

ORIGINAL

Decision No. 11 400

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
of PACIFIC ELECTRIC RAILWAY COMPANY
for authority to abandon and remove its
railroad track in the City of Beverly
Hills - Coldwater Canyon Line, from
the Sawtelle Main Line to the end of
track, in said City.)
Application
No. 7438.

R. C. Gortner for Applicant.
Paul E. Schwab, City Attorney, for
City of Beverly Hills.
S. M. Haskins for Rodeo Land & Water
Company, Protestant.
W. A. Reeder, Chairman of Committee at
Beverly Hills, Protestant.
Stanley Anderson, Manager, Beverly Hills
Hotel, Protestant.
Norman A. Pabst, for Board of Trustees, City
of Beverly Hills.
Albert A. Kidder, Jr., Protestant.
W. S. Sessions.

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 suspension of service and the abandonment of its line of railway, known as the Beverly Hills-Cold Water Canyon Line, situated in the City of Beverly Hills and extending from a junction with the Los Angeles-Sawtelle main line at a point near Santa Monica Boulevard, thence along Rodeo Drive to Sunset Boulevard, thence along Sunset Boulevard to Gwendolyn Drive as more fully shown on a blue print map marked C.E.E. 5334 filed as applicants Exhibit No.3 at the hearing on this proceeding.

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

Applicant alleges that the tracks herein proposed to be abandoned have been constructed for some years and that, unless permission is received for their abandonment, immediate reconstruction will be necessary for the reason that the citizens of Beverly Hills have requested applicant to rebuild and repave its track from the main line at Beverly Hills to the Beverly Hotel, at an estimated expense by applicant of approximately \$30,000.00, such estimate providing for the use of rock macadam and the present type of rail. Applicant alleges that the estimated cost of reconstruction will be in excess of the original cost of construction of the existing line; that the present operation of the line is not justified by the amount of traffic offering or from the amount of revenue received from such traffic, and that there cannot be developed, within a reasonable time, sufficient traffic to justify or warrant either the continued operation of the line or the pending reconstruction and paving.

Mr. L. A. Lovell, Auditor of the Pacific Electric Railway Company, applicant herein, testified as to the receipts and expenditures arising from the operation of the line herein proposed to be abandoned, and a statement showing the detail of receipts and expenditures for the period January to September, 1922, (both months inclusive), filed as an exhibit at the hearing, shows receipts amounting to \$2344.61 and expenses directly incurred on the line of \$5023.96. There were certain general expenses charged against the line on various bases amounting to \$2016.97, an item of taxes amounting to \$479.50, and an

item of interest amounting to \$2048.38, a total of \$4544.85 made up of such arbitrary charges allocated to the specific line. As some of the unallocated charges seemed to require analysis and explanation, either as to the charges themselves or the method used in allocation, opportunity was given to applicant to supplement the exhibit insofar as it referred to the unallocated charges with a further detailed explanatory statement. The Commission has been advised by applicant that it has been thought unnecessary to prepare the detailed statement and that the matter may be considered on the basis of the direct charges against which no protest or criticism appears.

Mr. O.A. Smith, passenger traffic manager of applicant company, testified as to the service heretofore given, and as to the receipts and number of passengers carried. A statement, filed as one of the applicant's exhibits, shows the following data:

<u>Calendar Year</u>	<u>Passengers carried</u>	<u>Revenue</u>
1917	104,154	\$ 6,410.10
1918	88,963	6,694.20
1919	65,513	6,855.34
1920	90,464	7,954.56
1921	78,098	5,630.74
Jan. to Sept. Inc. 1922	39,680	2,344.61

The monthly average of passengers carried and revenue received is as follows:

<u>Calendar Year</u>	<u>Passengers carried</u>	<u>Revenue</u>
1917	8,679	\$ 534.17
1918	7,416	557.85
1919	5,459	571.28
1920	7,538	662.88
1921	6,508	469.23
1922(9 months)	4,409	260.51

At the present time, the 1.2 miles of line herein proposed to be abandoned is being served by a one-man car operating on practically a 30-minute headway between the hours of

6:30 and 12:20 A.M. and at a one-way fare of six cents. Efforts have been made by applicant to increase the revenue by offering a schedule of greater frequency, and from February 1 to July 30, 1921, inclusive, a schedule of approximately 15 minute headway was operated and full publicity given of such fact. The anticipated increase in patronage did not develop, and the former 30 minute headway was restored and is at present in effect.

The granting of the application is protested by the Rodeo Land & Water Company and by certain residents of Beverly Hills.

