

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
KEY SYSTEM TRANSIT COMPANY, a corpora-
tion, for an order readjusting rates
and establishing just and reasonable
rates for the transportation of persons
and property between points on the Com-
pany's lines in the State of California.

Application No. 11329.

Dunne, Brobeck, Phleger and Harrison, for
Key System Transit Company.
G. V. Shoup and C. W. Durbrow, for the
Southern Pacific Company.
Leon Gray, City Attorney, for the
City of Oakland.
W. J. Locke, City Attorney, for the
City of Alameda.
E. J. Sinclair, City Attorney, and
John N. Eay, City Manager, for the
City of Berkeley.
D. J. Hall, City Attorney, for the
City of Richmond.
G. N. Richardson, for the City of Piedmont.
Thomas W. Girbey, for the Town of Emeryville.
C. W. White, for the Town of Hayward.

SEAVEY, SQUIRES AND DECOTO, COMMISSIONERS.

INTERLOCUTORY OPINION

In the above entitled application, which was filed on June 27th, 1925, Key System Transit Company asked for an investigation into its rate and service schedules and an order authorizing it to establish and collect such urban and interurban terminal and passenger rates and such freight rates as should be found to be just and reasonable. Public hearings were held on this matter on August 25th, September 21st, 22nd and 23rd, October 16th, 17th, 19th, 28th, 30th, and November 3rd, 1925. At the hearing on the latter date the matter was continued until February 3rd, 1926, for the purpose of giving the protestants, as well as the Engineering and Accounting Staff of the

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Commission, an opportunity to make a thorough-going investigation into this matter.

On December 10th, 1925, the applicant filed its Supplemental Application in this proceeding, asking for interim rates, alleging that an emergency exists for the five following reasons:

(a) That on December 2nd, 1925, a Board of Arbitration, appointed pursuant to an agreement between applicant and platform employees, made an award, granting a wage increase to its platform employees of more than \$500,000. per annum.

(b) That applicant is under urgent necessity of issuing \$2,500,000. of first mortgage bonds in order to refund unsecured indebtedness and reimburse its treasury for capital expenditures already made, which will increase its annual interest charges approximately \$150,000. per year.

(c) That applicant's program for improvement and replacement of traction facilities will require an expenditure of more than \$7,000,000., which will require the borrowing of money in the near future and the payment of interest thereon.

(d) That applicant, under present rates and with the new wage scale in effect, will not earn its fixed charges.

(e) That applicant, under present rates, will be forced to pass a dividend upon its prior preferred stock, which was issued to bondholders of predecessor companies, thus irreparably damaging its credit, and that applicant must, in the near future, finance Additions and Betterments out of the sale of its prior preferred stock and that a default in the dividend on this security will damage applicant's credit.

At public hearings, held on December 23rd and 24th, 1925, applicant introduced evidence in support of its supplemental application and contended that it was in urgent necessity of having its revenues increased to take care of the emergency claim to the extent of approximately \$900,000. per annum, and applicant proposed that in order to produce this additional revenue the local street car fares on its Traction Division be increased to 7 cents and that its single trip trans-bay fares be increased to 22 cents and that its monthly commutation trans-bay rate be increased to \$6.00.

The protestants did not contest the validity of the company's claim of needing its revenues increased to the extent of the wage award but contended that all the other claims were matters properly to be determined as part of the issues of the main case in the above entitled application.

We have given careful consideration to all the evidence that has thus far been presented in the main case, as well as the evidence that has been presented in connection with the supplemental application for interim rates, and we are convinced that an emergency does exist which demands an immediate augmentation of the revenues of this applicant. On the one hand, we do not concur with all of the contentions as to the nature and extent of this emergency as claimed by applicant, nor, on the other hand, do we concur with the protestants that the immediate need for additional revenue is restricted solely to that necessary to pay the additional wages that have been awarded the men, effective January 1st, 1926. It is our conclusion that there are two outstanding reasons why additional revenue must be provided for this carrier:

First: To provide the means of paying for the labor, under the new wage rates, necessary to perform this applicant's service to the public.

Second: The necessity of enabling the applicant to secure the necessary finances by which to improve its facilities in such a manner that the people of the East Bay communities may receive a good and adequate transportation service.

In addition to these improvements, the evidence indicates that there is certain deferred maintenance which has accrued on this property.

There appears to be little disagreement that the recent wage award will normally increase the operating cost of the company by approximately \$470,000. per year and by nearly \$400,000. for the coming year. No issue was taken with the company's claim that deferred maintenance had accrued on its property to the extent of \$80,000. Deferred maintenance cannot be continued, obviously, with-

out a further impairment of the quality of the service rendered.

