

ORIGINAL

Decision No. 19566.

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 granting
permission to increase passenger
rates and fares between points in
the State of California.

Application No. 13460.

VENICE BRANCH OF LOS ANGELES CHAMBER
OF COMMERCE, representing the citizens
of the Venice District of Los Angeles,

Complainant,

vs.

Case No. 2476.

THE PACIFIC ELECTRIC RAILWAY COMPANY,
a subsidiary corporation of the
Southern Pacific Railway Company,

Defendant.

Frank Karr and C. W. Cornell, for Applicant.

Jess E. Stephens, City Attorney; Milton Bryan,
Deputy City Attorney; J. L. Ronnow, Deputy
City Attorney; J. O. Marsh, Manager and
Chief Engineer, and F. F. Ball, Special
Engineer, Board of Public Utilities, for
Protestant City of Los Angeles.

R. C. McAllister, City Attorney, and Leonard A.
Diether, Deputy City Attorney, for Protestant
City of Pasadena.

Frank L. Perry, City Attorney of the Cities of
Redondo Beach and Manhattan Beach, for
Protestants City of Redondo Beach and City
of Manhattan Beach.

Clyde Bishop, City Attorney, for Protestant
City of Newport Beach.

H. E. Veder, City Attorney, for Protestant
City of South Pasadena.

A. M. Pence, City Attorney, for Protestant City of Covina.

Charles J. O'Connor, City Attorney, for Protestant City of Colton.

T. C. Gould, City Attorney, for Protestant City of Alhambra.

Bruce Mason, City Attorney, for Protestant City of Long Beach.

A. G. Wray, City Attorney, for Protestant City of Whittier.

Walter M. Dunn and John A. Sturgeon, for Protestants Cities of Arcadia and El Monte.

Ray L. Morrow, Victor E. Wilson and W. Turney Fox, for Protestant City of Glendale.

Clyde Woodworth, City Attorney, Inglewood, El Segundo and Hawthorne, for Protestants Cities of Inglewood, El Segundo and Hawthorne.

James E. Mitchell, City Attorney, for Protestant City of Burbank.

Charles A. Rolfe, Chairman of Transportation Committee, City of Redlands, for Protestant City of Redlands.

George A. French, City Attorney, for Protestant City of Riverside.

Carson B. Hubbard, City Attorney, for Protestant City of Huntington Park.

R. C. Waltz, City Attorney, for Protestant City of Beverly Hills.

Chester L. Coffin, City Attorney of Santa Monica, for Protestant City of Santa Monica.

E. H. Jolliffe, City Attorney, for Protestant City of Ontario.

Joseph A. Allard, City Attorney, City of Pomona, Claremont and La Verne, for Protestants Cities of Pomona, Claremont and La Verne.

C. A. Bridge, City Attorney, for Protestant City of Hermosa Beach.

John K. Hall, Deputy City Attorney, for City of Long Beach.

Jess E. Stephens and Milton Bryan for Protestant,
Committee of City Attorneys Association of
Southern California.

C. A. Bland, for Protestant Chamber of Commerce
of Long Beach.

E. F. Bogardus and Carl Bush, for Protestant,
Hollywood Chamber of Commerce.

J. J. Deuel and A. M. Stanley, for the
California Farm Bureau Federation.

W. H. Engle, for Protestant Northwest Chamber
of Commerce.

Davenport R. Phelps, Secretary-Manager, West
Hollywood Chamber of Commerce, for Protestant,
West Hollywood Chamber of Commerce.

Gust Holmquist, for Protestant, Wilman Chamber
of Commerce.

E. W. Porter, E. W. Savage and Eugene M.
Rittenhouse, for Venice Branch of Los
Angeles Chamber of Commerce.

W. H. Woodard and Earl W. Porter, for Protestants,
Citizens Rate Committee of Venice, and the
Citizens of Venice.

Frank W. Forester, for Protestant Knights of
Pythias, 107 California Pomona Lodge.

W. H. Powell, for Protestants, East Hollywood
Improvement Association, Bus Committee of
Hyperion Avenue and Silver Lake Glendale
Boulevard Motor Coach.

Herb E. Shiels, for Protestants, Citizens Rate
Committee of Venice, and Protestant City
of Culver City.

Mrs. R. E. Day, for Lynwood Women's Club.

Mrs. Sarah M. Skinner, for Protestant,
Harriman Avenue, South Pasadena.

Leopold Jacobson, Protestant per se.