The basis for the protest of the Rodeo Land & Water Company is an agreement dated January 3, 1907 between such protestant and the Los Angeles Pacific Company (a predecessor of applicant) such agreement covering the transfer of certain land and right of way, the erection of a station building, donation of grading work, etc. to the railway company. The railway company agreed to construct the line and upon completion of same to operate it in a manner "conducive to the upbuilding of Beverly Hills". No provision appears as to any definite term in which the line should be operated, or any reversionary clause covering the return of the land and right of way to the Rodeo Land and Water Company in the event that any of the provisions of the agreement were not observed by the Railway Company. The determination of the status of protestant, Rodeo Land & Water Company, under this agreement is not a matter under the jurisdiction of the Commission and is one properly to be adjudicated by the civil courts.

A divided sentiment exists among the residents and property owners appearing as witnesses in this proceeding. It is the opinion of some of the protestants that the line should

be retained, or if discontinued that a bus line should be substituted. Others express a desire for the immediate abandonment of the line and removal of the tracks, either with or without the substitution of the bus line, claiming that property values on Rodeo Avenue are adversely affected by the presence of the street car line and that other property on streets without a car line has shown increased values.

The entire section served by the line is one of a high-class residential character, and the principal use made of the line - with few exceptions - is by household servants, visitors and some guests and employees of the Beverly Hills Hotel. The manager of the Beverly Hills Hotel, claiming an investment of approximately \$1,000,000.00, testified that it would be practically impossible to retain or secure employees if the car line were to be abandoned unless some other form of transportation were to be substituted. His hotel employs from 150 to 200 persons, according to seasonal requirements, and furnishes accommodations for from 100 to 300 guests. Complaint is made that the existing fare of six cents has resulted in many of the employees, in daylight hours, walking from the hotel to the main line of applicant, and that when the five-cent fare was in effect such patrons who now walk used the facilities of applicant.

It appears that an investigation has been made by applicant as to the possibility of substituting a bus service for the line proposed to be abandoned, such bus service to serve not only the territory tributary to the present line, but to run on other streets where no transportation facilities exist. It is the estimate of Mr. O. A. Smith, passenger traffic manager of applicant, that the expense of an adequate bus service substituting for the railway line would approximate

\$10,000.00 per year. It will be noted from a preceding compilation of revenue that such amount is far in excess of that received during any calendar year.

We have given careful consideration to all the evidence and exhibits filed herein. It appears that the total earnings of applicant from all sources during the nine months' period, January to September, 1922, inclusive, were \$13,606,319.44 and the total expenses, including taxes and interest, were \$13,719,254.15, resulting in a deficit of \$112,934.71 for the nine months' period.

As regards the receipts and expenses of the line herein sought to be abandoned the record shows that the total receipts for the same nine month's period were \$2,344.61. The direct charges for operation during such period were \$5,023.96 to which should be added an amount of \$123.09, same being taxes on the basis of five and one-quarter per cent on the gross revenue, or a total direct operating expense of \$5,147.05 resulting in a deficit of \$2,802.44.

No items of general expense or expense which is not directly allocated to the line have been included in the above compilation, nor any interest on the value of the line. Such items are properly chargeable against the expense of operation, but by stipulation at the hearing were not to be considered unless covered by a supplemental exhibit and applicant has requested that the matter be considered submitted on the present record.

It is apparent that the patronage accorded the Beverly Hills-Cold Water Canyon line has not been sufficient to even approximate the direct cost of operation; that such patronage shows a decreasing number of passengers carried and revenue derived therefrom; that the earnings from the entire property of the Pacific Electric Railway Company are not meeting operat-

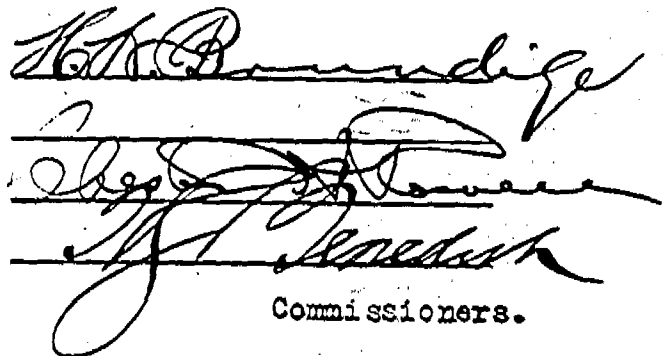
ing expenses, taxes and fixed charges. There is no evidence before the Commission which indicates that the traffic on this line can be increased to a degree which will enable the continued operation to be conducted without a substantial loss, or that a bus service could be substituted therefor and be conducted so as to meet the necessary operating costs. We are of the opinion and hereby find as a fact that the continued operation of the Beverly Hills-Cold Water Canyon line of applicant is not justified in that patronage sufficient to meet the operating costs is not offered by the public and the continuance of the service is resulting in accumulating deficits.

O-R-D-E-R

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted and the Commission being now fully advised, and basing its order on the finding of fact as appearing in the preceding opinion,

IT IS HEREBY ORDERED that this application be and the same hereby is granted.

Dated at San Francisco, California, this 23^d
day of December, 1922.


Commissioners.