

ORIGINAL

Decision No. 14729

## 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 MARTINEZ-BENICIA FERRY )  
 AND TRANSPORTATION COMPANY. )

CASE NO. 2044.

J. E. Rodgers and A. F. Bray, for the Martinez-  
 Benicia 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 Martinez-Benicia Ferry and Transportation Company, which, for convenience, will be designated herein sometimes as the Ferry Company.

Public hearings in this matter were held in San Francisco on November 17th, 20th and 28th, 1924.

The properties owned by the Ferry Company and used in connection with its auto ferry operation, consist of a wharf, slip and building at Fifth Street, Benicia; a slip at Martinez, and the auto ferry steamers, "City of Seattle," having a carrying capacity of 17 automobiles, and the "City of Martinez," with a carrying capacity of 35 automobiles.

On week days the first ferry boat leaves Martinez at 7:00 a.m., and service continues on a 40-minute headway until 10:20 a.m.;

then on a 20-minute headway until 6:00 p.m.; then on a 40-minute headway until 10:20 p.m. On Saturdays, Sundays and holidays an additional trip is made at 10:00 a.m., 6:40, 7:20 and 11:00 p.m.

The service rendered by the Ferry Company appears to be adequate for the volume of business now offered at this location. The Ferry Company is operating 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 a hazardous business, to some extent.

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

A valuation of the physical properties owned by the Ferry Company 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 as follows:

	<u>Operative Property</u>
1. Historical Reproduction Cost.....	\$163,670.00
2. Historical Reproduction Cost, less Depreciation .....	113,259.00
3. Reproduction Cost New .....	188,225.00
4. Reproduction Cost New, less Depreciation .....	123,361.00

Unit prices for the reproduction cost new basis were estimated to be the average market price for an estimated construction period of six months, terminating on the date of valuation.

The Company did not seriously object to the values found. The life of piling in the Carquinez Straits was discussed at some length but no evidence was produced to show that the average life of 15 years for creosoted piles which was used in the

valuation and the average life of two years for green piling, which was used, were unreasonable, although it now appears that the use of green piles in this construction work in the future should be discontinued.

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 \$172,000.00, which sum includes an allowance of \$8,330.00 for Working Capital and Material and Supplies.

A forecast of the probable revenue to be received for the following year has been prepared (Commission's Exhibit No. 3, page 3) and on the basis of the present rate scale and present operating conditions it is estimated that the revenues would increase approximately 5 per cent over the preceding year, providing that conditions of competition remain unchanged.

There was certain testimony presented by the Company to show that the proposed highway known as the Sears Point Cut Off would take some of the traffic away from its auto ferry and also that the proposed American Canyon Highway between Cordelia and Vallejo, which would shorten the distance between those points approximately 5 miles, would divert some of the traffic now using its ferry to Vallejo, and that the Monticello Steamship Company would then become a direct competitor.

Most of the auto ferry companies in the vicinity of San Francisco Bay and the Carquinez Straits may be considered to some extent to be competitors for the traffic now using the Martinez-Benicia Ferry but the only directly competing ferry company at the present time is the Rodeo-Vallejo Ferry Company now operating between Shortway and Morrow Cove.

There is now under construction a toll bridge, known as the Antioch Bridge and located approximately two miles east of the town of Antioch, which it is claimed may be completed in the latter part of 1925, and there is also a toll bridge under construction across the Carquinez Straits near the town of Crockett, which, it is claimed, may be completed during the year 1926. When these bridges are completed the Martinez-Benicia Ferry Company contends that it will lose practically all of its present traffic except the local traffic between the towns of Martinez and Benicia.

In our opinion none of the proposed minor highway changes will greatly affect this Ferry Company's business and the traffic and revenues might reasonably be expected to increase at least 5 per cent with the present rates in effect up to the time when the Antioch toll bridge is opened for operation, provided that the rates of the Rodeo-Vallejo Ferry Company remain unchanged. After the opening of the Antioch toll bridge, this Ferry Company probably will lose some of its present traffic and its revenues may be reduced materially. No estimate of the probable loss of revenue from this loss of business has been presented.

