

ORIGINAL

Decision No. 1233

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application	:	
of the LOS ANGELES and SAN DIEGO	:	
BEACH RAILWAY COMPANY for permis-	:	<u>Application No. 926.</u>
sion to put into effect time tables	:	
superseding previous time tables.	:	

Leovy & Leovy, for applicant.  
 E. C. Gardiner for Pacific Beach  
 Citizens Club and La Jolla  
 Chamber of Commerce, protestants.

LOVELAND, Commissioner.

O P I N I O N.

This application came on regularly for hearing at San Diego, January 10, 1914. The affairs of applicant, the Los Angeles and San Diego Beach Railway Company, had been before the Commission upon three separate occasions prior to the hearing of the present application, the first time being when Case No. 265, Frank Williams and John W. Hannay vs. Los Angeles and San Diego Beach Railway Company was heard and decided by the Commission. In this case, the passenger and freight rates of the Los Angeles and San Diego Beach Railway Company were called into question as being unreasonable, and the Commission, in its decision, held in part:

That there was no satisfactory evidence to sustain the complaint as to defendant's freight rates and dismissed the complaint in so far as it attacked such rates.

That certain adjustments of passenger rates should be made which would result in a reduction, but which, in the judgment of the Commission, would increase rather than decrease the revenues and net profits of the road.

That the equipment of the Los Angeles and San Diego Beach Railway Company was out of date and inadequate to give efficient service, but that in view of the very evident

need for electrifying the railroad no order should be made concerning the acquisition of new equipment.

The opinion preceding the order also contains the following:

"If after one year's trial, it appears that the effect of the order in this case has been to reduce defendant's revenue, defendant may then, if it so desire, apply to this Commission for relief."

Case No. 265 was decided August 23, 1912. Later, this road was again before the Commission, ~~Case No. 265,~~ asking for a supplemental order respecting stoppage of trains and publication of passenger tariffs, which supplemental order was issued under date of September 30, 1912, putting into effect certain rates in lieu of certain other rates which had been ordered in by the Commission's order of August 23, 1912, and also regulations as to certain other changes in its stopping of trains and publishing of tariffs which need not be commented upon here.

The third time that the Los Angeles and San Diego Beach Railway Company was before the Commission was in Case No. 455, upon the complaint of B. B. Harlan, et al, which complaint alleged that the service upon the line of said Los Angeles and San Diego Beach Railway Company had become more and more inadequate, in that the arrival and departure of trains had become more and more unreliable; that the cars were habitually overcrowded, many passengers being compelled to ride upon the platform and steps; that the equipment and rolling stock of said road is in a broken and worn down condition; that the steam engines are frequently out of order; that the gasoline cars of said road are especially inefficient for the service, and that the roadbed of said road is in an unfit condition, and unsafe for the transportation of passengers and freight, and that the service generally given by the Los Angeles and San Diego Beach Railway Company was inadequate, inefficient and not in any respect such service as the public should be entitled to.

This case was heard in San Diego, November 26, 1913, and the opinion and order therein was rendered December 20, 1913.

As has been before stated, the opinion and order in Case No. 265 called attention to the necessity for electrifying this road and advised that no order be issued requiring defendants to invest further capital for equipment until the road had been electrified.

The opinion and order in Case No. 455 confirmed the decision reached in Case No. 265, and in the order required the Los Angeles and San Diego Beach Railway Company to, within a specified time, apply to the Common Council of San Diego for a renewal of its franchise, which expires in 1918, and to immediately take steps looking to the electrifying of this road.

Shortly after the opinion and order in Case No. 455 were issued, the Los Angeles and San Diego Beach Railway Company filed the present application with the Commission, in which application it asks permission to change its present time tables to the extent of reducing the number of passenger trains daily in each direction between La Jolla and San Diego from ten trains in each direction on week days to eight trains in each direction, and from eleven trains on Sunday in each direction to eight trains in each direction. The following is an outline of the present time table in effect, showing week day service and Sunday service:

Present Week Day Timetable.

