

ORIGINAL

Decision No. 5385.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of the MT. TAMALPAIS AND MAIR)
WOODS RAILWAY for an order auth-)
orizing it to abandon the oper-)
ation of the "LEE STREET LOCAL.")

Application No. 4262.

Thomas, Beedy & Lanigan, by William Thomas, for
Applicant.

Miss Abbie C. Howe, Proprietor Hotel Abbie, Protestant.

F. F. Bestwick for Bank of Mill Valley, Protestant.

Mrs. A. E. Thomas, President, Outdoor Art Club,
Protestant.

G. C. Hunt, Sup't. Schools, Mill Valley, Protestant.

H. C. Symonds, Town Attorney, for Town of Mill Valley,
Protestant.

John F. Barnett, Attorney for "Citizens Committee of
Mill Valley" and various other protestants.

BY THE COMMISSION

O P I N I O N

Mt. Tamalpais and Mair Wood Railway, a corporation, has petitioned the Railroad Commission for an order authorizing the abandonment of all service on the "Lee Street Local" alleging that the said local service cannot be operated except at a loss; that the total value of the applicant's investment exceeds the sum of four hundred and fifty thousand dollars; that the percentage of net profit earned upon its total investment is not a reasonable nor a fair and adequate compensation.

Public hearings on this application were conducted by Examiner Handford at San Francisco on December 31, 1918, January 13, 14, 16, 18 and 25, 1919, the matter was duly submitted on briefs to be filed by ~~xxxxxxxxxx~~ counsel, and is now ready for decision.

Applicants allege that in the year 1905, the Mill Valley and Mt. Tamalpais Scenic Railway as predecessor of applicant instituted a local service between the station of the Northwestern Pacific Railroad in Mill Valley and Lee Street, such local service to care for the residents of Blythedale Canyon; that such local service has been operated at a loss since its establishment and that the gross receipts are steadily declining, notwithstanding that the operation of the line is alleged to have been conducted with the strictest economy. Applicant alleges that the operation of its entire property does not yield a return that would justify the continuance of operation of a local system; that large expenditures for maintenance of the operative and non-operative property are immediately necessary and that the applicant has no resources from which to raise the amounts necessary for maintenance or to liquidate its floating debt.

The applicant asks ~~how~~ for findings by the Railroad Commission that the "Lee Street Local" service cannot be operated except at a loss; that the total value of applicant's investment exceeds the sum of four hundred and fifty thousand dollars; that the percentage of net profits earned upon its total investment is not a reasonable nor a fair and adequate compensation; and for an order authorizing the abandonment of all service on the "Lee Street Local."

The abandonment of service on the "Lee Street Local" has heretofore been considered by the Railroad Commission in Application No. 1898, as decided November 30, 1915, (Decision No. 2944, Vol. 8, page 552, Decisions C. R. C.) and in Application No. 3272, as decided December 6, 1917, (Decision No. 4927, Vol. 14, page 670, Decisions C. R. C.) In the former decision an agreement between the railroad and the ~~booooooo~~ protestants was approved by this Commission, such agreement establishing a schedule of train operation and the type of equipment that was to be operated on the local line. In the latter decision, the petition of the applicant for abandonment of the "Lee Street Local" service during the months of November to March of each year was denied and regular daily service, in accordance with the schedule agreed upon between the railroad and its patrons as set forth in Decision No. 2944 on Application No. 1898, was ordered maintained until the further order of this Commission.

The local service for which abandonment is requested is operated over the main line of the applicant from the Mill Valley station of the Northwestern Pacific Railroad to Lee Street, a distance of 1.12 miles, and serves the residents of Blythedale Canyon. The scheduled operation consists of seventeen round trips daily on a headway as agreed upon by the railroad and its patrons, and approved by the Commission in its Decision No. 2944 as above referred to. The service is cared for by a gasoline motor car of special design and a reserve car is available to ensure regularity of service.

