

Decision No. 38324

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of
INDIAN VALLEY RAILROAD COMPANY, a
corporation, for authority to abandon
its line of railroad and operation
thereof in Plumas County, California.

Application No. 22123

ORIGINAL

RALPH W. SCOTT, for applicant

J. A. PARDEE, for Enhorning & Harrison Co., protestant

KENNETH R. WALKER, for Red River Lumber Co., protestant

BY THE COMMISSION:

O P I N I O N

Applicant, Indian Valley Railroad Company, has applied to this Commission for authority to terminate and abandon its entire line of railroad and the operation thereof between Crescent Mills and Engelmine, all in Plumas County, California.

A public hearing in this matter was held before Examiner Edwards in Quincy on September 20, 1938 at which time the matter was submitted.

Indian Valley Railroad Company is a corporation organized and existing under the rules of the State of California and now holds and is engaged in the operation of a railroad for the transportation of property between Crescent Mills and Engelmine, Plumas County, California.

The Indian Valley Railroad Company was incorporated on June 30, 1916, and was constructed and placed in operation the following year. The line was planned and financed by the Engels Copper Mining Company (predecessor of the California-Engels Mining Company) as a narrow gauge road but was actually constructed standard gauge, the difference in cost being provided by The Western Pacific Railroad Company through its subsidiary, Standard Realty and Development

Company. The Engels Company supplied \$410,000 and the Standard Realty Company advanced \$75,000 of the required capital of \$485,000. No stock was offered or sold to the public and all the shares are held by the above-named companies in the aforesaid respective proportions except as to the directors' qualifying shares. The sole purpose of the line was to facilitate mining operations of the Engels Copper Mining Company at Engelmine, Plumas County, California.

Although the applicant has been operating from the beginning as a common carrier under State and Federal regulatory control, the principal portions of its revenue were derived directly and indirectly from the operations of the mining company until such operations were suspended in 1930 due to the low price of copper. Since that time the applicant's operation has been conducted at a continual loss. Up until the spring of 1936, the road was operated from Paxton to Engelmine. This spring, however, the operation between Paxton and Crescent Mills and intermediate points was abandoned, (1) such abandonment being occasioned by the extension of the Western Pacific into Northern California (forming a connection with the Great Northern at Bieber) and paralleling the Indian Valley Railroad between Paxton and Crescent Mills. Crescent Mills now constitutes the point of interchange with the Western Pacific in lieu of Paxton.

Upon suspension of the operations of the Engels Copper Mining Company in 1930 and the subsequent paralleling of its line between Paxton and Crescent Mills by the Western Pacific, the applicant's operating revenues decreased approximately ninety per cent.

In support of its application, the applicant pointed to its present and past losses and its present unsatisfactory financial

(1) See Decision No. 29947, dated July 12, 1937, and (Supplemental) Decision No. 30615, dated February 14, 1938, in Application No. 21307.

position. Its losses over the past 5½ years have been as follows:

<u>Period</u>	<u>Net Railway Operating Deficit (Including Car Hire)</u>
First 6 months 1938	\$ 12,125.88 (2)
1937	1,303.00
1936	8,062.00
1935	10,668.02
1934	13,302.56
1933	8,922.13

In 1935, the carrier had a cash reserve of \$25,000 which has now been reduced to \$5,000. This is despite the receipt during this period of \$30,000 from the Department of Public Works of the State of California for the purchase of part of its right-of-way between Paxton and Crescent Mills for highway purposes.

Applicant states that it has recently been advised by its principal shareholder, the California-Engels Mining Company, that the resumption of mining operations at Engelmine is remote and that even if such operation were resumed the resulting ores and/or concentrates would, in all probability, be shipped out of Engelmine by truck in lieu of by rail.

The present schedule on the route generally consists, during the busy season, of three round trips per week. During the off season, i.e., January to April, inclusive, the carrier only operates trains as needed. No passenger service has been provided since 1934 when the mixed service was abandoned, nor is any express service provided. The stations on the line, the mileage, and the approximate population of each is indicated in the table below:

(2) The losses are customarily heavier during the first six months of the year because of the light traffic volume.

