

ORIGINAL

Decision No. 4718

Decision No. _____.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of
LOS ANGELES AND SALT LAKE RAILROAD
COMPANY, a corporation, and WILLIAM
G. HENSHAW, for authority for the said
Henshaw to sell and said Railroad Com-
pany to purchase all the outstanding
shares of the capital stock of River-
side, Rialto and Pacific Railroad Com-
pany, a corporation, and for authority
permitting Los Angeles and Salt Lake
Railroad Company to ultimately acquire
title to the property, rights, and
franchises of said Riverside, Rialto
and Pacific Railroad Company.
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Application No. 3070.

- A. S. Halsted for Los Angeles and Salt Lake Rail-
road Company,
- C. L. McFarland for W. G. Henshaw and Riverside,
Rialto and Pacific Railroad Company,
- Frank Kerr for Pacific Electric Railway Company,
- C. Van Zwahlenburg for Riverside Chamber of Commerce.

GORDON, Commissioner.

FIRST SUPPLEMENTAL OPINION

The Commission in its Decision No. 4598, rendered on August 29, 1917, granted authority to the Los Angeles and Salt Lake Railroad Company to purchase from William G. Henshaw \$300,000 par value of capital stock of the Riverside, Rialto and Pacific Railroad Company for the sum of \$465,000, pursuant to the terms of the agreement attached to the application and marked Exhibit "C", and subject to certain conditions as specified in the Commission's order.

On September 4, 1917 the applicants filed a petition for an amended order, asking that the Commission modify its order in the following particulars:

First. That paragraph 2 of the order be eliminated.

This paragraph reads as follows:

"2. Unless otherwise authorized by the Commission, the Los Angeles and Salt Lake Railroad Company, either on its own behalf or through lease agreements, shall maintain as adequate freight and passenger service as is now offered by the Riverside, Rialto and Pacific Railroad Company."

Second. That paragraph 4 be amended so as to make the order effective at once.

This paragraph reads:

"4. The authority herein granted shall not become effective until the Railroad Commission shall have approved the form of the book entries to be made by the Salt Lake Company, covering the transaction herein authorized to be made."

Third. That the order expressly authorize and empower the Los Angeles and Salt Lake Railroad Company to acquire by proper conveyances all the rights, franchises, and property of the Riverside, Rialto and Pacific Railroad Company, and to maintain and operate said properties as parts of its railroad system as prayed for in the original application.

A hearing on this supplemental application was held in Riverside on September 26, 1917, and with the additional testimony there introduced the matter is now ready for decision.

Regarding the first modification sought by applicants, namely, that paragraph 2 of the Commission's original order be eliminated, Decision No. 4598 makes reference to the operating agreement of March 1, 1915 between the Pacific Electric Railway Company and the Riverside, Rialto and Pacific Railroad Company.

Under this agreement the entire passenger business over the Riverside Company road is taken care of by the Pacific Electric Company, and the latter company is also permitted under certain conditions to operate freight cars over the line of the Riverside Company. The agreement, which was approved by the Commission in its Decision No. 2246, dated March 19, 1915, is subject to termination by either party upon six months' written notice any time after two years from the effective date. No such notice of termination has as yet been given by either party to the agreement. The applicants now point out that under the terms of the agreement referred to the Riverside Company has no control over the passenger service of the Pacific Electric Company, especially in so far as through passenger service between Riverside and Los Angeles is concerned; and that the Riverside Company would be physically unable to render the service that is now in effect over its line if the Pacific Electric Company should choose to cancel the operating agreement referred to. The Riverside Company, upon cancellation of that operating contract, would not at once alone be able to maintain the combined freight and passenger service which is now jointly offered by the Riverside and Pacific Electric Companies. It would in that case be incumbent upon the Riverside Company to render as good freight and passenger service as it was able to give, and should there be complaint the Commission would have the power to make its order specifying what such service should be.

It is pointed out by the applicants that a literal interpretation of paragraph 2 of the Commission's order would place an unreasonable burden upon the Los Angeles and Salt Lake Railroad Company, which burden does not now rest upon the Riverside Company.

✓ In granting the application it was not the Commission's intention to put upon the successor to the Riverside Company any obligations not now resting upon this company. It was the intention of the Commission to safeguard the public served by the Riverside road in the service they are now enjoying as long as the operating agreement mentioned above made such service possible. And it should be remembered that the operating agreement is still in existence and will remain in force for six months, after notice of cancellation has been given. ✓

As stated in the Commission's Decision No. 4598, it is not thought necessary in this proceeding to consider questions of division of traffic or rates between the Salt Lake Company and other connecting or competing lines; nor is the Commission called upon in this proceeding to pass on any operating agreements between companies. Such matters and any question as to what service should be rendered in case the operating agreement is abrogated, can be taken care of by the Commission when these problems arise.

I recommend, therefore, that the first supplemental order of the Commission provide, in lieu of paragraph 2 of the original order, that during the life of the operating agreement now in force between the Riverside Company and the Pacific Electric Company, the Salt Lake Company shall maintain as adequate freight and passenger service as is now offered by the Riverside Company; and that in the matter of service the Salt Lake Company shall in every respect be considered under the same, but not greater, obligations to the public as is the Riverside Company.

With reference to paragraph 4 of the Commission's original order, it developed that the Salt Lake Company agrees to enter upon its capital accounts the sum of \$465,000. as the cost of the properties of the Riverside Company acquired from William G. Henshaw; and that all items of current assets and liabilities be handled in the usual manner and in accordance with the Interstate Commerce Commission's classification of accounts.

Referring to the third amendment suggested by applicants, namely, that order be made authorizing the Salt Lake Company to acquire the physical properties of the Riverside Company by proper conveyances, I see no objections to such a procedure after the disposition of the book entries to capital account as suggested above.

I herewith submit the following form of order:

FIRST SUPPLEMENTAL ORDER

Los Angeles and Salt Lake Railroad Company and William G. Henshaw, having applied to this Commission for a modification of and amendment to the original order in this proceeding as made by the Commission in Decision No. 4598; and a public hearing having been held; and it appearing to the Commission that the said order should be modified and amended in certain particulars;

IT IS HEREBY ORDERED, That paragraph 2 of said order be modified and shall now read as follows:

Unless otherwise authorized by the Commission, the Los Angeles and Salt Lake Railroad Company, during the life of the operating agreement between the Riverside, Rialto and Pacific Railroad Company and the Pacific Electric Railway Company, shall maintain as adequate freight and passenger service as is now offered by the Riverside, Rialto and Pacific Railroad Company; and that in any event the Los Angeles and Salt Lake Railroad Company, either on its own behalf or through lease agreements, shall render as adequate and efficient freight and passenger service as is warranted by existing conditions.

Paragraph 4 shall be modified and read as follows:

The Los Angeles and Salt Lake Railroad Company shall enter upon its capital accounts as the cost of the property of the Riverside, Rialto and Pacific Railroad Company, acquired from William G. Henshaw, including all the rights, franchises, and physical properties of every kind and character, the sum of \$465,000.

Authority is hereby granted to Riverside, Rialto and Pacific Railroad Company to sell and to the Los Angeles and Salt Lake Railroad Company to acquire the physical properties, rights, and franchises of said Riverside, Rialto and Pacific Railroad Company by proper conveyances and assignments.

In all other particulars the first order of the Commission, Decision No. 4598, shall remain in full force and effect.

The foregoing opinion and order are hereby approved and ordered filed as the first supplemental opinion and first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 5th day of October, 1917.

Max Thelen

H. F. Townsend

Wm. Gordon

Edwin Q. Edgerton

Frazer Phelps
Commissioners