

ORIGINAL

Decision No. 14727

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation on)
the Commission's own motion of the)
reasonableness of the rates, services,)
rules, regulations and practices of)
RICHMOND AND SAN RAFAEL FERRY AND)
TRANSPORTATION COMPANY.)

CASE NO. 2042.

Henry A. Jacobs and G. B. Blanckenburg,
for the Richmond and San Rafael Ferry
and Transportation Company.

SHORE and SEAVEY, Commissioners:

O P I N I O N

This is primarily an investigation into the service rendered and the reasonableness of the rates charged for the transportation of automobiles and the passengers carried therein, by the Richmond and San Rafael Ferry and Transportation Company, which, for convenience, will be designated herein sometimes as the Ferry Company.

A public hearing was held in this proceeding on November 24, 1924, in San Francisco.

The properties owned by the Ferry Company and used in connection with its auto ferry operation include wharves, slips and buildings at Richmond, Contra Costa County, and at Point San Quentin, Marin County, and the auto ferry steamers "Charles Van Damme," "City of Richmond" and the "City of San Rafael."

On week days the first ferry boat leaves Richmond at 7:00 a.m., and prior to June, 1924, a schedule with a 40-minute headway was operated until 7:40 p.m. On Saturdays, Sundays and holidays a special 25-minute headway has been maintained. The distance from the Richmond terminal to the San Quentin terminal is approximately 3.76 miles and about 25 minutes are required to make the trip. In order to improve the service and to maintain a 25-minute headway each day during the summer months, a third boat, the "City of San Rafael," was constructed and placed in operation during June, 1924. This ferry boat has an auto capacity of approximately 60 automobiles, making a total capacity of 162 automobiles per hour for the Ferry Company.

The service now being rendered by the Company is reasonably adequate for the volume of business now offered at this location.

The Ferry Company operates its boats and terminals with precaution and the service appears to be reasonably safe, considering the fact that the transportation of automobiles by boat is at all times to some extent a hazardous business.

The remaining issue to be passed upon in this proceeding is the reasonableness of rates charged by the Ferry Company for its services.

A valuation was introduced as evidence by the Commission's Engineering Department, and is composed of an inventory and appraisal as of June 30, 1924, with four phases of value shown:

	<u>Richmond Terminal and Line Equipment</u>	<u>San Quentin Terminal</u>	<u>All Property Owned & Used</u>
Historical Reproduction Cost	\$618,482.00	\$49,431.00	\$667,913.00
Historical Reproduction cost less Depreciation	545,723.00	34,212.00	579,935.00
Reproduction Cost New	662,267.00	53,406.00	715,673.00
Reproduction Cost less Depreciation	575,671.00	36,714.00	612,385.00

The Company offered no objection to the values found.

It is our conclusion, after careful consideration of the evidence, that the proper rate base to be used for the determination of a fair and equitable rate of return on the investment for the purpose of this proceeding is the sum of \$683,323.00, which sum includes an allowance of \$15,410.00 for Working Capital and Material and Supplies.

It has been estimated that an increase of at least 10 per cent in traffic, and thus in revenue, could be expected reasonably for the coming year over the preceding year, based on the present rates and service.

Mr. Van Damme, President of the Company, testified that he expected to lose some of the present traffic when the Carquinez Straits bridge is completed, particularly on crowded days, and also testified that the Government is investigating the possibility of the construction of a dam from McNear's Point to Richmond, and if a causeway were constructed for vehicular use it would make it unprofitable for the Ferry Company to continue its service.

It may be several years before the Carquinez Straits bridge is completed and it is doubtful if much of the traffic now using the Richmond and San Rafael route will change to the bridge route as these two routes do not appear to be directly competitive. From points in Alameda County to the Redwood Highway it would require approximately 35 miles additional travel and over one hour additional time to go by way of the bridge route instead of by the Richmond and San Rafael route. The proposed Government dam near Richmond is so indefinite as to the probable location, feasibility, cost, and time required for construction, that it cannot be considered seriously as a factor in this case.

