

Decision No. 14359

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of Lewis A. Monroe as Agent for )  
A.B.Watson, owner of Crown Stage )  
Lines, for an order granting per- )  
mission to publish and file new )  
Local and Interdivision Passenger )  
Tariff, showing both increases and )  
reductions in fares. )

APPLICATION NO. 10365

Clyde Bishop, for Applicant.

BY THE COMMISSION:

O P I N I O N

This is an application filed August 8, 1924, by Lewis A. Monroe, acting as Agent for the Crown Stage Lines, A.B.Watson Owner, for an order granting permission to readjust its passenger fares, one-way and round trip, 10-ride individual and 30-ride family commutation, between all points on its lines.

A hearing was held at Santa Ana October 21, 1924, before Examiner Geary, and the application having been duly submitted is now ready for a decision.

The activities of applicant center at Santa Ana, from which point auto stages operate to the Beaches, the more important being Laguna, Balboa, Long Beach and Huntington Beach. Service is also rendered to Pomona and Riverside, and to all the intermediate territory.

This applicant, as a part of its activities, formerly

operated stages between Santa Ana and Los Angeles, but transferred these rights to the Pickwick Stages, N.D. in March, 1924, as per authority issued by this Commission in Decision No. 13177, dated March 1, 1924. The actual operation of the service between Santa Ana and Los Angeles was taken over by the Pickwick Stages on March 15, 1924. The release of this territory reduced applicant's gross revenue by approximately \$20,000.00 per month, therefore it is impossible to make a satisfactory comparison of the operations for the entire year of 1924 with a like period for previous years. It is shown, however, by one of the exhibits, that the Santa Ana-Los Angeles division when operated by this applicant had a net operating loss of \$3092.16 in January; \$1927.76 in February, and \$1413.15 for the fifteen days of March, 1924, a total loss on this division for the two and one-half months' period of \$6433.07.

The applicant presented exhibits in the form of reports compiled by certified public accountants, one for the period January 1 to May 31, 1924, the other covering the period from June 1 to September 30, 1924. Both of these reports enter into a very elaborate and complete analysis of the financial condition of the Crown Stage Lines. The reports set forth the assets, liabilities, net worth, income and expenses for the nine months' period, with supplemental reports of income and expenses for each individual month. There is also an exhibit showing the operating revenue per mile and the operating expenses per mile, the details of additions, betterments, and reserve for depreciation. For the nine months' period ended September 30, 1924 the total transportation revenue was \$158210.83 and the total operating expenses \$188663.83, leaving a net operating loss of \$30453.00. The expenses include taxes and depreciation. The total amount charged to depreciation was \$33319.06, and net operating revenue, without depreciation, is, therefore, \$2766.06.

Following the public hearing held at Santa Ana the Commission assigned one of its expert accountants to make a check of applicant's books and to review the reports, rendered as exhibits, by the certified public accountant. This independent investigation verified the figures presented by applicant, with the exception of a few differences of opinion as to the manner of charging certain items. The applicant charged into its operating expenses a court judgment for injuries and damages to passengers amounting to \$7166.01; the Commission's accountant was of the opinion that this judgment instead of being charged to operating expenses should have been charged to a reserve fund which has been accumulating since 1921 and totalled, on September 30, 1924, \$13458.61. It therefore seems proper, since applicant has built up an insurance fund out of earnings, over a period of years, that losses sustained because of collision injuries should be deducted from this reserve fund and not assessed as an independent operating expense.

As heretofore stated, applicant's accountant showed by exhibits that the net operating losses for the nine months of 1924 amounted to \$30453. The result of our investigation, after eliminating from operating expenses the damage claim of \$7166.01 and making certain other minor adjustments amounting to approximately \$1400.00, showed a net operating loss of \$21441.55. This amount, it must be understood, includes no interest on bonds or return on investment. The charge in operating expenses of the sum of \$33319.06 as depreciation is at the rate of 33-1/3 per cent per annum against the automobiles used in the service.

Most of the equipment now in use was built in 1923 and 1924 and it was the testimony of applicant's witnesses that an automobile passenger stage is practically junk after three years insofar as its use by the Stage Line is concerned. However, it

would appear since the cars now in service are of recent model that the depreciation charge is greater than required, though if this amount were reduced by only one-third the company would still be operating at an actual loss, without any consideration for a return upon investment. The total claimed cost value of the passenger cars in service September 30, 1924 was \$127687.96.

It would appear that applicant's terminal building costs at Long Beach, carrying a charge of \$850.00 per month, are excessive and beyond the requirements of the traveling public at that point. Through an investigation by our expert it was developed that this building is to be sublet, in part, to outside parties, which will materially reduce the outlay for this item of expense. However, in the meantime this terminal charge should be eliminated from operating expenses and included in miscellaneous or non-operating expenses.

There was no opposition offered to the proposed increases, although notice of the hearing was given to the interested parties.

Following the hearing held at Santa Ana, applicant was instructed to furnish a statement showing just what additional revenue would accrue, and between what points, under the proposed rates. From this statement it was found that most of the increased revenue would result from the round trip transportation sold to the Beach resorts, and the total estimated increase under the proposed rates would not produce, under the present volume of travel a fair return upon the invested capital.

From the facts developed it is manifest that applicant should be given the relief sought, for unless the fares are increased to produce sufficient revenue the service will deteriorate and become unsatisfactory to the traveling public, if not entirely discontinued.

We conclude and find, in view of the circumstances of record in this proceeding, that the present passenger fares of this applicant

are unjust, unreasonable and insufficient and that the just, reasonable and sufficient fares are those set forth in Exhibit A, attached to and made a part of the application.

We believe the increases here authorized will produce sufficient revenue to meet all the requirements at the present time, but it would further appear that if the volume of the business increases in the future a reduction in the rates will be necessary.

The applicant will, therefore, file with the Commission within fifteen (15) days after the first of each month, for a period of six (6) months, a statement showing in detail the total revenue received under the rates authorized and what would have accrued under the rates now in effect, the total operating expenses, including depreciation, the taxes and the net operating revenue.

The proceeding will be held open for a supplemental order should the actual results obtained through the new passenger fares make such action necessary.

#### O R D E R

A.B. Watson, Owner of the Crown Stage Lines, through his Agent, Lewis A. Monroe, filed an application with this Commission for authority to increase certain passenger fares on its automobile route, and a regular hearing having been held,

IT IS HEREBY ORDERED that A.B. Watson, Owner of the Crown Stage Lines be and is hereby authorized to publish and file new Local and Interdivision Passenger Tariff readjusting one way, round trip, 10-ride individual and 30-ride family commutation fares between all points on its lines, as set forth in Exhibit A attached to and made a part of the application.

IT IS HEREBY FURTHER ORDERED that the applicant submit to the Commission on or before the fifteenth day of each month for a period of six (6) months, a statement showing in detail the total revenue received under the fares authorized and what would have accrued under the fares now in effect, the total operating expenses, including depreciation, the taxes and the net operating revenue.

IT IS HEREBY FURTHER ORDERED that this proceeding be held open for a supplemental order should the Commission deem further action necessary.

Dated at San Francisco, California, this 12<sup>th</sup> day of December, 1924.

*C. Sweeney*

*Dwight Martin*  
*Ernest Shore*

Commissioners.