

Decision No. 21542

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC ELECTRIC RAILWAY COMPANY for)
permission to discontinue operation of) Application No. 15617
the Santa Ana Motor Coach Lines in the)
City of Santa Ana.)

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

Charles B. Swanner, City Attorney, for the
City of Santa Ana, Interested Party.

BY THE COMMISSION -

O P I N I O N

Pacific Electric Railway Company, a corporation, has petitioned the Railroad Commission for an order authorizing the discontinuance of its Santa Ana Motor Coach Lines in the City of Santa Ana.

A public hearing on this application was conducted by Examiner Handford at Los Angeles on August 7, 1929; the matter was duly submitted and is now ready for decision.

The local motor coach operations in Santa Ana now being conducted by applicant were first started on August 1, 1922, under franchise from the City of Santa Ana. The franchise granted at that time specifically set forth the routes and provided for a 5-cent fare. As the operations were not financially successful, Pacific Electric Railway Company, in 1925, made application to the City of Santa Ana for permission to increase fare which was agreed to by the City. On July 13, 1925, applicant adopted a 7-cent fare with 15 tickets for \$1.00. On October 1, 1926, applicant changed the ticket rate to 4 tickets for 25 cents.

O A. Smith, Passenger Traffic Manager for applicant, testified that a considerable number of service changes were made between the date of inception of these lines and June, 1928, for the purpose of endeavoring to make the operations financially successful and

that at all times the City Council of Santa Ana cooperated to the fullest extent in such changes.

During March, 1928, Application No.14478 was filed with this Commission requesting a certificate of public convenience and necessity to operate motor coach lines in the City of Santa Ana over routes somewhat different from those operated at the time of filing and further, requested permission to reduce the 7-cent fare (4 tickets for 25 cents) to 5 cents. The Commission in its Decision No.19850, dated June 1, 1928, granted the certificate and authorized the reduced fares.

On June 11, 1928, applicant began operation with a 5-cent fare over the routes as prescribed in the certificate. The purpose of the rerouting, as granted in Decision No.19850, was to materially curtail the operations in an endeavor to reduce the losses which the company was sustaining at that time. Although the company retained the most profitable parts of the various routes, the situation did not materially improve.

The record shows the results from operation of the Santa Ana Motor Coach Lines for the period 1922 to 1928, inclusive, to be as follows:

<u>Calendar Year</u>	<u>Fare & Trans. Psgs.</u>	<u>Bus Miles</u>	<u>Passenger Revenue</u>	<u>Revenue per passenger</u>	<u>Revenue per Bus Mile</u>
* 1922	177,264	74,916	\$ 8,512.	\$.0480	\$.1136
1923	674,932	200,490	32,574.	.0483	.1625
1924	841,885	243,763	40,116.	.0477	.1613
1925	735,032	262,451	41,034.	.0558	.1563
1926	521,282	252,019	33,852.	.0649	.1343
1927	511,984	288,628	32,085.	.0627	.1112
1928	445,764	243,885	24,000.	.0538	.0984

* Operations started August 1, 1922.

The above tabulation shows that the rerouting and curtailment of service, together with the reduction in fares in 1928 had a material effect upon both the number of revenue and transfer passengers and passenger revenue.

The existing service is carried on at a heavy operating loss, the results of operation for the period June 1, 1928, to May 31, 1929, inclusive, on an out-of-pocket basis, being as follows:

Operating Revenue	\$ 20,535.93
Operating Expenses	<u>28,590.71</u>
NET	\$ 8,054.78 *
Taxes	<u>2,040.60</u>
Total Loss	\$ 10,095.38 *

Note: (*) indicates deficit.

It should be pointed out that the depreciation of the motor coaches has been practically all written off and if the company is to continue the operations it will be necessary to purchase new equipment within a year at which time a depreciation allowance again would be required, thereby increasing the loss materially.

It may be noted that even after a material curtailment in service with the retention of the most profitable portions of the lines, the company continued to incur a material deficit in the operation of this bus system.

Charles B. Swanner, City Attorney for the City of Santa Ana, appeared as an interested party and stated that he was instructed by the City Council of Santa Ana to appear and point out that many of the people of Santa Ana had no public means of transportation other than the motor coach lines, but in view of the out-of-pocket losses, desired to make no protest and further, that the City Council felt that the applicant company had given excellent service and had made every effort to make the service financially successful.

The record herein shows that the operation of applicant's Santa Ana Motor Coach Lines in the City of Santa Ana have been conducted at a material out-of-pocket loss, the revenue derived from said operation for the year ending May 31, 1929, being approximately \$10,000 less than the out-of-pocket expense, and if the operations were to be continued the loss would be materially

greater in the future by reason of the necessity for the company purchasing new equipment, thereby increasing the depreciation allowance.

From the record herein, we are of the opinion and hereby conclude and find as a fact that the continued operation of the motor coach lines herein proposed to be discontinued is not justified by the revenue derived from the patronage offered by the traveling public in that the continuing decreases in revenue in comparison to operating costs place an undue and unwarranted burden on applicant and its patrons in the continued maintenance of this unprofitable motor coach service.

O R D E R

A public hearing having been held on the above entitled application, the matter having been duly submitted, the Commission being now fully advised and basing its order on the conclusions and finding of fact as appearing in the opinion which precedes this order.

IT IS HEREBY ORDERED that permission and authority be and the same is hereby granted to Pacific Electric Railway Company, a corporation, to discontinue the operation of its Santa Ana Motor Coach Lines in the City of Santa Ana, County of Orange, State of California, and to cancel in conformity with the rules of this Commission all rate tariffs and time schedules relating to this service, the authority hereby granted being subject to the following conditions:

1- Applicant shall post notices advising the public of the discontinuance of service in all of its motor coaches and street cars operating in the City of Santa Ana for at least thirty (30) days prior to the discontinuance of its motor coach service, such posting to be continuous until the day of discontinuance.

2- Applicant shall advise the Railroad Commission, in writing, as to date of the discontinuance of service as herein authorized and shall file proof of posting of notice of discontinuance of service as herein above directed.

IT IS HEREBY FURTHER ORDERED that upon the discontinuance of the motor bus service herein authorized, the certificate of public convenience and necessity as heretofore granted by Decision No.19850, dated June 1, 1928, on Application No.14478, be revoked and annulled.

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

Dated at San Francisco, California, this 12th day of September, 1929.

Thos S. Lovell
C. S. Seamer
Wm. W. East
Leon O. White
M. J. Cline
COMMISSIONERS.