The revenues and expenses incidental to the operation of the "Lee Street Local" for the fiscal years ending June 30, and covering the period from July 1, 1905 to October 31, 1918, inclusive, are as follows:

<u>Year</u>	<u>Earnings</u>	<u>Expenses</u>	<u>Loss</u>	<u>Gain</u>
1905-1906	1706.95	3695.31	1988.36	
1906-1907	2608.40	3695.31	1086.91	
1907-1908	2945.35	3695.31	749.96	
1908-1909	3164.10	3695.31	531.21	
1909-1910	3288.30	3695.31	407.01	
1910-1911	3229.55	3695.31	465.76	
1911-1912	3151.90	3695.31	543.41	
1912-1913	3083.95	3695.31	611.36	
1913-1914	2923.15	3695.31	772.16	
1914-1915	2848.02	3607.34	759.32	
1915-1916	2224.15	3783.29	1559.14	
1916-1917	1743.45	3077.29	1333.84	
1917-1918	1548.29	3063.51	1534.05	7.24
4 mos. 1918	<u>714.05</u>	<u>972.14</u>	<u>265.33</u>	<u>18.33</u>
	35179.61	47761.36	12607.82	26.07

The expenses connected with the operation of the "Lee Street Local" were not segregated from those of the entire line for the period from July 1, 1905 to December 31, 1914, inclusive, and the annual expenses shown in the foregoing statement are averaged over the entire period during which segregation was not made in the accounts of the company.

The expenses appearing in the foregoing tabulation include only wages of train crews, fuel and repairs, and do not include any allowance for maintenance of track and roadway, shop supervision or official's salaries, general office expense, taxes and interest on investment. The auditing department of the Commission has checked the statement with the books and records of the applicant and finds the statement to be a correct reflection of the accounts of the applicant.

A statement filed as an exhibit by applicant and reflecting the operation of the railway portion of the applicant's property for the period July 1, 1905 to October 31, 1918, inclusive, shows a net profit from operation, after deducting operating expenses, taxes and interest, of \$181,227.80 or an average yearly profit of \$13, 595. 26. The income received from non-operative property such as hotels and from other sources not connected with the railway operation has not been considered in connection with this application, although the profit and loss account of the applicant indicates a net income of \$56,714.87 for the above-mentioned period, or an annual average net earning of \$4,253.62 from such non-operative property.

Mr. R. H. Ingram, General Manager of the applicant's property, testified as to the necessity for securing funds for extraordinary maintenance and renewal of both the operative and non-operative property; that from one and one-half to two miles of rail which has been in service over twenty years should be replaced ^{on} account ^{of} badly worn condition, that cuts should be widened, that heavier section of rail should be installed on sharp curves, that equipment, especially locomotives, would shortly require replacement; and that much of the non-operative property required immediate renewal and replacement. The

credit of the applicant is alleged to be exhausted and for the reason that the earnings of the company do not return an adequate amount to provide for the extraordinary maintenance and renewal of the operative and non-operative property, permission to eliminate all unprofitable service is requested.

This application is opposed by the Town of Mill Valley, the residents of Mill Valley and Blythedale Canyon, as represented by a "Citizen's Committee" and by various individuals and property owners served by the "Lee Street Local".

Witnesses protesting the granting of this application testified as to the serious inconvenience that would result to the residents of Blythedale Canyon if the service now rendered by the "Lee Street Local" were to be discontinued, and that the value of the property would be seriously depreciated both for sale and rental purposes. Merchants testified that considerable business now enjoyed from residents of Blythedale Canyon would be lost, and residents, especially those renting property, testified that they would be obliged to change their residence to other points if the service was discontinued. No method of transportation would be available for children attending the Mill Valley schools, some forty in number. Witnesses protesting this application attribute the losses of applicant to indifferent operation, claiming that the service is not reliable; that all fares collected were not accounted for; that passengers were not picked up at intermediate stops; that the motor cars used in the operation of the line were not operated by competent employees; and that many trips were missed entirely resulting in the service not being generally depended upon by the residents of Blythedale Canyon.

The reasons advanced by the witnesses for protestants as to the light patronage accorded the lines are not supported by the evidence in this proceeding, as isolated instances of minor happenings incidental to the operation of a local service were advanced as being responsible for the service being considered unreliable and unsatisfactory to such an extent that the line was not patronized by the residents of Mill Valley and Blythedale Canyon. As regards the failure to operate scheduled trips the evidence indicated that during the calendar year 1918, 11,590 scheduled trips were operated, with but 55 failures, same being due to the following causes:

Derailements-----	5
Motor Failures-----	46
Northwestern Pacific derailed train-----	2
No reason assigned-----	<u>2</u>
Total,	55

The above statistics indicate that less than one-half of one per cent of the scheduled trips were lost, and such percentage is not an unusual record in operation of a local service of this nature.