	AM	a.	s.	a.	PM	p.	p.	p.	p.	p.
Leave La Jolla	6.10	7.10	8.15	10.00	12.10	1.15	3.05	4.10	5.30	7.20
Arrive San Diego	7.00	7.50	9.01	10.40	1.00	1.55	3.45	4.55	6.12	8.00

Leave San Diego	7.10	9.00	10.00	11.00	1.15	2.15	4.10	6.35	11.00	5.20
Arrive La Jolla	8.05	9.45	10.45	11.45	2.00	3.00	4.55	7.20	11.45	6.05

Present Sunday Timetable.

	AM	a.	s.	a.	PM	p.	p.	p.	p.	p.
Leave La Jolla	7.45	8.45	9.00	10.00	12.10	1.15	2.30	4.10	4.50	5.30 7.20
Arr. San Diego	8.25	9.25	9.45	10.40	1.00	1.55	3.10	4.55	5.30	6.12 8.50

	AM	a	a	c	PM	p	p	p	p	p	p
Leave San Diego	7.45	9.00	10.00	11.00	11.20	1.15	2.15	3.20	5.20	6.35	11.00
Arrive La Jolla	8.33	9.45	10.45	11.45	12.05	2.00	3.00	4.05	6.05	7.20	11.45

Below is an outline showing the proposed new timetable which the company desires to place in effect for all service, week days and Sundays:

Proposed Timetable-Week days and Sundays.

	AM	a	a	PM	p	p.	p.
Leave La Jolla	6.55	8.00	10.15	12.15	2.30	4.30	5.45
Arrive San Diego	7.40	8.45	11.10	1.00	3.25	5.20	6.30
Leave San Diego	7.45	9.20	11.15	1.45	3.45	5.30	6.45
Arrive La Jolla	8.30	10.10	12.00	2.30	4.30	6.15	7.30

In addition the company proposes to run a Saturday night theatre train, leaving La Jolla 7.30 P.M., arriving San Diego 8.20 P.M.; Returning, leave San Diego 11.00 P.M., arriving at La Jolla 11:45 P.M.

In addition to trains shown in the above outline of its present timetable as running during the week, the railroad company at present operates a train which leaves San Diego at 9:15 P.M., arriving at La Jolla at 10:00 P.M. on Saturdays only. In the opposite direction, on Saturdays only, a train leaves La Jolla at 10:00 P.M. arriving at San Diego at 10:43 P.M. The Railroad Company also asks permission to discontinue these two Saturday night trains.

At the hearing which was held in San Diego, January 10, 1914, considerable testimony was introduced by the Railroad Company to show that it was operating at a loss. The Company showed that during the first four months of the fiscal years 1913 and 1914, it met with a net loss of \$1612.29, as against a net profit of \$5787.43 for the same period in the year 1912. Unquestionably, some of this loss was due to the fact that the midday

tourist travel was not as heavy in 1913 as in 1912, but it is equally true that no road can be conducted in the manner which the testimony shows that this road has been conducted, with the worn out, inefficient equipment used on this road, resulting in inability to operate on time table schedules without suffering a diminution in passenger traffic.

The testimony shows that people who have formerly lived along this road have moved away on account of inefficient service, and that others are contemplating doing so.

Witnesses in behalf of the Railroad Company testified that the cost per trip of operation of all of its passenger trains between La Jolla and San Diego was \$11.26, and that the average gross earnings per trip were \$10.21.

The railroad company seeks to offset this loss by decreasing the number of trains as outlined hereinbefore. The timetable which the petitioner proposes to put in operation will result in consolidating the first three morning trains in each direction into two morning trains in each direction; in consolidating the first two afternoon trains from San Diego into one train; in consolidating the second and third afternoon trains from La Jolla into one train; and in eliminating all night trains except on Saturday night, when it is proposed to run a theatre train leaving San Diego at 11.00 P.M.

It is claimed by the Railroad Company that the elimination and consolidation of these trains, as described hereinbefore, will enable them to save between \$800.00 and \$1000.00 per month in operating expenses, for the reason that it will enable them to operate with a decrease in the number of crews employed in the service. It will further enable them to eliminate the use of gasoline motor cars with the exception of one trip daily in each direction.

The representatives of the Company advance as their reasons for desiring to eliminate the gasoline motor cars the fact

that the motor cars have proven unreliable and unsatisfactory and further that their expense per train mile is greater in the operation of motor cars than the expense per train mile in operating their light steam trains. Testimony was introduced to show that the operation of the steam trains in cost per train mile is, as a fact, cheaper than the operation of the gasoline motor cars.