WHITSELL, COMMISSIONER:

O P I N I O N

In the above entitled application, the Pacific Electric Railway Company asks for an increase in passenger rates on both its local and interurban lines. The above entitled case is a complaint on behalf of the Venice Branch of the Los Angeles Chamber of Commerce seeking a reclassification and reduction in rates on the Venice Short Line of Pacific Electric Railway Company.

Application 13,460 was filed on January 11, 1927. Hearings were held at Los Angeles, March 10, 11 and 30th, April 5, October 20, 1927, January 17, 18, 19, 31 and February 1, 1928. Case 2476 was filed January 7, 1928. The two matters were consolidated for purpose of hearing and decision by stipulation at the hearing on January 17, 1928. The matter was submitted on briefs which have been filed by the applicant and several protestants, as well as by the complainant in Case 2476.

Prior to the initial hearing on March 10, 1927, applicant filed a supplemental application, seeking permission to establish temporarily and as an experiment, a scale of lower one-way and round-trip rates and increased commutation rates on selected interurban lines of applicant. Consideration was given this supplemental application at the hearings on March 10, 11, 31 and April 5. After stipulation, an order was issued by this Commission in Decision No. 18219 (29 C.R.C.660) dated April 12th, 1927, in which a somewhat lower scale of rates

was authorized on the Los Angeles-Glendale-Burbank line to be effective during the pendency of hearings on the main application herein. Certain minor modifications were made in these rates by Decision No. 18355 (29 C.R.C. 751) dated May 14, 1927. The results of these experimental fares are now in the record.

There were before the Commission in Application No. 5806 and affiliated cases in 1920 and 1921 practically the same issues as are here presented. In Decision No. 9928, (20 C.R.C. 1037) decided December 24, 1921, a resume will be found of the Pacific Electric situation as it then existed, and except where pertinent or where conditions have changed, no restatement will be made herein. Reference is also made to the First Supplemental Opinion and Order, Decision No. 10017 (21 C.R.C. 147) decided January 28, 1922, and to the Opinion and Order on Rehearing, Decision No. 10930 (22 C.R.C. 235) decided September 2, 1922. These decisions were later affirmed by the Supreme Court of this State in "City of Pasadena et al v. Railroad Commission," 192 Cal. 61. I see no reason for departing from the general plan of procedure outlined in these decisions at this time.

At the initial hearing, it was suggested that the Commission's engineers conduct an investigation into the affairs of the company and report their findings to the Commission. Such an investigation has been made and the results thereof are in this record.

The evidence adduced at the hearings in these matters will now be considered, and will be divided into several general subdivisions, viz.

- I. Rate Base and Return.
- II. Interurban Passenger Fares.
- III. Local Passenger Fares.
- IV. Service.
- V. Complaint, Venice Branch of Chamber of Commerce.
- VI. Trial Fares.

I. RATE BASE AND RETURN.

One of the tests to be applied in the determination of the reasonableness of rates is whether or not such rates are sufficient to pay operating expenses, taxes and to return to the carrier a fair return on the value of the property devoted to the public service.

For this purpose, the system of applicant as a whole will first be considered. The system embraces the interurban operations, both freight and passenger, and the local or street railway operations. Freight rates, however, are not at issue in this proceeding.

A summary statement of the estimated historical cost undepreciated reported by our Engineering Department is as follows:

Valuation as of December 31, 1926,	\$70,618,279.
Estimated Net Additions and Betterments for 1927,	3,032,250.
Omitted portion of Pacific Electric Building,	1,679,908.
Materials and Supplies and Working Capital,	<u>1,200,000.</u>
Total Exclusive of Leased Equipment,	76,530,437.
Original Cost of Leased Equipment,	<u>11,573,042.</u>
Total Estimated Rate Base,	<u><u>\$88,103,479.</u></u>

No objection was offered as to the use of this estimate as a rate base in this proceeding, except as will be discussed below, the applicant takes exception to the inclusion of the value of leased equipment for rate base purposes.

The financial results of operation using the revenues and expenses shown by the Company's books for the twelve months ending October 31, 1927, may be stated as follows:

Railway Operating Revenues,	\$19,647,428.
Railway Operating Expenses,	16,422,860.
Net Operating Revenues,	3,224,568.
Taxes and other net deductions,	1,130,334.
Income available for return,	2,094,234.
Rate Base, exclusive of leased equipment,	76,530,437.
Rate of Return,	2.74%

There are two important features in this tabulation which require special comment.

First, included in the Railway Operating Expense is the rental of the so-called leased equipment. The term "leased equipment" represents cars and other equipment operated exclusively in the service of applicant, but not actually owned by it. The value of the leased equipment has accordingly been deducted from the rate base for this comparison.