The company, in its original application, filed, in its Exhibit "A", a schedule of property improvements which, in its opinion, should be undertaken in order to afford an adequate transportation service to the East Bay communities. This schedule contemplates an expenditure of over \$4,700,000. for additional track facilities and additional equipment for the benefit of the local street car service in the East Bay district. These proposed improvements cover the reconstruction to modern standards of about 45 miles of street railway tracks, including major portions of the East Fourteenth Street line, the San Pablo Avenue line, the Grove Street line, the College Avenue line, including a part of Broadway and the University Avenue line, and the acquisition of 120 new street cars of up-to-date design and a few additional motor coaches. The remainder of the work consists of a number of smaller items somewhat widely distributed for the purpose of bringing the property as a whole up to satisfactory standard. In addition thereto this Commission, in its Decision No. 15290, directed certain immediate improvements for the local street car service in Oakland. The company's witnesses suggested that all of these improvements should be included in a two-year program and we are of the opinion that such a time is none too short within which to complete that work.

In addition to the improvements on the local service, Exhibit "A" proposes expenditures to the extent of over \$2,200,000. for the improvement of the Company's trans-bay service, which it was also suggested should be carried out on a two-year program. Furthermore, it appears from the testimony of the President of the company, that the ferry terminal facilities used in the trans-bay service and the tracks leading thereto are practically saturated as to capacity during peak periods and that within a relatively short time a complete re-arrangement of the terminal will become necessary, together with the provision of additional main tracks along the mole and pier. The provision of an adequate terminal facility of this kind should not be deferred until the ability to handle the traffic on the existing facility has broken down. The re-arrangement and augmentation of these terminal facilities, together with the con-

struction of additional main tracks leading thereto, is a large piece of work and one that probably should have already been undertaken. We are fully convinced that it is now not too soon to commence construction work providing adequate pier and terminal facilities for this service. Although no estimate has been presented as to the cost of this work, it is apparent that the capital required to provide such adequate facilities will be very substantial, probably in excess of \$2,000,000.

The gross cost of all of these improvements would thus be about \$9,000,000. Unquestionably a substantial amount of existing property will be retired incident to the providing of these improved facilities but provision must be made for the early financing of net improvement work on the part of this applicant to an extent of nearly \$6,000,000. We see no hope of attracting the necessary capital to provide these facilities so necessary for adequate transportation service to the communities affected, unless the revenues are increased sufficiently to afford reasonable security for the principal and interest of the necessary capital advancements. We estimate that the additional annual revenue necessary to so secure the public confidence as to attract this amount of investment capital will not be less than \$380,000.

Our Engineers state that their detailed investigations, with respect to the operations, service and financial condition of this applicant, cannot be satisfactorily completed for a number of months. Their studies have reached a point where they have recommended that a property ledger be made by this carrier and continued, not only for the purpose of facilitating a proper investigation in the main case now pending, but primarily because of the fact that the very basis upon which the company's books are now set up is purely tentative, pending the establishment of a true value of the company's property. In view of this, as well as the very considerable additions to property that should now be provided, we are of the opinion that it is imperative for the company to proceed to establish such a property ledger.

It is our conclusion that this applicant's revenues should be immediately increased by approximately \$860,000. per annum.

The establishment of such rates as will produce approximately the necessary increase in revenue, must be made upon a temporary basis. We therefore propose to authorize a basic 7 cent fare on the local street car system of this applicant in the East Bay communities, a 21 cent single trip fare for the trans-bay service and a \$5.20 monthly commutation rate on the trans-bay service. These rates will result, we believe, in approximately the following increase in revenue:

<u>Proposed Fare</u>	<u>Net Amount of Increased Revenue on Annual Basis</u>
7¢ street car fare	\$526,000.
21¢ single trip trans-bay fare	256,000.
\$5.20 monthly commutation trans-bay fare	<u>64,000.</u>
Total estimated additional revenue -	\$846,000.

From the evidence at present before us, we are of the opinion that the increase will not result in a return to the company which will be unreasonable or that an unfair burden will be placed upon the public.

These rates, however, will be established with the distinct understanding that they are only temporary in nature, pending a completion of a thorough-going investigation on the part of the Commission's Staff as to the issues in the main case and the full opportunity of the protesting communities to present evidence in that case, and upon the further condition that the company shall file a statement of its willingness and intention to undertake and complete the entire improvement program above referred to within the ensuing two-year period and that it shall file a definite program or schedule of the time within which it will undertake to commence and complete each particular piece of work in that program, together with monthly progress reports showing the actual progress to completion on each of the jobs so undertaken.

It must be understood that the following is an ad interim order and that the temporary rates herein authorized are subject to revision and adjustment in any final order which may issue subsequent to submission of the main application herein.

