

EXHIBIT C

FINANCE DOCKET No. 12164

COPPER RIVER & NORTHWESTERN RAILWAY COMPANY
ABANDONMENTSubmitted April 15, 1939. Decided April 21, 1939

Certificate issued permitting abandonment by the Copper River & Northwestern Railway Company of its line of railroad in the Third Judicial District in the Territory of Alaska.

Richard C. Klugoschoid, Lawrence Boyle, Claude E. Wakefield, and T. M. Donahoo for applicant.

Bryce Little, Walter H. Hodge, Martin Hegeberg, George A. Robinson, C. Chester Carlson, and John Rosswog for protestants.

REPORT OF THE COMMISSION

DIVISION 4, COMMISSIONERS MEYER, PORTER, AND MATIAFFIE

BY DIVISION 4:

Exceptions to the report proposed by the examiner were filed. The Copper River and Northwestern Railway Company, on September 13, 1938, applied for a certificate of public convenience and necessity permitting abandonment of its entire line of railroad extending from Cordova to Kennecott, approximately 195.2 miles, all in the Third Judicial District in the Territory of Alaska. Protests were filed, and a hearing was held. No representations have been made by Territorial authorities.

All the outstanding capital stock and other securities of the applicant are owned by the Kennecott Copper Corporation, hereinafter called the Copper Company. The line in question, the construction of which was completed in 1911, extends easterly from Cordova to the mouth of the Copper River, approximately 30 miles; thence northerly along that river to Chitina, approximately 100 miles; and thence easterly along the Chitina River to Kennecott, approximately 65 miles. It was built primarily for the purpose of transporting copper ores from the Copper Company's mines, at the line's northern terminus, to Cordova, its southern terminus. From the latter point the ores were transported by water to smelters in Tacoma, Wash. Cordova, with a population varying from 1,500 in the winter to 2,000 in the summer, is located on the shore of Orca Inlet, a tributary of the Gulf of Alaska. Kennecott was formerly a mining camp

having about 200 inhabitants, all of whom were employees of the Copper Company. At the present time there are only two inhabitants in that community.

When the line was constructed it was hoped that it would prove to be an inducement to other mining interests to aid in the development of the natural resources of the tributary territory and that there would be much additional traffic from that source. However, such traffic failed to materialize, and the applicant has been almost entirely dependent upon revenues from the traffic handled for the Copper Company.

The line is a single-track railroad, laid with 60 and 70 pound rail, with gradient ranging from 0.8 to 4 percent. The maximum curvature is 12°. It crosses the delta of the Copper River, approximately 11 miles wide, by means of pile trestles built across a swampy section. The river is crossed by means of a steel bridge located near its mouth. Much of the line is built along the foot of mountains, and portions of it extend through cuts through solid rock. About 100 miles north of the mouth of the Copper River, at or near the town of Chitina, the line again crosses that river by means of a pile-trestle bridge which has been reconstructed each year since the applicant commenced operation. It is impossible to prevent the bridge, except the piling, from being washed away by floating ice during the spring months. Consequently, the stringers of the bridge are removed when the applicant ceases operation in the fall and replaced in the spring when the danger of ice jams has passed. The applicant finds that it is more economical to reconstruct the bridge every year than to pay interest on the investment necessary to provide a permanent steel bridge.

The investment cost of the line, including equipment and general expenditures, is shown as \$28,647,034. The net salvage value of the applicant's rolling stock, locomotives, snow plows, and miscellaneous equipment is estimated at \$100,000. No value is placed on the rail and bridges for the reason that the cost of removal and transportation would exceed the scrap value. There is little or no deferred maintenance at the present time.

Service on the line is performed by a mixed train making two round trips weekly. In recent years, during the summer months, special trains have been operated between Cordova and Childs Glacier, 49 miles, for the accommodation of tourists. The line has not been operated during the winter months for the past five years, owing to heavy snows. The period of operation generally extends from April 1 to December 1. The highways in the tributary territory are open for traffic from June to October.

Eleven stations on the line between its termini are located at points where there are no inhabitants. Other intermediate stations from south to north, and the populations of adjacent communities, are Eyak 2, Sheridan 3, Hanscom 5, Alaganik 1, Camp Thirty 9, Camp Fifty-two 12, Bromner 8, Cascade 8, Tiekel 9, Uranatina 9, Chitina 150, Strelna 12, Camp One Hundred Seventy-three 12, Long Lake 3, and McCarthy 75. The only agency stations on the line at present are Cordova and McCarthy. Many of the inhabitants of the above-mentioned communities are employed by the applicant.

North of the delta of the Copper River the territory traversed by the line is rugged and mountainous. Chitina is on or near a concrete highway extending northwesterly to Willow Creek and thence southerly to Valdez, a port on the Gulf of Alaska about 40 miles northwest of Cordova. The distance by highway between Chitina and Valdez is the same as the rail distance between Chitina and Cordova. In addition to highway facilities, Chitina has weekly airplane service for the transportation of passengers and mail to and from Cordova throughout the year.

