

Decision No. \_\_\_\_\_

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Decision No. 5160

In the Matter of the Application of SAN JOSE RAILROADS, a corporation, for permission to abandon the narrow gauge line on Hobson Street in the City of San Jose, California.

Application No. 2361.

CITY OF SAN JOSE,

Complainant,

vs.

Case No. 1115.

SAN JOSE RAILROADS,

Defendant.

Leib & Leib, by S. F. Leib, for San Jose Railroads, Applicant and Defendant.  
Earl Lamb, City Attorney, and T. H. Reed, City Manager, for City of San Jose, Complainant.  
Mrs. Addie Reid, Protestant.

GORDON, Commissioner.

OPINION

San Jose Railroads, a corporation, applies for an order of this Commission permitting applicant to discontinue service on Hobson Street in the City of San Jose, from First Street to Walnut Street, and to remove its rails and appurtenances therefrom.

City of San Jose, a municipal corporation, complains that the equipment used and service rendered by the San Jose Rail-

roads on the Hobson Street Line in the city of San Jose are inadequate and requests that the San Jose Railroads be required to lay and maintain a broad gauge track on Hobson Street, to operate a modern car thereupon and to furnish safe and adequate facilities and service along said street.

An answer was filed by defendant denying the material allegations of the complaint and alleging that the receipts from traffic on the Hobson Street Line do not justify the broad gauging nor the continued operation of the present narrow gauge line.

A public hearing was held at San Jose on August 24, 1917, at which the above proceedings were consolidated, the matters were duly submitted and are now ready for decision.

The Hobson Street Line of the San Jose Railroads is a narrow gauge line .61 miles in length and extends from First Street on and over Hobson Street to the east line of Walnut Street, all in the city of San Jose. No connection exists between the broad gauge tracks of the San Jose Railroads on First Street and the narrow gauge track on Hobson Street and passengers transfer at the intersection of First and Hobson Streets, transfers being given to and from the broad gauge lines of the San Jose Railroads.

The Hobson Street Line is a portion of a narrow gauge line built under a franchise granted to Jacob Rich by the Common Council of the City of San Jose under date March 26, 1890, approved by the Mayor of the City of San Jose on March 29, 1890, the franchise being for a term of thirty-five years. Another franchise was granted to Jacob Rich by the Board of Supervisors of the County of Santa Clara under date August 7, 1890, permitting the construction of a narrow gauge electric railroad from the westerly city limits of the city of San Jose through the County

of Santa Clara, by way of College Park, to Alameda Avenue. The portion of the line extending from Walnut Street, San Jose, to Alameda Avenue as covered by the franchise granted by the County of Santa Clara proving unremunerative, an application was made to the Board of Supervisors for permission to abandon said county franchise and the Board of Supervisors granted such application on or about January 1, 1901, whereupon the track from Walnut Street to Alameda Avenue was abandoned and removed. The City of San Jose, under date June 9, 1909, granted a franchise for a broad gauge street railroad over the entire length of First Street which railroad could only be constructed after the narrow gauge railroad constructed under the above mentioned franchise granted to Jacob Rich was removed, and the narrow gauge track on First Street was removed with the consent of the Common Council of the City of San Jose and replaced by the broad gauge street railroad constructed under the franchise granted June 9, 1909, to J. T. Burke, his successors and assigns.

At some period during the year 1912 the operation of the narrow gauge line on Hobson Street was discontinued by the San Jose Railroads, but operation was restored under date May 1, 1913, in accordance with a letter under date March 10, 1913, reading as follows:

"San Jose, Cal.,  
March 10, 1913.

"To the Mayor and Common Council  
Of the City of San Jose, California,

"San Jose Railroads, a corporation,  
hereby agrees that it will operate the narrow gauge street railroad on Hobson street from First street westerly to Walnut street, in the City of San Jose, County of Santa Clara, State of California, from May 1st, 1913 until the 29th day of March 1925, in accordance with the franchise

upon said Hobson Street from First Street to Walnut Street, passed by the Mayor and Common Council of San Jose and approved by the Mayor thereof on the 29th day of March 1890.

San Jose Railroads.

By F. E. Chapin, Its General Manager."

It appears that this letter was written and that the agreement was made for the reason that action on certain franchises desired by the San Jose Railroads was withheld by the City Council of the City of San Jose, pending the re-establishment of service on the Hobson Street Line, which franchises were afterwards granted under date of April 25, 1913.

The operations of the San Jose Railroads have resulted in a deficit, as indicated by sworn annual statements filed with this Commission, and shown by the following statement:

	Fiscal Years ending June 30			))Year ending	
	1913	1914	1915	1916	Dec. 31, 1916
Operating Revenue	366,951.76	358,711.13	346,547.48	329,531.76	320,612.58
Miscellaneous Income	<u>36,156.29</u>	<u>43,281.62</u>	<u>6,682.36</u>	<u>3,830.59</u>	<u>759.52</u>
Total	403,108.05	401,992.75	353,229.84	333,362.33	321,372.10
Operating Expense	<u>251,188.15</u>	<u>247,932.73</u>	<u>249,463.53</u>	<u>239,929.06</u>	<u>244,630.03</u>
Gross Income less Operating Expenses	151,919.90	154,060.02	103,766.31	93,433.27	76,742.07
Deductions from Income.					
Taxes	14,906.31	18,081.38	19,045.75	20,619.45	19,094.78
Interest On Funded Debt	134,550.00	142,050.00	124,096.67	122,864.00	122,239.00
On Floating Debt	23,810.38	43,473.18	33,298.85	39,046.09	41,244.54
Other Deductions	<u>9,929.46</u>	<u>2,516.18</u>	<u>3,037.16</u>	<u>3,545.23</u>	<u>3,140.07</u>
Total Deductions	183,198.15	206,120.74	179,478.43	186,074.77	185,718.39
Net Loss	31,278.25	52,060.72	75,712.12	92,641.50	108,976.32

