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Decision No. 8216.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of
OCEAN SHORE RAILROAD COMPANY
for an order permitting it to discontinue
operating its line of railroad between
Army and Illinois Streets in the City and
County of San Francisco and Tunitas in
the County of San Mateo, its southerly
terminus, and between a point just south
of Army and Kansas Streets to the corner
of 12th and Mission Streets in the City
and County of San Francisco, and to re-
move its track and all appurtenances
thereto constituting the said line of
railroad.

ORIGINAL

Application
Number
6070.

McCutchen, Willard, Mannon & Greene, by F.F. Thomas, Jr.,
for applicant;
Harry A. Encell for Coast Side Promotion Association,
M.D. Johnson for Montara Realty Development Co., and
for himself, protestant;
Seth Mann for San Francisco Chamber of Commerce;
Joseph M. Cummings for the Downtown Association;
J.M. Cummings representing certain industries of
San Francisco;
F.W. Sawyer for the Arleta Tract Association.

DEVLIN, Commissioner.

O P I N I O N

In this proceeding OCEAN SHORE RAILROAD COMPANY, a cor-
poration, asks the Railroad Commission to make an order authorizing it
to discontinue operating its line of railroad in the City and County of
San Francisco and in the County of San Mateo, commencing at Illinois
and Army Streets in the City and County of San Francisco, and extending
to Tunitas in San Mateo County, together with its branch line commen-
cing just at a point south of Army and Kansas Streets and extending

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to Twelfth and Mission Streets in the City and County of San Francisco and remove its tracks and all appurtenances thereto. In brief, this application involves the discontinuance of all operations from Tunitas northward to and within the City and County of San Francisco. The request of applicant is based upon the ground that its operating revenues are not sufficient to meet operating expenses and necessary disbursements, irrespective of a return on the investment.

Ocean Shore Railroad Company was organized in 1911 and acquired the properties of Ocean Shore Railway Company through foreclosure sale. The company owns 53.63 miles of main line track, -38.08 miles extending from Tunitas northward to San Francisco and 15.55 miles from Swanton southward to Santa Cruz. The former mileage constitutes the northern division, the latter the southern division. The discontinuance of service over the southern division is before the Commission in another proceeding.

The Ocean Shore Railway Company, predecessor to Ocean Shore Railroad Company, applicant herein, intended to construct and operate a double track electric railway between San Francisco and Santa Cruz by way of Ocean View and the shore line of the Pacific Ocean. At the time construction ceased, there was built 38.15 miles of single track, standard gauge, southerly from San Francisco to Tunitas and 15.5 miles northerly from Santa Cruz to Scott Junction with a short branch line from Scott Junction to Swanton. No line of railway has been built between Scott Junction and Tunitas, a distance of 26 miles. Only about 2.4 miles in San Francisco are electrically operated, -the remainder being operated by steam.

The entire properties, the northern as well as the southern division, of the Ocean Shore Railroad Company have since 1912 been operated at a loss. The company's revenues, expenses and disbursements appear in Table No. 1 following, prepared by the Commission's Department of Finance and Accounts after an examination of the company's records.

TABLE NO. "1"

OCEAN SHORE RAILROAD COMPANY --(Whole System)

COMPARATIVE REVENUES AND INCOME STATEMENT FOR PERIOD --January 1, 1912 to June 30, 1920.