The physical conditions existing along the route served by the "Lee Street Local" are undoubtedly responsible for the lack of patronage by the residents of Blythedale Canyon. The line is but 1.12 miles in length and serves principally commuters having their employment or place of business in San Francisco. All of the patrons of the line do not use it for its entire distance, and many use it but infrequently with the exception of the return from business or employment in the evening or in the inclement months of the year. A full spirit of co-operation between the

management of the line and its patrons has not always been in evidence and the line has not been accorded the patronage by the residents of Blythedale Canyon to which it would appear that it is reasonably entitled. There is, however, no other regular method of transportation between the station of the Northwestern Pacific Railroad in Mill Valley and the station of Lee Street on the line of applicant, and the protestants would be seriously inconvenienced if the transportation service of the "Lee Street Local" were to be discontinued.

Applicant has made request for specific findings of fact and an order based on such findings. We will now consider the specific requests as appearing in the application.

1. That the Lee Street Local can not be operated except at a loss.

There is no evidence in this proceeding that justifies a finding that the Lee Street Local can not be operated except at a loss.

2. That the total value of applicant's investment exceeds the sum of four hundred and fifty thousand dollars.

A report of the Engineering Department of the Commission, introduced as an exhibit in this proceeding, shows the following data:

Railroad Commission Valuation as of June 30th, 1913.	Reproduction Value	Reproduction Value less Depreciation
Operative Property	\$384,395.35	\$345,470.50
Non-Operative Property	<u>121,169.61</u>	<u>105,086.58</u>
Total,	505,564.96	450,556.08
Additions and Betterments June 30, 1913 to Oct. 31, 1918.	51,824.43	51,824.43
Total as of October 31, 1918	<u>\$557,389.39</u>	<u>\$502,380.51</u>

The Engineering Department further reports that the same relative condition of the physical property exists as at the time of the Railroad Commission valuation as of June 30, 1913, and that the total figures as shown for Reproduction Value, less depreciation, fairly represent the value of the property of applicant as of October 31, 1918.

We, therefore, find as a fact that the total value of the property of applicant, on a basis of reproduction value, less depreciation, as of October 31, 1918, exceeds the sum of four hundred and fifty thousand dollars.

3. That the percentage of net profit earned upon its total investment is not a reasonable nor a fair and adequate compensation.

The finding of fact requested by the applicant based on this portion of their petition will not be made by this Commission in view of the evidence in this proceeding. It has not been shown that the service furnished by the "Lee Street Local" can not be operated except at a loss. Applicant has not yet placed before this Commission any application for a reduction or rearrangement of schedule on the basis of conserving operating expense, neither has any request for an increase in rates been made. Either a readjustment or diminution of schedule or an increase in rates, or a possible combination of both, present possibilities of reducing the deficit or of eliminating it entirely. The operation of the entire property of applicant over a considerable period of years has been conducted at a profit, and is conducted at a profit at this time. The Commission, before permitting the elimination of an unprofitable local service when such elimination will result in depriving a community of all regular transportation service and the record indicates that the operation of the entire line results in a profit, will require that all possible effort be made to

overcome deficits before our authority for discontinuance of service will issue.

After careful consideration of all the evidence in this proceeding and of the briefs filed by ~~the~~ counsel, we are of the opinion, and find as a fact, that the evidence in this proceeding does not justify an order granting the petition of applicant for the discontinuance of service on its "Lee Street Local" line.

O R D E R.

MT. TAMALPAIS AND MUIR WOODS RAILWAY having petitioned the Railroad Commission for an order authorizing the discontinuance of service on its "Lee Street Local" line, public hearings having been held, the matter having been duly submitted and the Commission being fully advised, and basing its order on the finding of fact as set forth in the preceding opinion,

IT IS HEREBY ORDERED that this application be and the same is hereby denied.

Dated at San Francisco, California, this 5th day of June, 1919.

Edwin O. Edgerton
H. S. Loveland
Francis A. Rubin
Hot B. Edgerton

Commissioners.