A check of the travel on the Hobson Street Line for the following periods indicates daily averages as follows:

	<u>Cash Fares</u>	<u>Transfers</u>	<u>Free</u>	<u>Total</u>	<u>Cash Collections</u>
Mar. 22, to Mar. 28, 1916, inc.	41.7	41.8	2.1	85.6	2.08
Apr. 4, to Apr. 12, 1916, inc.	45.3	46.6	2.3	94.3	2.27
Aug. 15 to Aug. 21, 1917, inc.	38.7	38.7	0	77.4	1.94

The total number of passengers carried on this line during the month of June, 1917, was 2917, of which 1398 were cash fares, 1510 transfers and 9 passes. The total revenue amounted to \$70.05 and the total car mileage was 1698, or a revenue per car mile of 4.13 cents. The average operating expenses of all the lines of the San Jose Railroads for the six months period ending June 30, 1917, were 16.86 cents per car mile. On this basis the operation of the Hobson Street line during the month of June, 1917, was conducted at a direct loss of 12.73 cents per car mile, amounting to \$216.15. It is evident that the operation of the Hobson Street Line contributes materially toward the succession of deficits shown in the foregoing comparison of revenue and expense for the fiscal years of 1913 to 1916 inclusive, and the calendar year of 1916.

The cost of rehabilitating the present narrow gauge line, by replacing the present 35 lb. rail with 60 lb. relaying rail and broad-gauging, is estimated at \$7,749.00, due allowance having been made for the value of the scrap material.

In view of the fact that the Hobson Street Line has been operated at a substantial deficit and that the operation of the

entire system of the San Jose Railroads is also conducted at a yearly loss, the capital investment necessary to rehabilitate this line by broad-gauging is not justified as there appears no possibility of the line's being capable of earning the present cost of operation, to say nothing of any return upon the additional investment required.

Protestants against the abandonment of service and removal of the tracks offered no material testimony as to the reason why the public did not patronize the line, and relied principally on the agreement hereinabove referred to as justification for the continuance of service and for the rehabilitation of the line by broad-gauging.

After careful consideration of the evidence and exhibits in this proceeding, I am of the opinion and find as a fact that the expenditure necessary for the rehabilitation of this line by broad-gauging is not warranted and that same should not be authorized. I shall therefore recommend that the above entitled case be dismissed.

Regarding the application of the San Jose Railroads for permission to suspend operation and abandon the line of narrow-gauge street railroad on Hobson Street, the condition of the track is such that a considerable expenditure is necessary to place same in proper operative condition.

The management of the San Jose Railroads has proposed to install an automobile stage service on Hobson Street, same connecting at First Street with the First Street Line of the street car system serving the City of San Jose and with transfer privileges to and from all city lines. If a satisfactory automobile stage service were to be installed, the needs of the patrons of

the Hobson Street Line would be cared for and the amount necessary for the rehabilitation of the present narrow gauge track could be conserved. In addition the service promised by the agreement of the General Manager of the San Jose Railroads under date March 10, 1913, and hereinabove referred to would be available for the patrons of the Hobson Street Line. I shall recommend that a period of thirty days from the date of the order in this proceeding be allowed the applicant, San Jose Railroads, in which to submit a proposed plan for automobile stage service on Hobson Street in lieu of the operation of the present narrow-gauge street railroad, such plan to be approved by the City Manager of the City of San Jose and satisfactory to this Commission, and that final order in this proceeding be deferred for said period of thirty days.

I recommend the following order.

#### O R D E R

A public hearing having been held in the above entitled proceedings, the matter having been duly submitted and the Commission being fully advised and basing its order on the findings of fact as set forth in the foregoing opinion,

IT IS HEREBY ORDERED, that the complaint of the City of San Jose, a municipal corporation, requesting an order of this Commission for the rehabilitation by broad-gauging of the Hobson Street Line of the San Jose Railroads, be and the same hereby is dismissed.

IT IS FURTHER ORDERED, that decision on the application of San Jose Railroads for permission to discontinue service on its

narrow-gauge street railway line on Hobson Street, in the City of San Jose, from First Street to Walnut Street and to remove its rails and appurtenances therefrom, be and the same hereby is deferred for a period of thirty days from the date of service of this order. If within said thirty days San Jose Railroads shall present to this Commission a plan for the operation of an automobile stage service along Hobson Street in lieu of the present narrow-gauge street railroad operation, such plan to be satisfactory to the Railroad Commission, the petition in Application No. 2361 will be granted: otherwise said petition will be denied.

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 25th day of February, 1918.

Max Shelton  
W. D. Townsend  
Edw. G. ...  
Edw. G. ...

Commissioners.