Second, it should be pointed out that the charges and allowances for depreciation made in the Company's books are on a straight line basis, and that with the inclusion of depreciation charges on that basis, the use of a depreciated rate base would follow as a corollary. Since the record does not contain a statement of the historical cost, depreciated, it is impossible to present a proper showing.

through the Company's book figures. If this figure were available, it would be lower than the undepreciated cost and consequently the percentage of return would be higher.

Our engineers have estimated the results of operation for 1928, on three different bases, the soundest of which is summarized as follows:

Railway Operating Revenues,	\$19,715,100.
Railway Operating Expenses,	14,357,378.
Net Operating Revenues,	5,357,722.
Taxes and other net deductions,	1,137,502.
Income available for return,	4,220,220.
Savings - (a) due to changes in operation,	\$148,880.
(b) due to aban- donment of losing lines,	<u>114,068.</u>
	262,948.
Income after savings, available for return,	4,483,168.
Rate Base,	88,103,479.
Rate of Return,	5.1%

There are six important differences between our engineers' estimate and the records as shown by the Company's books: to-wit:

(1) The depreciation allowances have been revised by our engineers in certain cases where the Company's basis of lives and salvage appeared not to be in accord with experience. The lives in general are lengthened, while the salvage allowance is reduced. These adjustments, however, are compensating, that is, the first tends to reduce the annual allowance while the second tends to increase it.

(2) Depreciation annuity has been calculated by our engineers on a five per cent sinking fund basis for all

depreciable property. The Company does not set up any depreciation for large portions of its property such as Roadway and Structures, but treats all renewals to such property as maintenance charges. For those portions of the property upon which the Company does set up depreciation, such as equipment, the depreciation is calculated by the Company on a straight line basis.

(3) The estimated annual operating savings as a result of changes in service proposed by our engineers, amounting to \$148,880., has been added to income available for return.

(4) The estimated annual operating loss on lines which are not earning sufficient to pay their out-of-pocket cost, amounting to \$114,068., has been added by our engineers to income available for return.

(5) Our engineers have omitted from the estimate as above summarized, the cost of providing for any deferred maintenance or matured depreciation. The Company's books include such charges for these items as are actually incurred.

(6) Leased equipment has been considered in the estimate of our engineers as though it were owned by the Company. As indicated above, the Company includes the equipment rental in operating expenses.

Neither applicant nor protestants have contested the propriety of making the first four adjustments for the purpose of determining the issues of this proceeding. Objection, however, is made by the applicant to the two adjustments last mentioned, and the merit of these objections will now be discussed.

The Company contends that the item "Matured Depreciation", referring to the Way and Structures group of expense, should be allowed in operating expense, while with respect to the amount included as "Deferred Maintenance", no such contention is made.

In a previous rate decision involving this same applicant (20 C.R.C. 1087), we held in discussing this very matter of deferred maintenance, that "extraordinary and temporary expenses should not be charged against a short period, especially if such extra costs result in permanent benefits to the carrier."

In this connection, the record shows that in the estimate for 1928, prepared by our engineers, a full and complete allowance is made in operating expenses for the depreciation annuity on all depreciable items of property. If the carrier has not, in past years, set up adequate charges and operating expenses to take care of the depreciation of its property now maturing, such omission is fundamentally of the same nature as an omission adequately to maintain the property.

Counsel for applicant contends that under the uniform classification of accounts, the charging direct to operating expenses of the renewal in kind of existing materials cannot be avoided. The classification of accounts provides that the accrual of depreciation on way and structures, power plant buildings and power plant and substation equipment is left optional

with the carrier until the Interstate Commerce Commission shall direct otherwise. In view of this and other provisions of the classification, it can hardly be said that the classification of accounts compels the charging to operating expenses of the cost of renewals of existing materials. If our engineers, in addition to allowing an adequate allowance for current depreciation in their estimate of operating expenses, as above summarized, had added thereto a further allowance for matured depreciation, the Commission would have been forced to reject their estimate for the reason that it would have had the effect of burdening future rate payers with a duplication of this item.

The second disputed item is whether the leased equipment operated by the Company may be considered as owned in the determination of the rate of return on the property used in the public service. Some years ago the Company adopted the policy of securing its new rail equipment, both passenger and freight, through a form of lease from Southern Pacific Company, paying to the latter an agreed rental therefor. The amount of such equipment in use on Pacific Electric Lines has increased in recent years until a large percentage of the total equipment in use is on a lease basis. The financing of this equipment is handled by the issuance of equipment trust certificates guaranteed by Southern Pacific Company and by money advanced by that Company.