	1912	1913	1914	1915	1916	1917	1918	1919	6 months 1920
Operating Revenue:									
Freight Revenue	169,675.52	171,233.76	178,172.44	149,967.23	100,029.35	114,432.60	104,044.60	100,788.06	44,258.26
Passenger Revenue	85,348.90	85,452.89	85,954.23	68,022.90	47,891.61	45,244.65	42,662.19	48,714.42	22,382.22
Excess Baggage Revenue	15.00	8.75	12.30	35.85	20.35	12.75	9.16	5.90	1.27
Mail Revenue	2,484.91	2,485.00	2,944.40	3,339.25	3,333.70	3,370.04	3,313.65	3,259.76	1,885.60
Express Revenue	3,574.55	3,318.16	4,030.00	3,350.00	2,560.58	3,645.39	6,697.98	9,263.36	8,941.42
Milk on Passenger Trains	1,806.89	1,500.30	364.82	4.05	-	-	-	795.31	588.66
Other Passenger Train Rev.	-	-	-	-	-	-	-	-	-
Switching Revenue	7,722.50	5,107.60	5,580.00	5,075.00	6,415.00	6,555.00	7,476.50	7,461.00	3,813.00
Special Service Train Rev.	-	25.24	6,204.40	-	-	13,062.50	-	-	-
Misc. Transport'n Revenue	-	-	135.55	16.00	-	-	-	-	-
Revenue from other than transportation	1,535.40	1,150.32	1,335.15	1,436.14	984.39	1,125.75	1,326.12	1,015.35	544.70
TOTAL OPERATING REVENUE	272,162.67	270,261.92	284,733.29	231,246.42	161,234.98	187,448.68	165,530.20	171,303.16	82,415.13
Operating Expenses:									
Maint. of Way & Structures	37,361.78	64,501.53	84,669.08	90,874.16	67,231.76	52,768.39	49,673.82	70,352.75	35,560.32
" " " Equipment	48,970.88	59,142.26	60,013.55	56,452.47	46,716.52	45,358.99	48,341.23	53,297.83	27,535.83
Traffic Expense	7,347.49	6,936.08	5,032.41	5,572.15	4,267.28	4,005.11	3,375.69	3,344.28	1,670.91
Transportation Expense	103,182.87	105,838.89	118,238.08	102,321.56	71,215.46	75,976.87	85,898.45	104,748.08	54,597.83
General Expense	28,111.55	24,601.00	21,646.45	17,628.12	15,640.96	15,294.71	13,745.33	14,285.54	8,061.69
Trans. for Invest. -Cr.	-	-	-	4,500.00	-	-	-	-	-
TOTAL OPERATING EXPENSES	224,974.57	261,019.76	289,629.57	268,348.46	205,071.98	193,404.07	201,034.52	246,028.48	127,426.58
Net Revenue from Operations	47,188.10	9,262.16	4,896.28	37,102.04	43,837.00	5,595.39	35,504.32	74,725.32	45,011.45
Tax Accruals	9,418.53	11,092.98	12,933.78	13,917.78	14,603.37	11,009.21	9,195.92	9,429.97	4,557.24
Uncollectible Revenue	-	-	-	-	-	76.00	-	-	-
TOTAL OPERATING INCOME	37,749.57	1,830.82	17,830.06	51,019.82	58,440.37	17,040.60	44,700.24	84,155.29	49,568.69
Non-Operating Income	2,198.27	2,579.06	3,982.51	2,398.66	1,281.37	1,550.77	2,956.85	2,872.22	1,364.35
Gross Income	39,967.84	748.24	21,812.57	53,418.48	59,721.74	18,591.37	47,657.09	87,027.51	50,933.04
Deductions:									
Taxes on Non-Oper. Property	405.95	1,936.84	2,276.80	5,454.71	376.32	582.33	1,523.74	1,607.62	790.98
Other Deductions	20,779.38	23,588.56	22,835.94	22,095.59	10,224.50	4,208.27	5,024.15	5,116.38	2,959.02
Total Deductions	21,185.33	25,525.40	25,112.74	27,550.30	10,600.82	4,790.60	6,547.89	6,724.00	3,750.00
NET INCOME	18,782.51	24,777.16	38,960.29	76,171.46	67,759.82	20,280.43	48,291.28	88,007.07	51,954.34

{ 0 } - Credit
{ * } - Loss

To cover operating deficits of approximately \$355,000.00, to pay reorganization expenses and to acquire additional property, the company has from time to time levied assessments upon its stockholders, such assessments aggregating \$29.00 per share, and has incurred current indebtedness of about \$77,600.00 up to June 30, 1920. The company has no indebtedness other than its current indebtedness. The amount received from assessments is reported at \$1,107,164.93.

The following table shows the decrease in the freight tonnage and passengers carried by Ocean Shore Railroad Company from 1914 to 1919, inclusive:

	Freight Tonnage		Passengers Carried	
	Entire line	Northern Division	Entire line	Northern Division
1914	305,211	261,052	196,265	166,674
1915	228,170	182,832	157,477	140,657
1916	104,529	51,002	114,215	101,536
1917	111,480	60,314	103,007	92,736
1918	89,317	53,204	99,898	82,795
1919	70,182	34,957	118,278	95,334

The large decrease in freight traffic on the Northern Division in 1916 as compared with 1915 was caused by the closing down of rock quarries and sand pits. Excluding rock and sand shipments and allowing for fluctuations in crops, the tonnage handled by the Ocean Shore Railroad Company up to 1918 on its Northern Division remained almost stationary. In 1919 and 1920, there has been a marked decrease, caused by automobile trucks operating over paved highway between San Francisco, San Mateo and points along the Ocean Shore. Trucks are being used for several reasons. In some instances, the charges for hauling to the railroad are almost as much as hauling to San Francisco or points on the Southern Pacific. Some producers have resorted to trucks during periods of car shortage, or find that their commodities can be handled and brought into market more expeditiously by truck than by rail.