The village of McCarthy, the only other community of importance in the tributary territory, is 60 miles east of Chitina, near the northern terminus of the line. It would have neither highway nor rail communication if the railroad were abandoned. Accordingly the applicant proposes to leave its railroad intact between McCarthy and Chitina to enable shippers to handle light freight and passengers thereover by means of automobiles fitted with flanged wheels or by any other means suitable to their convenience. The superintendent of highways in the Chitina district, whose work is under the supervision of the Alaska Road Commission, hereinafter called the road commission, testified that he made a study of the transportation problems in that district and afterwards recommended that the road commission take immediate steps to maintain the railroad between McCarthy and Chitina and operate it by means of light equipment. The road commission has purchased a so-called speeder and some push cars for the purpose of experimenting with that method of transportation. There is an aerial-tram line, 1,200 feet long, stretched across the Copper River at or near Chitina, which has been used by the applicant for some years on occasions when the pile-trestle bridge was dismantled. The tram line, carrying a maximum load of about 800 pounds, would be used in connection with the experimental operation of the railroad. McCarthy also has airplane service the year round, and for the past five years airplanes have been handling as much of its traffic as the railroad. The airplanes carry passengers, mail, and freight.

There are no industries in the territory tributary to the line except a few gold mines, the output of which is not shipped by rail; but some of these mines use the railroad for occasional inbound shipments of supplies and mining machinery.

In support of the proposed abandonment the applicant avers that the mineral resources of the Copper Company have become entirely exhausted, that its mines have been closed, that all mining equipment and machinery have been shipped away, that the remaining traffic in the tributary territory is negligible, and that the railroad can no longer be usefully or economically operated.

The total number of passengers handled by the applicant was 1,256 in 1933, 1,573 in 1934, 2,047 in 1935, 1,323 in 1936, and 1,880 in 1937. The freight traffic consists principally of copper ores and concentrates, food products, bituminous coal, lumber, petroleum products, and mining supplies. The total numbers of tons handled during the years 1933 to and including 1937, in order, were 2,849, 3,618, 27,179, 34,278, and 46,318. The inbound and outbound freight is not separately shown except for the stations of Chitina and McCarthy, the yearly averages of which were as follows: Chitina, 1,126 tons inbound and 307 tons outbound; McCarthy, 462 tons inbound and 20 tons outbound. Of the applicant's entire freight business the portion handled for the Copper Company was 20.1 percent in 1933, 11 percent in 1934, 88.9 percent in 1935, 95.5 percent in 1936, 95.7 percent in 1937, and 94.4 percent during the first seven months of 1938. The low percentages for 1933 and 1934 are attributable to the inactivity of the Copper Company's mines during those years.

The applicant has submitted income statements to show the financial results of operation of its line for the years 1933-37 and for the first seven months of 1938. The results for the five full years, in order, are as follows: Railway operating revenues, \$94,452, \$134,650, \$533,043, \$642,883, \$1,102,938; railway operating expenses, \$384,383, \$362,686, \$457,345, \$610,794, \$797,953; railway tax accruals, \$3,478, \$5,041, \$10,443, \$29,107, \$45,609; interest on funded debt, \$1,151,000 annually; net income, deficit, \$1,444,409, \$1,384,077, \$1,085,745, \$1,148,018, \$891,624. The deficit for the first seven months of 1938 was \$701,232.

Evidence tending to establish the necessity for continued operation of the line was adduced by the testimony of several witnesses. The owners of certain small gold mines in the general territory between McCarthy and Chitina frankly state that since the closing of the mines of the Copper Company there has not been enough traffic in that territory to pay even a small fraction of the applicant's operating expenses. They place little dependence upon air service because the airplanes serving that territory carry only 700 or 800

pounds of freight and the carrying charges between the gold mines and the port of Cordova are at the rate of from \$200 to \$240 a ton. For various reasons they believe that the use of the railroad for the movement of light freight between McCarthy and Chitina, as contemplated by the road commission, would not be practicable and that the latter should construct a highway in lieu of the railroad between those points. The witnesses estimate that such a highway would cost about \$300,000, which would include the cost of constructing a light suspension bridge across the Copper River for use instead of the tram line. They ask us to make provision for such construction. We are without jurisdiction in the premises.

Cordova, according to the testimony of a representative of its chamber of commerce, is an important port containing numerous industries, chiefly the applicant's railroad and fishing. The witness has found that the total pay roll of the applicant is over \$500,000 a year of which Cordova would lose about 40 percent should the railroad be abandoned. According to his estimates, practically all the territory tributary to the railroad is within the trade area of Cordova and the proposed abandonment would cause a further loss of about \$346,000 a year in the gross volume of business handled by various establishments in that community. In view of the small number of inhabitants of that territory, the losses anticipated by the witness would seem to be somewhat overestimated.

Further testimony for the protestants is that the proposed abandonment would result in dismissal of the applicant's employees, a number of whom have served the applicant for 30 years. Many are disqualified for employment on other lines of railroad because they are over 45 years of age. The protestants request that appropriate provision be made for such employees if the applicant be permitted to abandon its railroad. In *Chicago G. W. R. Co. Trackage*, 207 I. C. C. 315, 322, we said:

Our sympathy for employees and full realization of the hardships that may and often does result to them in the administration of the abandonment and other provisions of section 1 (18-20) do not enlarge our statutory power or enable us to attach any conditions except those required by public convenience and necessity.

The record clearly shows that neither the present nor prospective volume of traffic over the applicant's line is sufficient to warrant its retention and that continued operation would impose an undue burden upon the applicant and upon interstate commerce. It is undoubtedly true that the loss of rail transportation facilities would work a hardship upon the people of the territory served, especially those in the town of McCarthy, but the applicant cannot be expected

to continue operation of its line indefinitely for the benefit of communities unable to support a railroad.

We find that the present and future public convenience and necessity permit abandonment by the Copper River and Northwestern Railway Company of its entire line of railroad in the Third Judicial District in the Territory of Alaska, described in the application.

An appropriate certificate will be issued, effective from and after 40 days from its date, in which suitable provision will be made for the cancellation of tariffs.

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