

Decision No. 15849.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
PACIFIC ELECTRIC RAILWAY COMPANY,
a corporation, for an order grant-
ing permission to increase street
car and motor coach rates or fares
in the City of Pasadena, County of
Los Angeles, State of California.

Application No. 11049.

ORIGINAL

Frank Karr, for applicant.

J. E. Howard, City Attorney, for City of Pasadena.

George A. Damon, for Pasadena Engineers' Society.

SEAVEY, COMMISSIONER:

O P I N I O N

Pacific Electric Railway Company in the above applica-
tion asks this Commission for an order granting it permission to
increase street car and motor coach rates or fares in the City
of Pasadena, County of Los Angeles, State of California.

Public hearings were held in this matter in Pasadena
June 5, 1925, and August 26, 1925.

In the application it is alleged that the operation of
street railway and motor coach service for the year ending Janu-
ary 31, 1925, resulted in a loss to the company of \$162,506.08.
Certain corrections were subsequently made reducing this amount
and the final amended loss, as determined by the Company and
shown in their Exhibit C-1, amounted to \$145,816.01. This loss
as claimed by the Company includes an interest charge on invest-
ment at six per cent of \$72,445.45 and a net operating loss on
its motor coach division of \$124,203.67, leaving a net income

on its street railroad properties, before interest, of \$50,833.11

There is brought clearly before the Commission in this proceeding the question of its legal authority to fix rates on bus transportation within the limits of a municipality. While there has been slowly developing in California cities the use of the bus as a competitor of, a substitute for, or a supplement to, street railway service, in no previous instance in formal proceedings before this Commission has bus transportation been other than incidental and therefore not a determining factor in the fixing of rates.

The question raised by the City attorney of the jurisdiction of this Commission over service has no bearing upon the issues here involved and need not be discussed.

The power of the Commission to fix rates on street railroads, whether operating within a single municipality or not, exists by virtue of the provisions of the Public Utilities Act and is well established. The power of the Commission to fix rates of transportation companies operating motor vehicles on the public highways exists by virtue of the provisions of Chapter 213, Statutes of 1917 and acts amending said statute, Section 1 of which specifically excludes from the Commission's jurisdiction such transportation companies as operate exclusively within the limits of an incorporated city or town.

A summary of the facts regarding the operations of bus and street railroads in Pasadena, in addition to those already recited, and the official acts of the City and the Commission in relation thereto will be illuminating in reaching conclusions in the matter before us.

The extent of the two services and their inter-relation is shown in a general way in the following table taken from ap-

plicant's Exhibit J, the figures being for the year ending January 31, 1925:

	<u>Street Cars</u>	<u>Auto Busses</u>
Passenger car miles	1,294,609	1,803,053
Revenue Passengers	5,681,972	5,571,439
Transfer passengers	580,518	875,208
Free passengers	213,156	161,716
Total passengers	<u>6,475,646</u>	<u>6,608,363</u>

Exhibit I introduced by the Commission engineers shows that in their operations the busses are in direct competition with the street cars in the business district of the town and are in effect an independent service.

Until 1923 the street railroad had attempted to serve the entire city and for several years previous to 1923 had been subjected to competition by independent bus operators under permit of the City council. In December, 1922, the City voted on the matter of instituting a municipal bus service through a proposed bond issue of \$500,000. This failed of a two-thirds vote and the proposal was abandoned. Following this the City and the Company entered into negotiations looking toward a combined street car and bus service.

On May 29, 1923, this Commission, under Application 9045, Decision 12151, allowed applicant to suspend street car service on the Tournament Park, East Washington Street, East Orange Grove Avenue and North Orange Grove Avenue street railway lines, it being understood that bus service would be substituted.

The applicant at this time and subsequently proceeded in the purchase of the equipment of bus operators in the city and prepared to put in its own bus service.

On July 9, 1923, the City Council of Pasadena adopted Ordinance 2130, the salient features of which were the granting of exclusive rights to Pacific Electric Land Company (a company

affiliated with the Pacific Electric Railway Company) to operate bus service in Pasadena in addition to and in some instances as substitutes for street railway service, subject to determination by the City of routes and schedules for operation and type of bus to be used, and conditioned upon the rates then in effect remaining in effect until at least December 31, 1924. Provision was made for transfers between the two forms of transportation to be given without additional charge. This ordinance provided for the suspension of street car service and the substitution of bus service within the city and on East Washington Street outside the city limits for a distance of a mile, the line serving the portion of the city to the south.

On March 11, 1924, by Ordinance 2204, the City gave consent to the abandonment of street railroad tracks on East Washington Street partly within and partly without the city of Pasadena, and on April 21, 1924, under Application 9633, Decision 13442, this Commission granted authority to applicant to remove said tracks.

On October 28, 1924, by Ordinance 2285 the City gave consent to the abandonment of street railroad tracks on the West Colorado Street, Orange Grove Avenue, Los Robles Avenue, Washington Street and California Street lines, and on January 8, 1925, under Application 10690, Decision 14447, this Commission granted authority to applicant to remove said tracks.

Pacific Electric Railway Company has applied for and has been granted certificate to operate motor busses between Pasadena and points outside in conducting other service, but no application for certificates has been filed with this Commission by said Company or by Pacific Electric Land Company to cover the service considered in the present proceeding. Neither has any other party been so before the Commission.

It seems apparent (1) that Pacific Electric Railway Company holds no permit, grant or certificate to operate the motor bus service here considered; (2) that the Pacific Electric Land Company, the party holding such right, is not before the Commission in this proceeding; (3) that such right as has been granted said Land Company was given by the City of Pasadena, is for operation exclusively within the City of Pasadena and as such is wholly under the jurisdiction of said City, both as to service and rates; (4) that the only matter within the jurisdiction of this Commission to be determined at this time under this application, is the fixing of just and reasonable rates of fare on applicant's street railway system in the City of Pasadena.

A detailed statement of the results of the operation of the applicant's street railway system for the year ending January 31, 1925, as shown in the Pacific Electric Railway Company's Exhibit C-1 follows:

Operating Revenue	\$313,473.36
Operating Expense	244,632.08
Net Revenue	<u>68,841.28</u>
Taxes	18,008.17
Net Income	<u>50,833.11</u>
Interest on Investment at 6% per Annum	48,869.37
	<u>\$1,963.74</u>

In the above tabulation the Company has figured interest at six per cent on the investment as amounting to \$48,869.37. This is six per cent of \$814,490.00.

It thus appears that under applicant's own representation it is earning in excess of six per cent on its local street railroad operations in Pasadena. In view of this fact it does not appear that applicant is entitled to an increase in its street car rates or fares.

The following form of order is recommended:

O R D E R

Pacific Electric Railway Company having applied to this

Commission for an order increasing its street car and motor coach rates or fares in the City of Pasadena, public hearings having been held, the matter being under submission and ready for decision, and

Basing its order upon the finding that the only matter that can be determined by this Commission in this proceeding is the fixing of just and reasonable rates or fares on applicant's local street railroad system in Pasadena and other findings of fact as appearing in the opinion preceding this order,

IT IS HEREBY ORDERED that the application of the Pacific Electric Railway Company be and it is hereby denied.

Dated at San Francisco, California, this 14th day of January, 1926.

H. B. Burdige

C. Seaver

George D. Squires

Edward A. ...

Leon Whitell

Commissioners.