

ORIGINAL

Decision No. 23779.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of EAST BAY STREET RAILWAYS, LIMITED, to increase fares.	) Application No. 11329. ) (Supplemental) )
In the Matter of the Application of EAST BAY MOTOR COACH LINES, LIMITED, to increase fares.	) Application No. 11329. ) (Supplemental). )

- Brobeck, Phleger & Harrison, and Chapman,  
Trefethen, Richards and Chapman, by  
Frank S. Richards, for Applicant.
- E. J. Silver, City Attorney, by A. R. Linn,  
for City of Alameda.
- A. R. Linn, F. R. Neville, L. C. Finch and  
W. H. Henning, by A. R. Linn, for Council  
Committee of the City of Alameda.
- A. R. Linn, for Alameda County Chamber of  
Commerce, Inc.
- C. S. Wood, City Attorney, and John W.  
Collier, Deputy City Attorney, for the  
City of Oakland.
- Fred C. Eutchinson, City Attorney, for  
City of Berkeley.
- George J. LaCoste, for Town of Emeryville.
- Edwin G. Wilcox, for Oakland Chamber of  
Commerce.
- George Durand, for Carmen's Union, Divi-  
sion No. 192.
- Harold D. Weber, for Oakland Business  
District Association.
- L. J. Hardie, City Attorney, for City of  
Albany.
- C. W. White, for City of Hayward.

SEAVEY, COMMISSIONER:

O P I N I O N

This opinion and order deals with the applications of the East Bay Street Railways, Ltd. and the East Bay Motor Coach Lines, Ltd., filed as supplements in the above entitled proceeding.

A public hearing was held on the supplemental applications at Oakland on June 5th, 1931, at which time it was stipulated by the parties that the two applications should be consolidated for hearing and determination and, also, that the record in Applications Nos. 16817 and 16818 be considered in evidence in these proceedings.<sup>1</sup>

In each of the supplemental applications, authority is sought to change the present 7-cent cash fare to 10 cents cash with seven tokens for 50 cents. No other change in the present fare structure is contemplated. It is proposed that the two applicant companies will continue the present interchange of transfers and each honor a common form of token.

Attached to each of the applications are the following exhibits; Balance Sheet as of April 30th, 1931, Income Statement 1927 to April 30th, 1931, Analysis of Passengers Carried 1928 to April 30th, 1931.

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1 By Decision No. 22943, dated October 6th, 1930, in Application No. 16817, the East Bay Street Railways, Ltd. was authorized to acquire the street car system serving the East Bay cities. This order, among other things, provided that

"(6) The Commission will not, because of the authority herein granted, consider the aforesaid reported cost of the properties described in Exhibit "A" attached hereto, or the aforesaid rentals as reasonable for the purpose of fixing rates or the issue of additional securities or for any purpose other than the transfer and securities herein authorized."

By Decision No. 22944, dated October 6th, 1930, in Application No. 16818, the East Bay Motor Coach Lines, Ltd. was authorized to purchase the bus system serving the East Bay cities, with a condition similar to that in the decision referred to above, to the effect that the approval of the purchase of the property did not carry with it any approval of the contract or the values fixed for the property.

The following tabulations show the results of operation of these two carriers during the past two years.

EAST BAY STREET RAILWAYS, LTD.

	<u>1929*</u>	<u>1930#</u>	<u>Fiscal Year Ending April 30, 1931</u>
Gross Operating Revenue,	\$3,939,360.	\$3,628,928.	\$3,502,924.
Non-operating Revenue,	13,710.	5,348.	1,796.
Total Revenue,	\$3,953,070.	\$3,634,276.	\$3,504,720.
Actual Operating Expenses,	\$3,315,337.	\$3,351,250.	\$3,352,471.
Taxes,	245,070.	214,374.	186,744.
Depreciation,	405,999.	311,976.	249,415.
Amortization of Franchise,	8,762.	5,233.	2,312.
Total Expense,	\$4,975,168.	\$3,882,833.	\$3,790,942.
Balance Current Operations (Loss),	\$22,099.	\$248,557.	\$286,222.

\* Key System Transit Company street car Division.

# January 1st to August 6th, Key System; August 7th, to October 16th, East Bay Street Railways; October 17th to December 31st, East Bay Street Railways, Ltd.

EAST BAY MOTOR COACH LINES, LTD.

	<u>1929<sup>Ø</sup></u>	<u>1930**</u>	<u>Fiscal Year Ending April 30, 1931</u>
Gross Operating Revenue,	\$488,213.	\$461,077.	\$442,380.
Actual Operating Expenses,	\$584,843.	\$641,607.	\$678,297.
Taxes,	25,985.	22,521.	20,100.
Depreciation,	134,373.	72,196.	31,154.
Total Expense	\$745,201.	\$736,324.	\$729,551.
Balance Current Operations (Loss),	\$256,988.	\$275,247.	\$287,171.

<sup>Ø</sup> Key System Transit Bus Division.