The Company's records show that during the year 1923 a total of \$110,583.68 was expended for the maintenance and operation of boats and terminals. The Engineering Department's estimate for the following year is \$144,675.00, an increase of \$34,091.32, or 30 per cent. This estimated increase is due to the wages for an additional crew to operate the third boat, which was not in service during 1923, and for the additional fuel oil and supplies required for this increase in service. The base price of fuel has increased from \$1.00 a barrel to \$1.40 a barrel at the date of the hearing hereof, or a total estimated increase for oil of \$11,407.00.

The Ferry Company did not protest the estimate of operating expenses submitted by the Commission's Engineering Department.

Included in the above operating expenses for the year 1923, and the estimated operating expenses for the following year, is an item of \$6,000.00 for the rent of the San Quentin Terminal, which is leased from the North Bay Realty and Development Company, the stockholders of which are the same as the stockholders of the Ferry Company.

The portion of this land over which the Ferry Company has a limited use for a right of way consists of a narrow strip about 1000 feet long, with a maximum area of about two acres. The Company paid \$125.00 per month for rent of this property (exclusive of improvements which were owned by the Company) in 1920, with the privilege of leasing it for five years more at \$150.00 per month. If the value of the entire physical property such as wharf, slip, buildings, roadway, etc., is to be included in the rate base, it is our

conclusion that \$150.00 a month would be a fair amount for the privilege of crossing this land, and the Engineering Department's estimate should be reduced from \$6,000.00 to \$1,800.00 per year.

In view of the evidence, the Engineering Department's estimate of operating expenses should be revised as follows:

Operating Expenses, including depreciation, (Commission's Exhibit No. 3, Table No. 4) . . .	\$209,733.00
Deduct for rent of San Quentin Terminal (\$6,000.00 less \$1,800.00)	<u>4,200.00</u>
Revised Estimate of Operating Expenses . . .	\$205,533.00

On the basis of a 10 per cent increase in traffic and revenue, the following forecast of the estimated results from operation for the ensuing year may be stated as follows:

Total Operating Revenue	\$303,478.00
Operating Expenses, excluding Depreciation	\$180,716.00
Depreciation	<u>24,817.00</u> <u>205,533.00</u>
Operating Income	\$ 97,945.00
Taxes, Property and corporation \$	2,080.00
Income Tax	<u>11,983.00</u> <u>14,063.00</u>
Net Income	\$ 83,882.00

This is equivalent to a return of 12.3 per cent on a rate base of \$683,323.00.

This Ferry Company recently has greatly improved the service rendered to the traveling public, by building a new terminal at Richmond which has materially shortened the water haul and by acquiring a third auto ferry boat, thus decreasing the headway and shortening the time of waiting for the ferry boats both on

normal and peak load days. Comparing the service rendered by this Ferry Company and its cost, with the services rendered by other similar ferry companies, and their costs, we find that this Ferry Company is remarkably efficient in maintaining a high class of service with a comparatively low capital expenditure and low operating expense.

If the rate of return on investment were the only measure of reasonableness of rates, we should be justified in ordering a reduction in the rates charged by this Ferry Company. But the efficiency with which the business is conducted, the adequacy of the service, the promptness with which facilities are provided to meet the needs of the service, the hazard of the enterprise, and other matters are all factors entering into a determination of equitable rates to be charged. Moreover, a substantial reduction in rates charged by several of the other auto ferry companies will be necessary, to bring their rate of return upon their investment down to a point comparable with the rate of return now secured by this Ferry Company. Until the effect of such reductions in the rates of other companies can be more accurately measured, and until the full effect upon this Ferry Company of the installation of its third ferry boat can be determined, it is not deemed advisable to disturb the rates of the Richmond and San Rafael Ferry and Transportation Company. In consideration of these factors and all of the evidence in this case, it appears that no reduction in the rates charged by this Ferry Company should be ordered at this time, and this proceeding should be dismissed.

The following form of Order is recommended:

ORDER

A public hearing having been held in the above entitled proceeding, the Commission being apprised of the facts, the matter being under submission and ready for decision,

IT IS HEREBY ORDERED that the above entitled proceeding be, and it is hereby dismissed.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission.

Dated at San Francisco, California, this 1st day of April, 1925.

H. B. Pringle
C. C. ...
Egerton ...
George A. ...
...
 Commissioners.