<u>Miles</u>	<u>Station</u>	<u>Population</u>	<u>Served by Other Railroad</u>	<u>Distance by highway to other Railroad</u>
0	Crescent Mills (Agency)	113	Western Pacific Railroad	0
4.11	Veramont (Non-Agency)	5	None	4.11
8.83	Starks (Non-Agency)	0	None	8.83
13.23	Engels (Engelmine) (Non-Agency)	4*	None	13.23

* Indicates company employees only.

The approximate population served by the entire line is 125 persons of whom about 15 will be left without railroad service by the proposed abandonment. A county road roughly parallels the line from Engelmine and Crescent Mills serving all immediate points. There is no common carrier truck or bus service between Crescent Mills and Engelmine.

The carload traffic handled during the last three years on this line, and that estimated for 1938 based on experience to date, is as follows:

<u>Item</u>	<u>1938</u>	<u>1937</u>	<u>1936</u>	<u>1935</u>
Animals	-	14	33	10
Lumber	-	456	316	548
Petroleum Products	-	61	70	67
Miscellaneous	-	5	2	3
Total	180-200	536	421	628

Applicant indicated that it was willing to dispose of its entire property including land, for its salvage value which applicant estimated to be \$32,500, exclusive of its hotel property at Paxton. (\$45,000, including such property). This estimate was based upon current prices of scrap or secondhand rail, and upon such prices for miscellaneous items as are likely to be received from an auction sale. Applicant stated that no party had shown any interest to date in the

purchase of the road.

Applicant testified that it had used every reasonable means of endeavoring to develop new traffic on its line sufficient to sustain its operations but without success. It estimated that it needed a revenue of \$18,000 or \$20,000 per year assuming no increase in wage rates. With an approximate revenue of \$18.00 per car this would necessitate the handling of 1,000 or more cars per year. On the basis of its experience to date it estimated its total 1938 traffic at only 180 to 200 cars.

Concerning the possibilities for operating economies applicant pointed out that the regular operating force now consists of five men, i. e., an engineer, fireman, conductor, and two section hands, none of whom receive over fifty cents an hour. The train crew, maintained practically on a year-round basis, performs the shop work and, on occasion, the maintenance of way work, when not running trains. The only savings would be those obtainable from a shutdown of the carrier's operations during the slack months, and the elimination during this period of switching service to certain bulk oil stations at Crescent Mills. In such case the section men could be released for about three months, providing no spring wash-outs threatened the line. Applicant stated it fears that if the present crews were released it would be difficult to replace them on a seasonal basis with men of the same general proficiency and at anything near the same rates per hour. In addition to the above, there are regularly on the payroll a superintendent at \$1,500 per year and a secretary and auditor drawing the same amount. It does not appear that any significant operating economies can be achieved in this direction. It was further pointed out that even during the active month of August this year the payroll and fuel costs alone exceeded the gross revenue. The equipment of the road consists of

two locomotives in fair condition built in 1892 and 1893, and a flat car used for the occasional hauling of ties and road materials.

Rough lumber, constituting the greater part of the present traffic, commonly moves out under an in-transit arrangement. Most of the shipments now moving are transported from Engelmine to Crescent Mills and there delivered to the Western Pacific and transported by this carrier to Westwood, the seat of the Red River Lumber Company's milling operations. As approximately 75 per cent of the Red River Lumber Company's Westwood production ultimately moves in interstate commerce under milling-in-transit arrangements, it appears that but a minor portion of the Indian Valley Railroad's present traffic may be considered as of a purely intrastate nature.