The estimate prepared by our staff places this leased property upon a parity with the remaining property owned by the company for the purpose of determining a reasonable compensation for the use of the property devoted to public service. If classes of properties are picked out and placed in a preferred position, in that the interest on the value thereof is treated as an operating expense, this test will become meaningless.

It appears that applicant takes the position that it has entered into a valid and lawful contract for the rental of this equipment, and that the Commission has no power to interfere with the performance of the terms of that contract. I see no necessity, at this time, of taking exception to this position of applicant, as such a position is not in conflict in any manner with what I believe to be the Commission's unmistakable duty in all rate proceedings such as this, namely, the duty of testing the reasonableness of any and all expenditures which the company incurs in performing its service.

I am, therefore, of the opinion that our engineers were fully justified in testing the reasonableness of these expenditures on the same basis that is used to test the reasonableness of compensation to which other property devoted to this same public service is entitled, and I conclude, in view of the evidence in this case, that, for the purpose of testing the reasonableness of the rates and fares of this applicant, our engineer's estimate for the year 1928 showing a

sum of \$4,483,168, available for return or 5.1% on an investment of \$88,103,479, is a fair and proper statement of results of operation under present rates and fares.

There now remains to be considered the rate of return which should be allowed this carrier. With many of the utilities in this State, the Commission has held that a 7% return was not excessive. It appears that the Interstate Commerce Commission considers a fair return to be 5.75% for the steam railroad carriers (58 I.C.C. 220; 68 I.C.C. 676; 100 I.C.C. 79; 129 I.C.C. 25). Applicant is classified as an interstate carrier and its business to a large extent is comparable to that of the steam carriers. However, its revenues are greatly affected by local conditions, whereas, with a steam carrier, operating through large and diversified areas, the revenues usually balance to a certain extent by varying conditions along its lines.

The relationship of Pacific Electric Railway Company to the Southern Pacific Company is also a factor to be considered. The record shows the Pacific Electric system is worth more than \$500,000. annually to the Southern Pacific as a collector and distributor of that company's passenger and freight traffic. Also, it is a fact that the Southern Pacific is the sole owner of the stock of applicant.

The record further shows that the rate base used gives weight to an increment in the applicant's land values of between \$9,000,000, and \$10,000,000, over the past twenty years, a benefit which is to some degree offset by the fact that

applicant has had to face, during the same period, certain losses due to abandonment of properties originally costing from \$4,000,000. to \$5,000,000.

I am of the opinion, after full consideration of all the circumstances here presented, that a return of 6 per cent on the rate base above found reasonable is fair and proper for this carrier at this time. On this basis, applicant is entitled to an adjustment in rates and fares over its system sufficient to earn an increase of revenues of approximately \$850,000. annually, after allowing for taxes.

The foregoing is, however, but one test of the reasonableness of the applicant's request. Before considering the remaining phases of the case, the several operations of the Company should be analyzed. Its services are classified for rate making purposes as local passenger, interurban passenger and freight. The freight operations are, generally speaking, confined to the interurban lines of the Company.

II. INTERURBAN PASSENGER RATES.

Applicant alleged that its freight business is not a burden on its passenger business. No evidence to the contrary was introduced. Our engineers state that, as a result of their studies, they believe this allegation to be true.

The results of the interurban operations, as a whole, including both freight and passenger, as stated by

by our engineers, are shown below:

Income Available for Return,	\$3,976,155.
Rate Base,	\$69,613,885.
Rate of Return	5.7%

An increase of about \$210,000. in revenue is necessary to return 6% on the interurban rate base.

Turning now from a discussion of applicant's financial situation, other factors affecting the reasonableness of the fares proposed will be discussed.

The interurban fares are based on a mileage scale, with rates varying from 2.75 cents per mile for one-way fares to as low as 0.90 cents per mile for commutation tickets. There are five forms of commutation tickets in general use.

The record shows clearly, and there is no disagreement, that applicant's interurban passenger revenues are shrinking due to the competition of the private automobile. The record also indicates that this shrinkage is aided by the already high one-way and round-trip fares of applicant as compared with the costs of operating privately owned automobiles.

Furthermore, results of the Glendale experiment indicate that it may well be that a lowering of the one-way and round-trip fares of this carrier will produce a greater net revenue and at the same time serve a materially increased number of patrons. The record also indicates the possible desirability of establishing certain other fare plans for trial and experiment to determine if greater net revenue can be produced and public interest at the same time better served.