The Railroad Company further advance as a reason for desiring to decrease the service, their hope to make the operation of the railroad show a profit, in order that they may be able to better float a bond issue for their proposed electrification of the line.

Many of the patrons of this road appeared at the hearing and protested against this reduction in service and again, as in Cases Nos. 265 and 455, complained bitterly of the character of the service rendered by this road.

While it was the opinion among the protestants that no reduction whatever should be made in the train service, counsel for protestants stated that perhaps no serious harm would result from a reduction of trains at certain intervals of the day other than the early morning or evening hours, and submitted a schedule which he asked the Commission to consider should the Commission believe that any reduction in the number of trains should be made.

"Schedule proposed by protestants.

From San Diego.

7.10 A.M. To accommodate mechanics and working men living in San Diego, engaged at La Jolla and Pacific Beach.  
9.20 " Regular tourist train.  
11.15 " Freight and passenger.  
2.15 P.M. Pupils and teachers returning from San Diego.  
4.10 " The most popular afternoon train.  
5.30 " Business men returning and would connect with Santa Fe RR  
6.45 "  
9.30 "  
11.30 " The only night train for theatre patrons, etc.

From La Jolla.

6.05 A.M. Patrons working in San Diego of which there are more than twenty at the present time.  
7.05 " Pupils and teachers.

8.10 AM	Business men.
10.15 "	Most popular train for shoppers.
12.10 PM	Mail and freight
2.00 "	Santa Fe connection.
4.45 "	Workmen returning to San Diego.
6.30 "	The only evening train out of La Jolla."

This schedule, recommended as a compromise by the protestants, could not be carried out by the Railroad Company so as to effect any saving over the present time table. This is due to the fact that the railroad company employs but a limited number of train men and to carry out this schedule would require just as many employees as are used with the present time table.

Our service engineer went over very carefully with the superintendent all other possible schedules and was unable to determine that any schedules could be put on which would properly serve the interest of the community and at the same time save the railroad company enough to warrant its installation.

It is apparent that the income of the Los Angeles and San Diego Beach Railway Company has been reduced to its present proportions, and that different causes have contributed to that effect. It is clearly evident that the company is confronted with the problem of removing, so far as in its power, those causes, and of so stimulating its business as to again realize a profit on its operation.

As has been twice before stated by this Commission, the solution of this problem is to electrify the road, and at the hearing of this application the Commission was informed that its order as to this company applying for a franchise and taking steps to electrify its road, would be obeyed.

There is no question but what the public is entitled to adequate and efficient service. It is equally true that this utility is entitled to earn fair returns upon its investment. The year during which the company should keep the rates provided in Case No. 265 in effect, has passed, and the testimony in this hearing is uncontroverted that the road is now losing money, and under the decision in Case No. 265 is justified in applying to the Commission for relief; but I do not believe that such relief should take the

form of reducing the number of trains, thereby further impairing the service given to the patrons of this road.

Indeed it is my belief that the reduction in train service prayed for will not result in enabling the company to operate its passenger service without a loss. An analysis of the statement of operation of train No. 1, July 1, 1912, to December 22, 1913, (see applicant's Exhibit 1), and also an analysis of a portion of applicant's Exhibit 2, showing cost per train mile, will throw some light on this subject. Train No. 1 is a commuters' train which arrives in San Diego at 7:00 A.M. and accommodates working people who have to be in San Diego at 7:00 o'clock or immediately thereafter. This train is patronized by an average of 9 commuters daily. The earnings of this train, shown in the period July, 1912, to December, 1913, vary from a maximum of \$3.19 per trip to a minimum of \$1.74 per train, with on the whole but very little variation in the patronage of the train, indicating that the present depression of business has not affected this class of travel. The railroad company plainly showed in Exhibit 2 that its cost per trip to operate this train is \$11.26. In the same statement, Exhibit 2, it is shown, however, that the actual saving in removal of the train will be but \$7.04 per trip. In other words, its actual loss in operating the train, assuming that its average earnings are \$2.25 per trip, would be but \$4.70<sup>9</sup>. Thus it appears that to save \$4.79 the Railroad Company proposes to remove this train which is undoubtedly a necessary train to the community. It is my belief that the removal of this train would indirectly result in injury to the community, which would cause the Railroad Company to at least fail to accomplish the result they desire by the removal of the train. The overhead costs which are not affected by the removal of the train, would simply be transferred to the remaining train service, making a greater cost per trip; a few families at least would be compelled to move from La Jolla to San Diego; and the Railroad Company would



lose their patronage and would suffer a corresponding loss from freight shipments and travel incident to the residence of these families on their line. The same analysis can be applied to any of the other trains which the applicant proposes to remove.

