

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of )  
THE ATCHISON, TOPEKA AND SANTA FE RAILWAY )  
COMPANY, SAN PEDRO, LOS ANGELES & SALT )  
LAKE RAILROAD COMPANY, and THE CALIFORNIA, )  
ARIZONA AND SANTA FE RAILWAY COMPANY, for )  
an order authorizing them to enter into an )  
agreement whereby the said Atchison, )  
Topeka and Santa Fe Railway Company, and )  
the said The California, Arizona and Santa )  
Fe Railway Company grants to the San Pedro, )  
Los Angeles & Salt Lake Railroad Company )  
the right to connect with and use that )  
portion of the line of railroad owned or )  
leased by the said Atchison, Topeka and )  
Santa Fe Railway Company extending from )  
The Atchison, Topeka and Santa Fe Company's )  
Mile Post 737+2126.7 feet at Daggett, San )  
Bernardino County, California, to The )  
Atchison Company's Mile Post 9+1487.0, )  
near the City of Riverside, together with )  
certain tracks, facilities and appurten- )  
ances, for a term of ninety-nine years. )  
.....

ORIGINAL 3020

Application No. 2000.

J.E. Kelby for San Pedro, Los Angeles & Salt Lake Railroad Company.  
E.W. Camp for The Atchison, Topeka & Santa Fe Railway Company.  
and The California, Arizona & Santa Fe Railway Company.

OPINION

GORDON, Commissioner.

This application was filed with the Commission on December 6, 1915 and looks to leasing certain facilities of The Atchison, Topeka and Santa Fe Railway Company and The California, Arizona and Santa Fe Railway Company to the San Pedro, Los Angeles and Salt Lake Railroad Company for a period of ninety-nine years from the first day of the calendar month following the approval of the agreement by the Commission. A copy of this agreement was filed with the application and exhibits were filed at the hearing, or before, which cover the detail of the matter.

The facilities herein sought to be leased are the main line track, and all appurtenances set forth at length in Exhibit "D" of the agreement, between Daggett and a point near Riverside,

both in California. The facilities from Daggett to and including Barstow are owned by The California, Arizona and Santa Fe Railway Company and are leased to The Atchison, Topeka and Santa Fe Railway Company. The other facilities covered by the agreement are owned by the latter company. The Salt Lake Company at the present time is using most of these facilities under a fifty year lease which has been in existence about ten years and is now to be superseded by the lease under consideration herein, which grants to the Salt Lake Company the right to use some additional facilities and gives that company a larger use of the facilities now used. The details of the lease and exhibits seem to be fairly complete and are in such form that it seems to be unnecessary to go into those details in the opinion, and reference is hereby specifically made, for those details, to the lease and agreement entitled "Secretary's Contract No. 13610. Between The Atchison, Topeka and Santa Fe Railway and the San Pedro, Los Angeles and Salt Lake Railroad Company. Agreement granting Salt Lake Company use of Atchison Company's tracks between Daggett and Riverside, California. Dated August 13, 1915." which was filed with the application and to Atchison, Topeka and Santa Fe Railway Company's Exhibit No. 1 filed at the hearing. The exhibit covers especially the basic data on which the valuation figures agreed upon were secured.

The new lease grants to the Salt Lake Company substantially equal rights with the Santa Fe Company in the property in question, and in addition to covering the methods to be followed in dividing, between the Companies, the payment of taxes, maintenance charges, switching charges at terminals, operating charges, etc., it requires the Salt Lake Company to pay a monthly rental of one-twelfth( $1/12$ ) of one-half ( $1/2$ ) of four and three-fourths percent ( $4\frac{3}{4}\%$ ) on the agreed valuation of six million eight hundred sixty two thousand and eight hundred eighty one and  $12/100$  dollars (\$6,862,881.12).

The representatives of the applicants laid much stress on their contention that this figure does not represent the value of

the property covered for any purpose, other than as a basis for rental in this case; that it is a compromise figure only and represents the largest sum upon which the Salt Lake Company would pay rental interest and the smallest the Santa Fe Company would accept. When the renewal of the lease was first under consideration, it appears from the testimony, the local officials of the Santa Fe Company sought to have the rental basis rest upon a value arrived at by a complete physical appraisal and that work was started along the same lines as the appraisals which have been made by the Santa Fe Company and submitted to this Commission for other portions of the Santa Fe System. Before it was completed, however, the presidents of the Santa Fe and Salt Lake agreed to use as a basis for future rental the valuation on which the present rental is paid and which, in the opinion of the local officials of the Santa Fe, does not represent the true value of the property involved.

The figure finally agreed upon and submitted to the Commission were derived as follows:

The original appraisement of the line from Colton to Daggett, as agreed upon in the former contract, dated April 26, 1905, which is superseded by the contract under consideration, ..... \$2,168,106.07

Additions and betterments charged to capital account by The Atchison, Topeka and Santa Fe Railway Company from April 26, 1905 to September 30, 1915, ..... \$3,898,387.40

Amounts expended by The Atchison, Topeka and Santa Fe Railway Company from April 26, 1905, to September 30, 1915, which the representatives of the applicants agreed are properly chargeable to additions and betterments under the rulings of the Interstate Commerce Commission, which, under the system of accounting used by the Santa Fe in past years were charged to operating expenses, ..... \$ 108,167.34

Additional facilities on the line from Colton to Daggett of which the Salt Lake Company will have the joint use under the new contract, but which they were not privileged to use under the old contract, ..... \$ 338,272.21

Valuation of the line from Riverside Junction to Colton, which comes under the new contract, but which did not come within the old contract, .....	\$ 349,948.10
--	---------------

Total, .....	\$6,862,881.12
--------------	----------------

One of the principal factors which brought about the agreement of the two companies to this figure is the fact that the Salt Lake Company has made surveys and estimates of the cost of building its own line from Daggett to Riverside, and has found that it can do this work at a cost of about \$4,000,000, so this figure necessarily limited the amount of rental that the Salt Lake Company was willing to pay and the Santa Fe could secure.

It is apparent that an expenditure of \$4,000,000 for additional railroad facilities, through the desert and mountainous country traversed, for the most part, between Daggett and Riverside, would be an economic waste when it would result in a single track line which would not be used to full capacity and which would be practically parallel to a partially double tracked railroad, which is amply able to take care of the traffic of both roads for years to come. Under this agreement the interest, taxes and operating and maintenance charges will be lower to both companies than if the Salt Lake Company were to build its own line and the agreement as submitted seems to me to be, for that reason, advantageous to the public as well as to the applicant companies.

I believe the application should be granted and recommend the following form of order.

#### O R D E R

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY, and THE CALIFORNIA, ARIZONA AND SANTA FE RAILWAY COMPANY, having applied to the Commission for authority to enter into a certain agreement attached to the application and more specifically referred to in the foregoing opinion, and a public hearing having been held, and there appearing to be no reason why this application should not be granted;

IT IS HEREBY ORDERED, that this application be and the same is hereby granted upon the condition that this Commission, or other competent public authority, shall at all times have the right to revise or alter <sup>any or</sup> all terms and provisions of said agreement.

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 31st day of December, 1915.

Max Thelen  
W. D. Boulanger  
W. G. Gordon  
Frank R. Johnson

Commissioners.