Forecasts of the operating expenses were prepared (Commission's Exhibit No. 3, Table No. 4) by the Engineering Department, and Company's Exhibit No. 1 by the General Manager for the Company.

The Company's estimate includes the wages for an additional crew and the cost of additional fuel oil in order to improve the service rendered. Any material increase in service at this time does not seem to be warranted unless it will also increase the revenue. After careful consideration of the Company's claims, it

appears proper to revise the forecast of operating expenses as shown in Commission's Exhibit No. 3, as follows:

Commission's Exhibit No. 3, Table No. 4..	\$107,228.00
Repairs to Martinez Municipal Wharf .....	5,000.00
Additional Salary of Ticket Agents .....	780.00
Additional Accounting .....	200.00
Public Liability Insurance .....	<u>4,000.00</u>
Total of One Year's Operating Expense (Including Depreciation)....	\$117,208.00

The Company's Reserve for Depreciation as of June 30, 1924, gives a total of \$93,868.55. At the present time there is no definite reason to further consider depreciation or amortization. If the Company should lose traffic by competition to such an extent that it would be compelled to discontinue service, there would still be a net profit of approximately \$118.42, as follows:

Reserve for Depreciation to June 30, 1924	\$93,868.55
Addition to Reserve for Depreciation, July 1, 1924; to June 30, 1925 .....	16,817.87
Salvage Value of Total Property, June 30, 1925 .....	<u>53,102.00</u>
Total Net Salvage .....	\$163,788.42
Historical Reproduction Cost, Undepreciated .....	<u>163,670.00</u>
Net Profit .....	\$ 118.42

Moreover, the evidence shows that the rates heretofore in effect enabled this Company to purchase most of its present equipment out of past earnings.

If competitive conditions permitted the estimated normal increase of 5 per cent in revenue, the following forecast of the results for the ensuing year from operation would be obtained:

Total Operating Revenue . . . . .		\$140,980.00
Operating Expenses, ex- cluding Depreciation . . .	\$109,940.00	
Depreciation . . . . .	<u>7,268.00</u>	<u>117,208.00</u>
Operating Income . . . . .		\$ 23,772.00
Taxes, Property and Corporation . . . . .	\$ 450.00	
Income Tax . . . . .	<u>2,915.00</u>	<u>3,365.00</u>
Net Income . . . . .		\$ 20,407.00.

Based on these estimated results from operation the rate of return would be 11.8 per cent of a rate base of \$172,000.00.

No attempt has been made to estimate the amount of traffic that will be diverted to the toll bridges and no consideration has been given, in computing this rate of return, to the effect of possible changes in the extent of competition from other ferry companies.

As mentioned above, this Ferry Company has a direct competitor in the Rodeo-Vallejo Ferry Company. There is now pending before this Commission a proceeding similar to this, in which the service and rates of that carrier are being investigated.

If any reduction is made in the rates charged by the Rodeo-Vallejo Ferry Company, it is probable that the Martinez-Benicia Ferry and Transportation Company will desire voluntarily to reduce its rates to the same general level in order to retain its present traffic, and even then, when the Antioch toll bridge is completed it is probable that the Martinez-Benicia Ferry and Transportation Company will not be able to retain all of its present traffic.

Whether the service rendered by this Company under the competitive conditions that will probably develop, will continue to be a public convenience and necessity to the general traveling public, or whether it will find it profitable to operate under these future conditions to meet only the purely local convenience and necessity of the two communities immediately served, will be determined by the events themselves. It is not the duty of this Commission to refrain from adjusting the rates of other competitive auto ferry companies to a basis allowing a reasonable and adequate return, and giving the general public the benefit of such adjusted rates as applied to such competitive companies, even though its effect may be to prove such a limited public need for the services of this Ferry Company as to render its operations unprofitable.

No benefit can come to this Ferry Company by increasing its rates in the face of existing competition; and after consideration of all the evidence, it is our conclusion that no reduction of rates should be ordered by this Commission at this time, and that the proceeding should be dismissed.

The following form of Order is recommended:

O R D E R

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

HFS

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 of the State of California.

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

H. B. Burdette  
C. Seavey  
Egerton Shore  
George D. Squiers  
Ernest J. Smith  
Commissioners.