Two witnesses took the stand in protest against the abandonment. The first represented Enhorning and Harrison, loggers, who, since 1926, have been operating a mill about three miles above Engelmine cutting on Red River Lumber Company tracts. (3) From three to four million board feet is produced annually. The rough lumber is transported by truck from the mill to the railhead at Engelmine. This protestant pointed out that if the railroad is abandoned, it will be necessary to transport the products an additional 15 miles to Crescent Mills at an added cost of approximately \$1.00 per 1,000 board feet. The Company's ability to bear this expense was stated to be dependent upon the market price of lumber. In 1936 the price was \$19.00; in 1937 it averaged \$20.00; and this year it approximates \$17.00. It would be necessary for the market price to improve by \$1.00 to offset the estimated added expense. On the basis of the 1938 prices, witness doubted the ability of Enhorning and Harrison to operate. The record

(3) Carloads of Lumber Shipped by Enhorning and Harrison:

1927 - 100	1931 - 33	1935 - 239
1928 - 154	1932 - 130	1936 - 178
1929 - 180	1933 - 180	1937 - 232
1930 - 102	1934 - 119	1938 - 157 (estimated)

developed that the available county road facilities at the present time to Crescent Mills were in poor condition and would require rehabilitation to make truck operation feasible. This operator has a present investment in milling and logging equipment at this point of approximately \$50,000. It would cost between \$10,000 and \$12,000 to move the mill to another location.

The second witness, representing the Red River Lumber Company, a concern having widespread lumber operations, testified that there were available 300,000,000 board feet of lumber in the area served by the Indian Valley Railroad Company. Of this amount the Red River Lumber Company itself has held, over the last twenty or thirty years, 180,000,000 to 200,000,000 feet. Witness stated that the company planned to start logging this about 1940, provided market conditions got no worse. About 20,000,000 feet would be taken out a year. If rail service were not available the added cost of transporting the logs by truck to Crescent Mills was estimated to be approximately \$1.50 per 1,000 feet. (4) While this added cost would not preclude the development of the tract, the witness pointed out that it would place an added burden upon his company which it was desirable to avoid if at all possible.

The Indian Valley Railroad Company has a spur track connection to plants of both the Standard Oil and Shell Oil Companies at Crescent Mills. Cars of petroleum products, destined to these companies, are turned over by the Western Pacific to the Indian Valley Railroad for delivery. If operation by the latter is abandoned, it will be necessary to construct a new spur track connection from the Western Pacific to these plants as the present rail is too light to carry the Western Pacific engines.

(4) The transportation of logs was held to be more costly per 1,000 feet than for rough lumber.

A review of the evidence in this case indicates clearly that the Indian Valley Railroad Company is in no financial position to much longer sustain its heavy operating losses. While there may exist some opportunities for economy through seasonal operation as suggested by protestants, it appears that the economies available are far from sufficient to offset the heavy losses occasioned first, by the closing of the copper mine and, secondly, by the paralleling of the applicant's line by the Western Pacific as far as Crescent Mills. There is obviously insufficient traffic presently available to support the carrier. The present needs of Enhorning and Harrison and the prospective needs of the Red River Lumber Company are entitled to the fullest consideration, yet such consideration does not point to any present solution for bridging the gap between applicant's income and outgo. Obviously this gap must be bridged if operations are to continue. With its financial reserves approaching the vanishing point, applicant's request for abandonment of its operations appears as justified.

The effective date of the abandonment should be set sufficiently in advance to permit of the present shippers, including the oil companies at Crescent Mills, making other arrangements for the handling of their shipments. It is also desirable that the date set for the abandonment as authorized by this Commission should be capable of being made to coincide with any which might subsequently be adopted by the Interstate Commerce Commission in parallel proceedings (as to interstate service).

O R D E R

Public hearings having been held in the above-entitled proceedings and the matter having been submitted

IT IS HEREBY ORDERED that Indian Valley Railroad Company be authorized to abandon its line of railroad between Crescent Mills

and Engelmine, Plumas County, California, and to cancel its tariffs and time schedules on file with the Commission, same to be effective not earlier than thirty (30) days from the effective date of this order and on not less than thirty (30) days' notice to this Commission and to the public.

This authorization becomes void if not exercised within one (1) year, unless the time be extended.

Effective date of this order shall be twenty (20) days from the date hereof.

Dated, Los Angeles, California, this 3rd day of October, 1938.

Raymond W. Waberski
Leon A. Waberski
Frank Waberski
Ray & Alice