INTERLOCUTORY ORDER

Key System Transit Company having filed the above entitled application for an adjustment of its rates and its supplemental application for interim rates, public hearings having been held, the Commission being apprised of the facts, the matter being under submission and ready for decision, insofar as said supplemental application is concerned,

IT IS HEREBY FOUND AS A FACT, that an emergency exists and that the present revenues of said Key System Transit Company are inadequate, and basing its order upon the foregoing finding of fact and other findings of fact, as contained in the interlocutory opinion which precedes this order,

IT IS HEREBY ORDERED that the Key System Transit Company be and it is hereby authorized to establish, on or after January 15th, 1926, upon notice to this Commission and to the general public by not less than three (3) days filing and posting of tariffs in the manner prescribed in Section 14 of the Public Utilities Act, and thereafter to maintain and apply, subject to the further order of this Commission, the rates and fares prescribed in Exhibit "A", attached hereto and made a part hereof, subject, however, to the following conditions:

(1) Applicant shall file with this Commission, not less than three (3) days prior to the making effective of such increased rates, or any of them, a statement announcing its intention to proceed forthwith to carry out the following program of improvement in its facilities within a period not to exceed two (2) years:

(a) All of that improvement work specified in Exhibit "A" attached to the original application in this proceeding.

(b) All of that improvement work specified in the Commission's Decision No. 15290, rendered in Case 1989.

(c) The augmentation of its terminal facilities at its ferry terminal in Oakland and the construction of adequate additional main tracks between said ferry terminal and San Pablo Avenue in the Town of Emeryville, all of such work to be done in accordance with a plan which shall be submitted to and approved by the Commission within sixty (60) days of the date of this order.

(2) Applicant shall, within twenty (20) days of the date of this order, file with this Commission a schedule listing in detail and showing the respective dates upon which it will undertake to commence and complete each of the items of the improvement program described in general terms in Condition (1) next above. Applicant shall thereafter proceed to make all of said improvements in accordance with said schedule and complete the same within two (2) years from the date of this order. Applicant shall render to this Commission, not later than the tenth day of each month, a progress report, showing the actual progress made upon said improvement work during the preceding calendar month, said progress reports to be prepared in such form and to contain such data as the Commission shall, from time to time, direct.

(3) That applicant shall proceed forthwith to make a detailed inventory and appraisal of its physical properties in such a manner as to enable it to set up a full and complete property ledger and shall complete said inventory and appraisal within eight (8) months from the date of this order.

(4) That applicant shall proceed forthwith to perform such necessary work on its tracks, equipment and other facilities as shall completely eliminate all deferred maintenance within a period of six (6) months from the date of this order and that applicant shall file, within fifteen (15) days of the date of this order, a complete schedule of the facilities upon which said deferred maintenance has accrued and the program of work by which applicant will undertake to bring its maintenance back to normal.

(5) The Commission reserves the right to make such further orders in the premises as shall seem to it, from time to time, just and proper.

For all other purposes the effective date of this order shall be twenty (20) days from and after the date hereof.

The foregoing preliminary 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 31st day of December, 1925.

H. B. Bernardi
C. Deane
George D. Squires
Ernest Scott
Leon White
Commissioners.

TRACTION DIVISION

One Way Continuous Passenger Fares

Between

Oakland and Hayward	- - - - -	.21	cents
Ashland	- - - - -	.14	"
San Lorenzo Junction	- - - - -	.14	"
San Leandro - Davis Street	- - - - -	.07	"
Alameda	- - - - -	.07	"
Berkeley	- - - - -	.07	"
Piedmont	- - - - -	.07	"
Emeryville	- - - - -	.07	"
Albany	- - - - -	.07	"
County Line	- - - - -	.07	"
East Shore Park	- - - - -	.14	"
Stega	- - - - -	.14	"
Richmond (East of 20th Street)	-	.14	"
Richmond (20th Street and West)	-	.21	"
Point Richmond	- - - - -	.21	"
San Pablo	- - - - -	.21	"
East Richmond	- - - - -	.21	"

The same relative adjustments between all points where Traction Division fares are now six (6) cents or a multiple thereof.

INDIVIDUAL MONTHLY COMMUTATION FARES

All commutation fares on the Traction Division may be increased by eight and one-third (8-1/3) per centum.

KEY DIVISION

Individual Monthly Commutation Fares

Between	
San Francisco	
And	
Berkeley	
Bancroft Way	
Northbrae	
Albany	
Claremont	
Piedmont	
Broadway	
3rd Avenue and E. 18th Street	
41st Avenue	
Trestle Glen	
And	
Intermediate Stations -----	\$ 5.20
Richmond -----	6.50

ONE WAY CONTINUOUS PASSAGE FARES

Between	
San Francisco	
And	
Berkeley	
Bancroft Way	
Northbrae	
Albany	
Claremont	
Piedmont	
Broadway	
3rd Avenue and E. 18th Street	
41st Avenue	
Trestle Glen	
And	
Intermediate Stations -----	.21 cents
Children 5 years of age, but under 12 years ----	.10 cents

ROUND TRIP FARE

Between San Francisco and Richmond -----	.63 cents
Children 5 years of age, but under 12 years ----	.31 cents.