Past experiences indicate that horizontal increase in the one-way and round-trip fares will result in a material decrease in travel, and such horizontal increases may not produce sufficient or any additional revenue. The application, insofar as it asks for increases in one-way and round-trip rates, I am convinced, should be denied.

The application also proposes to continue the 30-ride 90 day family ticket at the present rate per mile, but to convert same to a 20-ride 60 day book. This change is in reality a further concession to the patron, although the actual rate per mile is the same, as it provides this form of commutation ticket with a less total outlay of money than at present. This request, therefore, should be authorized.

The application further proposes to continue the uses of all of its remaining forms of commutation tickets but at increases of 20%, except the 10-ride book which is proposed to be increased by 12-1/2%.

The conclusion is justified from the record that there is an excessive number of forms of commutation tickets, some of which are used only to a very limited extent. I am convinced that it would be in the public interest to eliminate all but the two most popular forms of these commutation tickets. With the reduction in the number of forms of these tickets it should be entirely feasible for the company to sell them on its cars and trains as well as at ticket offices. The forms to be retained should be the 20-ride 60 day ticket referred to above, and the 60-ride forty day ticket. The 60-ride ticket is now sold at the following rates per mile, depending on length of ride:

1 to 10 miles	\$.0138
11 to 15 miles	.01242
16 to 20 miles	.01104
Over 20 miles	.01035

These rates, the evidence shows, are unreasonably low in that they are not paying their fair share of the cost of the service. Applicant requests a 20% increase in such fares, and while I am convinced that some increase is justified, I do not believe the evidence warrants the 20% increase applied for. An increase of 10% in the 60-ride commutation fares appears just and proper. The 20-ride 60 day ticket should

be sold at the same rate per mile as the present 30-ride 90-day ticket. In revising its rate structure in accordance with these findings, it is suggested that all fares be calculated to the nearest five-cent multiple, in order to avoid the complication and confusion that may result from the collection of fares of odd cents. Minimum fares on interurban lines (except as otherwise provided within local street car zones) should be on a five-cent basis, replacing the existing six-cent basis.

In view of the fact that carriers, under the provisions of paragraph 3, Section 17 (a) of the Public Utilities Act, have authority to issue reduced rate transportation to children attending institutions of learning, while this Commission is not authorized to order such fares in effect, it is assumed that applicant will continue to grant to school children the most liberal privileges possible.

Various appearances, representing certain of the better-paying lines, contended that their particular line should be considered by itself and the rates based on the earnings of the respective lines. This same contention was urged in the former rate proceeding of this carrier before this Commission in Application No. 5806 and affiliated cases, referred to above. In Decision No. 10930, dated September 2nd, 1922, in these matters, the Commission, after careful consideration, stated: "We are convinced that the only natural and justified segregation of the services rendered by this company falls into three different and distinct classes: The freight service, the interurban, and the local or street car service. Each of these services, we believe, should be self-sustaining. *****to segregate individual interurban lines with different mileage and commutation rates for each line according to varying traffic characteristics, or to similarly pick out an individual line of the local service in any city, for the establishment of

the local service in any city, for the establishment of particular rates on such line, would not only greatly complicate the entire problem of fixing a reasonable rate, but would almost inevitably result in such inequalities, both as to rates and service between different communities, as would practically amount to unjust discrimination." There is nothing in this record to justify the Commission, at this time, in changing its position in this matter.

III - LOCAL PASSENGER RATES:

The local rates before the Commission in this proceeding are those covering the local operations in the cities of Los Angeles, Long Beach, San Pedro, Santa Monica-Venice, San Bernardino, Riverside and Glendale.

The Commission's engineering department, in preparing its estimate for 1928, has shown a separate statement for each of the local systems operated, as follows:

<u>LINE</u>	<u>INCOME AVAILABLE FOR RETURN</u>	<u>RATE BASE</u>	<u>RATE OF RETURN</u>
Los Angeles,	\$ 519,538.	\$12,694,631.	4.1%
*Pasadena,	21,100.	2,075,713.	1.02%
Long Beach,	3,707.	1,942,613.	0.19%
San Pedro,	# 15,147.	417,097.	-
Santa Monica-Venice,	# 13,814.	683,542.	-
San Bernardino,	12,096.	323,952.	3.7%
*Redlands,	# 1,891.	124,709.	-
Riverside,	# 495.	89,887.	-
Glendale,	# 31,113.	76,006.	-
*Alhambra,	# 13,393.	9,604.	-
*Santa Ana,	# 26,196.	51,840.	-
Total Local Lines:	\$454,292.	\$18,489,594.	2.5%

Red ink figures.

