

Decision No. 20004

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of Los Angeles Railway Corporation, a corporation, and Pacific Electric Railway Company, a corporation, operating under the name of the Los Angeles Motor Coach Company, for a certificate of public convenience and necessity to extend operation of the Sunset Boulevard Line, and for an order granting permission to increase passenger rates between points on said line in the City of Los Angeles, State of California.

**ORIGINAL**

Application No. 14628.

Frank Karr, R. E. Wedekind and O. A. Smith,  
For Applicant.

Carl Bush, for Hollywood Chamber of  
Commerce, Protestant.

Milton Bryan and F. F. Ball, for City of  
Los Angeles and Board of Public Utili-  
ties and Transportation.

BY THE COMMISSION:

O P I N I O N

This is an application of the Los Angeles Railway Corporation and Pacific Electric Railway Company, operating under the name of the Los Angeles Motor Coach Company, for a certificate of public convenience and necessity to extend operation of the Sunset Boulevard Line and for an order granting permission to increase passenger fares between points on said line in the City of Los Angeles.

Public hearings were conducted before Examiner Williams at Los Angeles on May 19th and June 9th, 1928. At the latter hearing the matter was submitted.

The Sunset Boulevard Motor Coach Line operates between Seventh Street and Grand Street in the downtown district of Los

Angeles, and Sunset Boulevard and Laurel Canyon Road in West Hollywood via Eighth Street, Rampart Boulevard, First Street, Vermont Avenue and Sunset Boulevard. The entire line is exclusively within the city limits of the City of Los Angeles. The line has been operated subsequent to December, 1923, under authority from the Board of Public Utilities and Transportation of the City of Los Angeles and has never been certificated by this Commission.

The application seeks two things:

1st: A certificate for the extension of this line in the Los Angeles downtown district from the present terminus at Seventh Street and Grand Street, to a new terminus at Fifth Street and Hill Street; and,

2nd: An order authorizing an increase in the present ten cent (10¢) fare to fifteen cents (15¢) between points west of Western Avenue and Sunset Boulevard and east of First Street and Vermont Avenue.

The necessity for the extension of route as proposed was substantiated by applicant through testimony of several of the merchants along Broadway between Fifth Street and Eighth Street. These witnesses stated that the present terminal was too far removed from the shopping district along Broadway to adequately serve the needs. Upon cross examination, they admitted that they had heard no specific demand on the part of present patrons of this line for the extension of the service. On the other hand, there is practically no testimony in the record tending to contravert testimony of applicants' witnesses.

Applicants' operating and traffic witnesses testified that the proposed extension would add to the present operating expense approximately Twenty-four Thousand Dollars (\$24,000) annually with practically no opportunity to recoup these costs through increased patronage as any increase in travel above the present travel will require additional equipment and consequently

result in additional costs.

A report presented in evidence and jointly prepared by the Valuation and Rate Engineer of the Board of Public Utilities and Transportation and our Engineering Department shows the estimated annual operating cost of the extension to be Twenty-one thousand, Six hundred ten Dollars (\$21,610.), with depreciation on a straight line basis, or Twenty thousand, Nine hundred ten Dollars (\$20,910.), with depreciation on a sinking fund basis.

In this report two other routes for serving the district are presented, either of which will entail an additional operating cost of approximately Six Thousand Dollars (\$6,000.) a year. The first proposed route contemplates a large downtown loop, inbound via Beverly Boulevard, Second Street, Figueroa Street, Fifth Street and Hill Street, thence outbound via Eighth Street and Rampart Boulevard to Beverly Boulevard. The second proposal suggests operation in both directions via Beverly Boulevard, Second Street, Figueroa Street and Fifth Street, with a small loop via Hill Street, Eighth Street and Olive Street. These routes, however, have the disadvantage, in the one case, of providing service to Eighth Street between Olive Street and Rampart Boulevard in one direction only and, in the other case, of completely removing the service. It appears that either of these routes could be operated at a cost of approximately Fifteen Thousand Dollars (\$15,000.) a year less than the extension proposed by applicant.

The extension of terminal proposed herein appears to us to be, comparatively speaking, a rather minor change, the necessity for which has not been clearly established. The record shows, however, that the proposed extension will provide some public convenience and in view of the fact that there was no serious objection entered, we will authorize the extension by granting the necessary certificate. We believe, however, that the cost of the extension should not receive undue weight in determining the question of fares.

Applicants' proposed tariff provides for an increase from the present ten cent (10¢) fare to fifteen cents (15¢) between points west of Sunset Boulevard and Western Avenue and east of First Street and Vermont Avenue. By means of overlapping zones, no other fares on the line will be increased above the ten cent (10¢) minimum fare now in effect. The evidence presented by applicants tends to show that after the cost of proposed extension of service is taken into account, these rates will earn a rate of return of 7.4% on the investment. This estimate assumes that there will be practically no deflection in travel due to the five cent (5¢) increase in fare.

Depreciation of motor coaches is included in operating expense on a straight line basis, using a five year life without salvage allowance.

An estimate has been prepared by the Engineers of the Board of Public Utilities and Transportation of the City of Los Angeles and by our staff in the joint report previously mentioned. This estimate shows the rate of return with depreciation on motor coaches figured on a six year life and on both straight line basis and five per cent sinking fund basis. Where the straight line basis is used, the investment has been depreciated following the method used by the Interstate Commerce Commission in the O'Fallon case. On the other hand, the undepreciated investment has been used with the five per cent sinking fund method following the theory generally used by this Commission. These estimates are as follows:

		Rate of Return	
		Depreciated Investment and Straight Line Depreciation	Undepreciated Investment and 5% Sinking Fund Depreciation
(A)	At Present . . . . .	6.4%	5.1%
(B)	After placing into effect applicants' proposal, zone at Western Avenue. . . . .	2.05%	2.85%
(C)	No change in service, zone at La Brea Avenue. . . . .	9.7%	6.6%

Estimate "A" shows results of operation for year 1928, assuming no change either in service or in fares resulting in a return of 6.4% or 5.1%, depending upon the method used.