\*\* January 1st to August 6th, Key System; August 7th to October 16th, East Bay Motor Coach Line; October 17th to December 31st, East Bay Motor Coach Line, Ltd.

The President of the applicant companies testified that while it was hoped that the modified fare, which is more or less upon an experimental basis,<sup>2</sup> would produce a greater revenue, the principal reason for appearing before the Commission at this time was to have established a fare which would permit of a material improvement in the service, resulting from the use of a single coin to replace the existing fare structure of 7 cents or three coins. Applicants anticipate that the use of tokens will be in excess of 90 per cent. This large use of tokens, together with the improved type of fare boxes, will substantially reduce the time now consumed by the single operator of the car in collecting fares. The company now is practically 100 per cent one-man operation; therefore, if fast and safe service is to be provided, the work of the operator must be reduced to a minimum.

The following organizations urged the granting of the two supplemental applications now under consideration, as evidenced by introducing copies of resolutions duly passed by the respective organizations:

Oakland Chamber of Commerce (Ex. No. 1);

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2 It should be pointed out that in Decision No. 19822, dated May 29th, 1928, in Application No. 11329, it is stated that

"Under this record and the conditions stated I cannot recommend to the Commission that it order into effect for the street car service any of the forms of fares hereinabove considered. Any such action would be in the nature of questionable experimenting with a situation extremely hazardous both to the applicant and to the public. The Company itself should, if possible with the aid of local authorities, prepare the way for some form of fare experimentation and other means of lessening the stress on this system that appears to have more reasonable chance of success.

"I therefore recommend that the matter as to street car fares be left open for further order to such time as after due consideration the Company by resolution of its Board of Directors may petition this Commission to file fares which it believes will most nearly meet the exigencies of the situation."

Oakland Business District Association (Exhibit No. 1);

Amalgamated Association of Street and Electrical Railway Employees (Ex. No. 1).

There also was filed a communication from Earnest L. Thompson, Commissioner of the City of Oakland, urging a trial of a five-cent fare for a period of not less than ninety days.

The City Attorneys from the various cities served by the applicant companies appeared at this hearing. While they had no direct testimony to offer, they did, however, cross-examine the President of the applicant companies, principally upon the subject of the operating agreement between applicant companies and the others carved out of the original Key System Transit Company.

The record in this proceeding shows that the earnings of each of the applicant companies during the past two years have failed to meet the operating expenses and depreciation by a greater sum than the maximum estimated increase that will obtain from the proposed increased fares; therefore, the question of a fair return on the valuation of these properties, fixed by any method, is not an element in this proceeding.

It does not appear necessary to determine, for the purpose of the present decision, the reasonableness of the various lease agreements, or other inter-company arrangements, or the rentals paid to the parent company, Railway Equipment and Realty Company, Ltd., as urged by the various City Attorneys, for the reason that if all portions of such rentals paid (other than depreciation) were eliminated from applicants' operating expenses for the year ending April 30th, 1931, the income accounts of the East Bay Street Railways, Ltd. and the East Bay Motor Coach Lines, Ltd. even then would show an operating loss of approximately \$30,000. and \$250,000., respectively.

The Commission has not heretofore approved the underlying methods upon which the contracts, between the various companies originating out of the Key System Transit Company, are based and it should be distinctly understood that nothing in this decision should be construed as an approval of the terms of those agreements.

Applicants have requested authority to put into effect a definite rate structure on an experimental basis. There is some question as to whether or not the proposed fares will increase the earnings of these companies. Due, however, to the earning condition of these companies, it appears reasonable that the applications to increase the basic fare should be granted, in the interest of bettering the service through the establishment of a single coin fare and affording the companies the right to carry out their plan of reducing the operating losses.

The authorization of the fares now sought on an experimental basis is consistent with the findings made in Decision No. 19822 in this proceeding and it should be understood that in the event this experiment is not successful, the matter again will be reviewed by the Commission upon appropriate application of any of the interested parties.

The following form of order is recommended.

#### O R D E R

East Bay Street Railways, Ltd. and East Bay Motor Coach Lines, Ltd., applicants herein, having applied for authority to increase the basic fare on their respective lines, a public hearing having been held, the Commission being apprised of the facts, the matter being under submission and ready for decision; therefore,

IT IS HEREBY ORDERED that each of said applicants is hereby authorized to establish, within thirty (30) days from the

date of this order and upon not less than ten (10) days' notice to this Commission and the general public, by filing and posting tariffs in the manner prescribed in Section 14 of the Public Utilities Act, a basic single cash fare of ten (10) cents within the present seven (7) cent fare zone, together with the sale of seven (7) tokens for fifty (50) cents, each good for a single basic fare.

The Commission reserves the right to make such further orders in this proceeding as to it may seem right and proper and to revoke its permission if, in its judgment, public convenience and necessity demand such action.

For all other purposes the effective date of this order shall be ten (10) days from and after the date hereof.

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.

Dated at San Francisco, California, this 15<sup>th</sup> day of June, 1931.

Cl. Seavey

Leon Swartz

W. A. Lee

M. B. Henry

Fred G. Cleveland

Commissioners.