* Figures included for information only - rates not at issue in this proceeding.

I am convinced that an increase in the local fares in the cities of Long Beach, San Pedro, Santa Monica-Venice, San Bernardino, Riverside and Glendale would result in little, if any, increased gross revenue, and the requested increase in these rates should be denied. These operations, however, are relatively unimportant and it is recommended that such

fares be placed on a five (5) cent basis to be consistent with the interurban fare schedules.

The above figures for the Los Angeles local service include the applicant's proportion of results of operation of the Los Angeles Motor Bus, the fares of which are not an issue in this proceeding. A serious problem is presented with respect to the fares on the local rail lines of applicant in Los Angeles. The record indicates that a total increased revenue of some \$250,000. annually is required to yield a fair return on this property. The evidence further shows that the company's requested increase of zone fares to seven (7) cents and twelve (12) cents, respectively, will not only fail to return any additional gross revenue but, it is estimated, will actually result in a decrease of nearly \$50,000. under present revenues. Such a result is obviously not in the public interest and the request should be denied.

Three zone plans are proposed by our Chief Engineer. The only one which appears to be adequate to return the increase in revenue desired is the so-called four-zone plan, consisting of one fifteen (15) cent zone, three ten (10) cent zones and four five (5) cent zones. This plan, it is estimated, will result in an increased revenue of \$200,000. annually, or \$50,000. less than the required additional revenue. There appears, however, to be no other form of fare which will return to the company a greater increase in revenue. This form of fare will have the advantage of abolishing the present objectionable odd-coin fare of six (6) cents in Los Angeles. I believe the adoption of such a fare schedule is the most satisfactory disposal of the Los Angeles local situation and the accompanying order will so provide. The company's request to abolish its local 60-ride book, which sells for \$4.80 and is good within the present ten (10) cent

zones in Los Angeles, appears to be reasonable and should be granted. A round-trip ticket should be sold for twenty-five (25) cents where the one-way fare is fifteen (15) cents.

IV - SERVICE:

The service and operating conditions of the company have been the subject of careful study by our staff and their reports cover this subject in detail. Many recommendations have been made for changes in schedules and improvements in physical plant, after careful consideration, in co-operation with representatives of communities and company.

Substantial net operating savings have been made as a result of such survey without a sacrifice of service and in some cases with an improved service. The savings have been taken into account in considering the net return on the investment which the company is making.

Some of the physical improvements recommended have already been undertaken by applicant, and many of the operating changes recommended have been placed in effect. It is important that these recommendations be carried to completion at as early a date as possible, and our staff will be instructed to follow out each recommendation with the company to a conclusion. While I see no necessity for burdening the order in this decision with the details of these recommendations, the Commission should expect the company's co-operation in carrying out the recommendations made for the improvement of the service.

V - COMPLAINT OF VENICE BRANCH LOS ANGELES CHAMBER OF COMMERCE:

The complaint of the Venice Branch of the Los Angeles Chamber of Commerce urges the Commission to re-classify the Venice Short Line as a local street car line and to establish a fare of

fifteen (15) cents between Los Angeles and Venice. There is some evidence and considerable discussion in the record respecting this contention. I have given careful consideration to the evidence and fail to find any controlling reasons therein upon which to base such a change in classification. As to the rates to be charged, these must, in my opinion, follow the tariffs provided for the interurban system in order that there may be no discrimination between communities.

VI - TRIAL RATES:

The following forms of experimental rates are recommended by Chief Engineer A. G. Mott as being worthy of consideration:

- (1) An extension of the Glendale trial rates to other portions of the system;
- (2) The trial of a low one-way off-peak rate;
- (3) The trial of a monthly pass;
- (4) The trial of a Sunday excursion pass.

It appears desirable that experimental fare structures along these lines be placed in effect, for it is only by this means that the public, the company and the Commission may have the actual results of their effect. Any estimate, however carefully prepared, cannot determine with finality whether or not there is merit in any of these plans.

Applicant has indicated its willingness to apply in a more general way to its interurban system, for a trial period, a rate schedule, based upon the plan of rates which has been in experimental use on the Glendale line. As provided in Decision No. 13219, referred to above, these experimental rates, which to date have shown encouraging results, were made effective April 16th, 1927, and, in general, provide for a decrease in one-way and round-trip fares, with some increase in commutation rates. From the evidence, it now appears that applicant's proposal is reasonable and will work to the advantage of the general public.