Estimate "B" shows results of operation after placing in effect applicants' proposal giving full weight to the cost of the extension in the downtown district and to the effect of the five cent (5¢) increase in fares as proposed. It was estimated that by reason of competitive conditions existing, both the private automobile and the Pacific Electric Railway, that this increase of fifty per cent (50%) in fare would cause a thirty per cent (30%) deflection in that particular class of traffic.

Estimate "C" shows the result without taking into account the cost of the extension in the downtown district, but after an increase in the fares by placing the new zone at La Brea Avenue instead of at Western Avenue. Under this proposal, passengers between points west of La Brea Avenue and Sunset Boulevard and east of First Street and Vermont Avenue would pay fifteen cents (15¢) one way or twenty-five cents (25¢) a round trip. This is the same fare that is now effective on the Pacific Electric lines under the recent adjustment in fares, with the exception of the book of twenty (20) tickets for Two Dollars (\$2.00). Under this plan, the Engineers estimated there would be but a ten per cent (10%) falling off in travel. This proposal, it is estimated, will return 9.7% or 6.6% depending upon the basis used.

The Hollywood Chamber of Commerce urged that if any change in the fares were authorized, the change should be made to conform to the fares now in effect on the Hollywood Line of the Pacific Electric Railway Company. This attitude is also taken by the Board of Public Utilities and Transportation of the City of Los Angeles. If such an adjustment were made, it would result in the establishment of a zone at La Brea Avenue with the fifteen cent (15¢) one way

and twenty-five cent (25¢) round trip fare as shown in proposal "C" above. In addition, however, there would be the twenty (20) ride book for Two Dollars (\$2.00) and five cent (5¢) zones would be established conforming to the zones already established on the Pacific Electric. It is obvious that in order for this plan to be successful, there must be a hundred per cent (100%) increase in travel between those points where the present fare of ten cents (10¢) is reduced to five cents (5¢) and there is nothing in the record to indicate that the company could expect such an increase in the immediate future.

Following a complete consideration of the record and all of the circumstances in this case, we believe it proper to authorize an increase in the present ten cent (10¢) fare between points west of Sunset Boulevard and La Brea Avenue and east of First Street and Vermont Avenue to fifteen cents (15¢) one way or twenty-five cents (25¢) round trip and the order will so provide.

#### O R D E R

Los Angeles Railway Corporation and Pacific Electric Railway Company, operating under the name of the Los Angeles Motor Coach Company, having applied for a certificate of public convenience and necessity to extend operation of the Sunset Boulevard Line and for an order granting permission to increase passenger fares between points on said line in the City of Los Angeles, public hearings having been held, the matter having been duly submitted and now being ready for decision, therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and the same is hereby granted to the Los Angeles Railway Corporation and the Pacific Electric Railway Company, operating under the name of the Los Angeles Motor Coach Company, to operate over the following route:

Commencing at Sunset Boulevard and Crescent Heights Boulevard, thence east along Sunset Boulevard to Vermont Avenue, thence south via Vermont Avenue to First Street, thence easterly via First Street and Beverly Boulevard to Rampart Boulevard, thence southwesterly via Rampart Boulevard to Eighth Street, thence easterly via Eighth Street to Olive Street, thence northerly via Olive Street to Fifth Street, thence easterly via Fifth Street to Hill Street, proposed terminal of line; returning, outbound, southerly via Hill Street to Eighth Street, thence westerly via Eighth Street, continuing by reverse of above route.

The said proposed route is more clearly shown and designated upon map (Exhibit "A") attached to the application;

subject to the following conditions:

(1) Applicants shall file with the Railroad Commission, within a period of not to exceed ten (10) days from the date hereof, their written acceptance of the certificate herein granted.

(2) Applicants shall file, in duplicate, within a period of not to exceed twenty (20) days from the date hereof, tariff of rates and time schedules, such tariff of rates and time schedules to be satisfactory to the Railroad Commission, and shall commence operation of said service within a period of not to exceed sixty (60) days from date hereof.

(3) The rights and privileges herein authorized may not be sold, leased, transferred nor assigned, nor service thereunder discontinued, unless the written consent of the Railroad Commission to such sale, lease, transfer, assignment or discontinuance has first been secured.

(4) No vehicle may be operated by applicants under the authority herein granted unless such vehicle is owned by applicants or is leased by them under a contract or agreement on a basis satisfactory to the Railroad Commission.

IT IS HEREBY FURTHER ORDERED that applicants be and they are hereby authorized to increase the fares on said line from ten cents (10¢) to fifteen cents (15¢) one way and twenty-five cents

(25¢) round trip between points west of Sunset Boulevard and La Brea Avenue and east of First Street and Vermont Avenue, within twenty (20) days from the date of this order, upon not less than three (3) days notice to the Commission and to the public.

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

The effective date of this order shall be twenty (20) days after the making thereof.

Dated at San Francisco, California, this 9<sup>th</sup> day  
of July, 1928.

Leon A. White  
C. Seaman  
Wm. H. ...  
Wm. H. ...  
W. H. ...

Commissioners.