whereas its revenue from freight traffic during the same period amounted to \$149,397.22, while its passenger revenue amounted to but \$89,973.09. Therefore, the freight service yielded \$25,143.18 over and above operating expenses, while the passenger revenue was insufficient by \$34,794.54 to meet the expenses incident to the operation of that service.

By this conclusion it is not meant to imply that, if the passenger service is conducted at a loss and there is a slight profit from the freight business, such showing would be ground for refusing to authorize an increase in the sand and rock rate, nor would the fact that the crushed rock and sand traffic is carried for something less than the average cost of carrying all freight establish the conclusion that the rates are too low and should be increased. I merely wish to emphasize the speculative nature of the segregation of the expenses and its result.

Considerable testimony was offered by protestant, the Stone Company, to the effect that applicant's line had not been properly constructed, that its road bed was not ballasted, and that its operation was therefore expensive and inefficient, the object of the testimony being to prove that if the Ocean Shore were a completed railroad and efficiently operated no increase in the Sand and Rock rates would be necessary.

In further support of its contention that the rates should not be advanced protestant introduced as evidence copy of a 20-year contract dated April 20, 1908, between the Ocean Shore Railway Company, predecessor of applicant, and themselves, wherein it was agreed that Sand and Gravel in carload lots would be transported from Rockaway (Ebalstone) to any point on the rails of the Ocean Shore in San Francisco at rate of 30 cents per ton and, when shipments were destined to points beyond on connecting lines, at rate of 25 cents per ton, and relying upon the terms of this contract the Stone Company located its crushing plant at Ebalstone. With reference to contracts of this character, the Commission has held in a number of cases and is supported by court authorities that it is not bound by such contracts but will always give them careful consideration in the readjustment of rates.

Exhibits were entered making a comparison of the crushed rock rates of applicant with those of other carriers in the State of California, but as conditions controlling are dissimilar such

comparisons are of little value in deciding this case.

The crushed rock traffic is handled largely in extra freight trains from Ebalstone to Car Shops, San Francisco, and testimony shows that because of the heavy grades between these points but 500 tons gross weight or about seven large cars of rock can be handled by a locomotive. It is also of record that the track for the loading of Sand at McFee forms a semi-circle with curvatures of from 18 to 30 degrees over heavy grades, that there are no spur track facilities, and therefore all cars to be switched must be dragged 1500 feet to the main line and only three loaded cars can be handled at a time. In San Francisco the movement is by electric motor from Car Shops to Sand bunkers, 12th and Harrison Streets, and rock bunkers, 12th and West Mission Streets, a distance in both instances of approximately 2.5 miles. The tracks serving the Sand bunkers hold six cars but inasmuch as only two cars can be unloaded at a time, special switching is necessary for which service no extra charge is assessed. At the 12th and West Mission Streets bunkers equally unfavorable conditions prevail, the tracks being located over a pit divided into compartments to accommodate the three grades of commercial rock, necessitating the sorting of cars, more or less special switching and the awaiting of orders from consignee before cars can be spotted at the bunkers. Further, if bunkers are filled with any particular class of rock, cars carrying like rock must be held until space is provided.

It will thus be seen that applicant is operating its line of railroad under many difficulties, the heavy grades, curved track and high cost of maintenance during the winter months making impossible the handling of traffic at rates which would be considered fair under normal conditions. This is particularly true as to the transportation of Sand and Rock: The location of the Sand pit at McFee, from an operating standpoint, is unfortunate and expensive, the unloading facilities maintained by the Stone Company in San

San Francisco are unusual and difficult to serve, and the dual steam and electric motive power with limited tonnage per train adds to the cost of the service. It is also apparent from the testimony in this proceeding and in Case No. 180 supra, that the property has been unfortunate financially from its inception and is now being maintained by funds secured through assessments upon its stockholders. I am convinced, however, that the present management is making every effort to protect the property and render the best service its facilities will permit.

The showing made by applicant illustrative of the cost of transporting Sand and Rock, while not conclusive as to what the proper rates should be, is sufficient, in my opinion, to establish the fact that the present rates are unremunerative, and, after giving careful consideration to all of the evidence, I recommend that the application be granted in part and the establishment of the following rates be permitted:

COMMODITY	FROM	TO	*RATE IN	*RATE IN
			CENTS PER T. 2000#	CENTS PER T. 2000#
Sand & Gravel	Brighton	San Francisco	35	30
" " "	McNee	"	40	35
" " "	Pilarcitos	"	40	35
Crushed Rock,) Granite Spalls,) Grout, Gutter) Rock, Macadam,) Rip Rap, Rubble) and Waste Rock)	Ebalstone) Ransome)	"	35	30

*When delivery is made on tracks of Ocean Shore RR. in S.F.
 †Proportional, on shipments destined beyond S.F.

I submit the following form of order:

ORDER

Application having been made by the Ocean Shore Railroad Company for authority under the provisions of Section 63 of the Public Utilities Act to increase certain rates on Sand, Gravel, Crushed Rock, etc., from various points on its line to Paoli and San Francisco, and a hearing thereon having been held, and the

Commission being fully apprised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates hereinafter in this order authorized to be charged by Ocean Shore Railroad Company are just and reasonable rates and basing its order on this finding of fact and upon the further findings of fact set out in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Ocean Shore Railroad Company is hereby authorized to publish and file a tariff, to become effective within twenty days from the date of this order, embodying the following rates:

COMMODITY	FROM	TO	*RATE IN	*RATE IN
			CENTS PER T. 2000 [#]	CENTS PER T. 2000 [#]
Sand & Gravel	Brighton	San Francisco	35	50
" " "	McNee	"	40	55
" " "	Pilarcitos	"	40	55
Crushed Rock, Granite Spalls, Grout, Gutter Rock, Macadam, Rip Rap, Rubble and Waste Rock	Ebalstone) Ransome)	"	35	50

* When delivery is made on tracks of Ocean Shore R.R. in S.F.

x Proportional, on shipments destined beyond S.F.

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 19th day of June, 1915.

Max Thelen

Edwin O. Edgerton
Francis R. Decker

Commissioners