

FINANCE DOCKET No. 12307

DEEP CREEK RAILROAD COMPANY ABANDONMENT

Submitted May 29, 1939. Decided July 1, 1939

Certificate issued permitting abandonment by the Deep Creek Railroad Company of its entire line of railroad in Tooele County, Utah, and Elko County, Nev.

L. N. Bradshaw for applicant.

REPORT OF THE COMMISSION

DIVISION 4, COMMISSIONERS PORTER, MAHAFFIE, AND MILLER

BY DIVISION 4:

The Deep Creek Railroad Company on January 23, 1939, applied for permission to abandon its entire line of railroad, extending from Wendover in a southerly direction to Gold Hill, approximately 45.66 miles, all in Tooele County, Utah, and Elko County, Nev. No representations have been made by any State authority. Numerous protests were received from residents in the affected territory and a hearing was held, but no one appeared in opposition to the application.

In anticipation of the development of a mining center at or near Gold Hill, the applicant, a wholly owned subsidiary of The Western Pacific Railroad Company, constructed the line in 1916-17 and has operated it since. The line connects with the Western Pacific at Wendover. Its principal traffic has been provided by copper mines. Service at present consists of a mixed train in each direction once a week.

The tributary territory has a population estimated at 530. The area is devoted primarily to mining and the raising of livestock. Wendover and Gold Hill have approximately 200 and 75 inhabitants respectively. The former is served also by the Western Pacific. The latter is 60 miles by highway from the nearest other railroad and is without regular common-carrier truck or bus service. There are three intermediate points on the line, all nonagency stations, uninhabited, and without other railroad service. The traffic from the tributary territory ordinarily moves north toward Wendover. Dirt roads leading to stations on the line join a paved U. S. highway at a point about 36 miles from Gold Hill. The highway extends through Wendover to Salt Lake City, Utah.

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In 1926 the line lost a large portion of its traffic and the volume has since been decreasing gradually. The loss resulted principally from the appearance of a highly arsenical content in the copper ore mined, no longer permitting profitable extraction of the copper. A decline in livestock shipments, attributed to motor competition and the practice of driving animals to points on transcontinental lines, has contributed also to the disappearance of traffic. Efforts made to increase tonnage through readjustment of rates have proved unsuccessful. The passenger traffic handled on the line during the five years 1934-38 consisted of 321 passengers, with corresponding revenues of \$458. The local freight amounted to 19 carloads of miscellaneous items and 27 tons of less-than-carload traffic. Freight moving between points on the line and points beyond during the period mentioned, by years, in order, was 135, 79, 74, 134, and 93 carloads, or for the entire period a total of 515, of which 256 and 231 consisted of mine products and livestock, respectively.

The line has never been operated at a profit, except in 1917 and the three years 1923-25. The results of operation as evidenced by the applicant's exhibits for the five years 1934-38 and the first four months of 1939, by years, in order, are as follows: Operating revenues \$7,383, \$5,355, \$4,309, \$4,565, \$4,263, and \$988; operating expenses \$12,017, \$12,580, \$12,505, \$13,004, \$13,389, and \$4,559; taxes \$787, \$802, \$906, \$973, \$1,017, and \$384; interest on funded debt, including negligible amounts of interest on unfunded debt, \$3,298, \$3,774, \$4,227, \$4,671, \$5,153, and \$1,836; and net income ¹ (deficits) \$8,922, \$11,879, \$13,446, \$14,204, \$15,874, and \$5,983.

During the 5-year period 1934-38 the Western Pacific derived \$28,506 in revenues from traffic interchanged with the Deep Creek Railroad and its out-of-pocket cost of handling such traffic aggregated \$4,777, resulting in a net profit of \$23,729. Deducting this net profit from the net deficit of \$64,325, resulting from operation of the Deep Creek Railroad for a like period, indicates a loss to the Western Pacific Railroad Company of \$40,596. The estimate of out-of-pocket costs excluded terminal expenses at Wendover, cost of handling less-than-carload traffic, equipment rents, and indirect expenses. The parent company made advances to the applicant totaling \$48,000 for the 5-year period.

The applicant's balance sheet as of April 30, 1939, shows investments \$507,073, current assets \$3,517, unadjusted debits \$50, capital stock \$450,000, long-term debt \$176,030, current liabilities \$19,810, unadjusted credits \$6,468, and corporate surplus (deficit) \$141,667.

¹ Calculations include amounts representing rents payable and rent income.

Expenditures for maintenance have been consistent with safe operation. It is estimated that an expenditure of \$24,600, principally for ties and labor, would be required before the end of the current year if operation is to continue, and \$82,600 if the line is operated until December 1940. Additional sums will be needed to repair damage from floods, the territory being subject to cloudbursts. The applicant is without available funds to meet the anticipated maintenance expenses, and additional advances from the Western Pacific are considered impracticable and uneconomical. The estimated salvage value of the line is \$12,600.

The applicant's revenues have been insufficient to meet its operating expenses for the past five years. Mining has ceased in practically all the large mining properties and according to the testimony there is no likelihood of resumption of operations. There are no reasonable prospects of the development of additional traffic from other sources sufficient to permit operation without financial loss. The traffic available does not warrant the large expenditures required for rehabilitation. The evidence supports the conclusion that there is no public need for the line and that its continued operation would impose an undue burden upon the applicant and upon interstate commerce.

We find that the present and future public convenience and necessity permit abandonment by the Deep Creek Railroad Company of its entire line of railroad in Tooele County, Utah, and Elko County, Nev., described in the application. An appropriate certificate will be issued, effective from and after 30 days from its date. Suitable provisions will be made therein for the revocation of concurrences and powers of attorney and for the cancelation of tariffs.

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