The off-peak reduced rate experiment, proposed by our engineer, by his own estimate, was indicated to be a failure from a revenue producing point of view. In view of this, together with the more general application of the so-called "Glendale Plan" of reduced one-way and round-trip rates, I am reluctant to take the responsibility of requiring the establishment, at least for the present, of this somewhat radical experiment.

In addition to that experiment, a trial of a calendar month transferable pass between Los Angeles, on the one hand, and Pasadena, on the other hand, respectively is recommended. Such a transferable pass should be good for one calendar month for holder and should be honored also within the inner zones of both Los Angeles and applicant's local system at Pasadena. No limitation should be placed on its use other than its restriction to use of but one person at a time and within the month for which sold. This pass should be sold for \$9.00.

It is further suggested that the company place in effect a Sunday pass good over its entire system, except its Mt. Lowe line, and points east of Upland, for \$1.00. Such pass shall be sold at all agencies and by conductors. A similar Sunday pass, good without restriction, over entire system of applicant should be sold for \$2.50.

Upon this record I conclude and find that the passenger fares now in effect and published in tariffs on file with this Commission are not shown to be excessive per se, nor are they discriminatory. It is apparent, as stated above, that applicant is in need of additional net revenue if it is to secure a reasonable return upon the value of the properties devoted to the public service, but I am not convinced that this result would obtain from any horizontal increases of the fares.

The present passenger tariffs and fares here in issue should be suspended and applicant authorized to establish the ex-

perimental fares set forth in the order, these fares to be published and applied for a trial period only, with a distinct understanding that should the results flowing from their application prove unsatisfactory the Commission may and will authorize the necessary adjustments. The proceeding will be held open for a period of one (1) year for such further action as the circumstances and conditions may make necessary. If, during that period, the parties desire to terminate, modify or amplify the experimental rates, or if the Commission should desire to extend or curtail any of these experiments, further consideration may be given by further hearing and supplemental order in this application and with the benefit of the record already adduced in this proceeding.

In the detailed preparation of the tariffs applicant will be expected to confer with the appropriate members of the Commission's staff for the purpose of obtaining their advice as to the specific application of the general principles set forth herein.

I propose the following form of order:

O R D E R

Pacific Electric Railway Company having applied to the Commission for an order authorizing the increasing of its passenger fares, and the Venice Branch of the Los Angeles Chamber of Commerce having filed complaint regarding the fares and service of applicant's Venice Short Line, public hearings having been held, and the Commission basing its findings upon a consideration of the entire record, hereby finds as a fact that the present fares do not produce sufficient net revenue to provide a reasonable return on the value of the properties devoted to the public service; now therefore

IT IS HEREBY ORDERED that applicant, Pacific Electric Railway Company, be and it is hereby authorized to suspend until the further order of the Commission all passenger tariffs contain-

ing fares, rules and regulations inconsistent with the fares, rules and regulations hereinafter prescribed.

IT IS HEREBY FURTHER ORDERED that applicant, Pacific Electric Railway Company, be and it is hereby authorized to establish within twenty (20) days from the date of this order, upon not less than one (1) day's notice to the Commission and the public, tariffs containing fares upon the following basis, which fares are for experimental purposes and shall remain in effect until the further order of the Commission:

INTERURBAN FARES

1. One-way fares based 2 cents per mile between Los Angeles, Pasadena, Sierra Madre, Glendora, Temple, North Pomona, Pomona, Whittier, Stern, Santa Ana, Balboa, Long Beach, San Pedro, Redondo Beach, Venice, Santa Monica, Owensmouth, San Fernando, Glendale, Burbank and all points intermediate thereto.
2. Round-trip fares based 5 cents less than double the one-way fare where the one-way fare is 15 cents and not more than 25 cents, and 10 cents less than double the one-way fare where the one-way fare is 30 cents or more, between Los Angeles, Pasadena, Sierra Madre, Glendora, Temple, North Pomona, Pomona, Whittier, Stern, Santa Ana, Balboa, Long Beach, San Pedro, Redondo Beach, Venice, Santa Monica, Owensmouth, San Fernando, Glendale, Burbank and all points intermediate thereto.
3. One-way fares based 2.75 cents per mile between all points not specifically set forth in Paragraph 1.
4. Round-trip fares based 2.25 cents per mile between all points not specifically set forth in Paragraph 2.

5. 30-ride family 90-day fare based 1.75 cents per mile between all points not specifically set forth in Paragraph 1.

6. 60-ride individual 40-day fare based:

1 to 10 miles - - - - - 1.518 cents per mile.

10.01 to 15 miles - - - - 1.366 " " "

15.01 to 20 miles - - - - 1.214 " " "

Over 20 miles - - - - - 1.138 " " "

between all points on applicant's line.