The abandonment of service by the Ocean Shore Railroad is opposed by the Coast Side Promotion Association, Montarg Realty Development Company, Arleta Tract Association, Charles E. Goss and others.

A petition of intervention was filed by the Board of Supervisors of San Mateo County. Protestants contend, in general, that large investments have been made owing to and dependent upon the location and operation of the railroad; that the so-called, "Coast Side", of San Mateo County, depends largely upon the Ocean Shore Railroad for marketing and transportation of artichokes, peas, beans and other food products, and that further development of the territory may be retarded if abandonment of service is permitted. The Coast Side Promotion Association, one of the protesting parties herein, has submitted a traffic study by J.A. Walden, formerly general agent for the Ocean Shore Railroad Company, but employed by Coast Side Promotion Association in this matter. J.A. Walden finds that by extending the line of railroad to Pigeon Point, -about 12 miles beyond Tunitas, the present terminus- approximately \$60,00.00 of new freight revenue might be obtained. In 1912, the Ocean Shore Railroad Company estimated the cost of completing its line to Pigeon Point at \$823,500.00. No doubt, the cost today would be largely in excess of this amount. The report submitted by J.A. Walden shows that he has interviewed a great many farmers and shippers, and that it is their unanimous opinion that if the Ocean Shore line is taken over by some one of the larger roads, or by a responsible corporation, it will be supported by all concerned. Mr. Walden testified that in his opinion Ocean Shore Railroad Company will not, even with the additional traffic reported by him as possible, make operating expenses.

The Engineering Department of the Commission has submitted a report on traffic possibilities and on the condition of the roadbed and equipment. This report shows that the roadbed is in an unsatisfactory condition and that at least \$75,000.00 will have to be expended before the end of 1921 in the replacement of ties and the rebuilding of bridges.

It is of record that producers and shippers will patronize the railroad if taken over by one of the large roads or by a

responsible corporation, but there is no assurance that they will patronize the Ocean Shore Railroad Company. When we find a situation such as the present one, where a railroad offers reasonably good transportation facilities, with scarcely sufficient traffic to support its operation and the traffic producing population of the territory served elect to adopt a competitive mode of shipping, whether the privately operated or common carrier trucks and automobiles, then it must be apparent that the railroad must of necessity cease its operations. In the last analysis shippers and passengers in a given territory will be the determinative body as to whether they will have a railroad or automotive shipping and passenger service, where the amount of business can not properly support both.

I have given careful consideration to the testimony in this proceeding and have reached the conclusion that the revenues of the Ocean Shore Railroad Company are, and will likely continue for an indefinite time to be, inadequate to pay operating expenses and that, therefore, the company should be permitted to discontinue permanently its service on its northern division as a common carrier. Inasmuch as the Order of the Commission herein gives the company the right to discontinue the operation of its line of railroad, the Order also provides that in so far as the authority of this Commission is necessary that such authority be given to the company to dismantle and dispose of its properties.

I herewith submit the following form of Order:

O R D E R

OCEAN SHORE RAILROAD COMPANY having petitioned the Railroad Commission for an order authorizing the discontinuance of its railway service on its Northern Division, the dismantling of its road and the disposition of its properties, public hearings having

been held and the matter having been duly submitted and the Commission being duly advised and basing its order on the findings of fact set forth in the preceding opinion:

IT IS HEREBY ORDERED, that OCEAN SHORE RAILROAD COMPANY be, and it is hereby, authorized to discontinue permanently on its Northern Division its service as a common carrier, as requested in this application.

IT IS HEREBY FURTHER ORDERED that OCEAN SHORE RAILROAD COMPANY be, and it is hereby, authorized to discontinue permanently on its Northern Division its service as a common carrier as requested in this application, and, in so far as the authority of this Commission is necessary to authorize said company to dismantle and dispose of its said property, such authority is hereby given.

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
9th day of October, 1920.

Ernie C. Edgerton
H. J. Loveland
Frank J. Elmer
H. R. Boudige
Dwight Martin
Commissioners.