7. 60-ride individual 40-day fare at \$2.25 in addition to the 60-ride fares authorized in Paragraph 6 hereof, between Los Angeles and Pasadena, Santa Monica-Venice, Glendale, San Pedro and Long Beach, and good for transportation on the local lines of applicant within the inner zones of Pasadena, Santa Monica-Venice, Glendale, San Pedro and Long Beach.

8. The fares authorized in the preceding Paragraphs 1 to 7, inclusive, shall be subject to the following conditions:

(a) In computing fares the nearest 5-cent multiple shall be used.

(b) The minimum one-way fare to and from Los Angeles shall be 10 cents, except that between Los Angeles and Venice via the Hollywood line the minimum one-way fare shall be 5 cents.

(c) The minimum one-way fare between all other points shall be 5 cents.

(d) The minimum round-trip fare shall be 10 cents.

- 12.
- (e) Fares to and from Redondo Beach, Hermosa Beach and Manhattan Beach shall apply via either the Del Rey line or via the Gardena-Hawthorne line.
 - (f) Fares shall apply only to the terminus of the interurban line on which the fare is paid.
 - (g) All fares shall be based on the short line mileage.
 - (h) In no case shall the fares authorized herein exceed the aggregate of intermediate fares.
 - (i) All interurban fares shall be constructed on actual mileage except in communities where it is necessary to zone certain terminal points.
 - (j) The fares authorized herein shall not apply to, from or between points on the Mt. Lowe line.

LOCAL FARES

- 9. A one-way fare of 5 cents in Los Angeles between points within the first, second, third or fourth zones described in Paragraph 14.
- 10. A one-way fare of 10 cents in Los Angeles between points within any two contiguous zones described in Paragraph 14.
- 11. A one-way fare of 10 cents in Los Angeles between points within any three contiguous zones described in Paragraph 14.
- 12. A one-way fare of 15 cents in Los Angeles between points within any four contiguous zones described in Paragraph 14.
- 13. A round-trip fare of 25 cents in Los Angeles between points within any four contiguous zones described in Paragraph 14.

14.

Zone Limits in Los Angeles

<u>Local Line</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
Hollywood Line	Park Junction	Vermont Ave.	La Brea Ave.	Sherman
Santa Monica Blvd. Line	Park Junction	Vermont Ave.	La Brea Ave.	Sherman
Edendale Line	Park Junction	Semi Tropic Park	---	---
Echo Park Ave. Line	Sunset Blvd. & Echo Park Ave.	End of Line	---	---
West 16th St. Line	Hoover	Vineyard	---	---
Watts Line	Amoco	Florence	Watts	---
Sierra Vista Line	Valley Jct.	Rose Hill	Sierra Vista	---
South Pasadena Line	Mission Road	Ave. 43	Arroyo Seco	Fair Oaks Ave.

15. A one-way fare of 5 cents between all points on the local lines of applicant in the cities of Long Beach, San Pedro, Santa Monica-Venice, San Bernardino, Riverside and Glendale where the one-way fare is now 6 cents.
16. A one-way fare of 10 cents between all points on the local lines of applicant in the cities of Long Beach, San Pedro, Santa Monica-Venice, San Bernardino, Riverside and Glendale where the one way fare is in excess of 6 cents.

MONTHLY PASS

17. A calendar month pass of \$9.00 between Los Angeles, Pasadena and points intermediate thereto, good for transportation of bearer between the points on applicant's interurban lines as named above, and between points on the local lines within the inner zone of Los Angeles and Pasadena, this pass to be sold by ticket agents and conductors within the territory used.

SUNDAY PASSES

18. A Sunday pass of \$1.00 good for the use of holder between all points on applicant's entire system, both local and interurban, except to and from Mt. Lowe, or to, from or between points east of Upland, this pass to be sold by all ticket agents and conductors on the Sunday for which honored and on the preceding Saturday.

19. A Sunday pass of \$2.50 for the use of holder between all points on applicant's entire system both interurban and local, this pass to be sold by all ticket agents and conductors on the Sunday for which honored and on the preceding Saturday.

IT IS HEREBY FURTHER ORDERED that the complaint of the Venice Branch of the Los Angeles Chamber of Commerce, Case No. 2476, be and the same is hereby dismissed.

The Commission reserves the right to make such further order or orders in this proceeding as may appear just and reasonable.

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.

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

Dated at San Francisco, California, this 7th day of April, 1928.

Leon C. White

C. Seaver

Ernest J. ...

David ...

W. J. ...

Commissioners.