It is my belief that the Railroad Company should not be permitted to reduce its service in any way at this time. It is manifest, however, that it cannot continue to endure a loss in the operation of the property. It is well within its rights in having recourse to an application to the Commission to have its rates reviewed, and should it develop at the hearing of such application for a review of its rates that its present operation, at a loss, results from causes other than the unsatisfactory and inefficient manner in which its road is operated, the Commission may well consider granting such relief as may seem right and proper under the circumstances.

The present timetable which was put on in the month of June, 1912, increasing the service, has greatly stimulated the gross operating revenue of the Railroad Company. This is shown in the following Statement:-

Year 1911, gross Operating Revenue,	\$	63,304.00
" 1912, " " "		76,984.00
" 1913, " " "		87,892.00

The reduction in rates and addition to service, however, are reflected in the Railroad Company's net revenues, which are shown in their Annual Statement, as follows:-

Year 1911, net revenue,	\$	13,635.00
" 1912, " " "		20,563.00
" 1913, " " "		19,611.00

The increase in operating revenue may be attributed to three causes.

- 1st. A general increase in business.
- 2nd. The increased passenger service installed in 1912; and,
- 3rd. The decrease in passenger rates established in 1912, which stimulated the passenger business.

That the effect, however, of some or all of these causes did not continue is evidenced by the fact that the net revenue

in 1913 was not as great as it was in 1912, unless that be accounted for by increased cost in operation.

It is our belief, as has been said, that the entire solution of the difficulties in the operation of this railroad, so far as the rendering of proper service and the earning of reasonable returns of the property are concerned, lies in the electrification of the line. Suburban service cannot be rendered with steam railroad equipment in a community which has but 2500 to 3000 population, which will result in satisfying the people and at the same time pay the cost of operation.

There is but little doubt that as soon as it is made apparent by the Railroad Company that it is acting in good faith and will electrify its road, and when it becomes known that a bond issue has been authorized, an increase in the business in the community will at once become apparent before electrification actually takes place. It is safe to predict that a large increase in passenger travel will be experienced when the electrification is finally accomplished.

I have caused a careful investigation to be made as to the cost of operation of this Railroad and find that the costs per train mile are reasonably low, and in fact are somewhat lower than usual for the operation of railroads of this kind, viz: short steam operated railroads. I am further convinced that the operation after electrification, with the present conditions in travel, would but slightly increase the gross cost of operating the line, although many additional trains will be run. Our service engineer estimates roughly that the Railroad Company can operate hourly service, 18 hours per day, at an operating expense of approximately \$75,000.00. It is impossible, of course, to give accurate figures on this subject until after a bond issue has been floated. The Operating Revenue during the fiscal year 1913 was \$87,892.00. It is safe to say that with electrification this gross operating revenue would at least be no less. The probabilities are that it would increase by

at least 50% the first year.

I recommend and find as a fact that no change should be made in the present timetable; that applicant should give to its patrons the best possible service under present conditions and that it may make application to the Commission for a readjustment of its rates after a careful investigation of the loss resulting from operation under present rates, and further that applicant proceed with the electrification of the railroad as early as possible.

I recommend the following Order:

O R D E R.

THE LOS ANGELES AND SAN DIEGO BEACH RAILWAY COMPANY having applied to the Commission for permission to put into effect certain timetables which would result in a reduction of the number of trains now run on its road, and the Commission having thoroughly investigated the matters and things involved in the application, considering in such investigation not only the interest of the public but of applicant as well, and believing and having found as a fact that such permission to change timetables as prayed for in the application should be denied, and that applicant should proceed immediately with the electrification of its road, and that to reimburse it for loss under its present operation applicant may apply for a readjustment of its rates,

IT IS HEREBY ORDERED that the application of the Los Angeles and San Diego Beach Railway Company to reduce its service, as prayed for in the application, be denied.

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 28<sup>th</sup>  
day of January, 1914.

John W. Ashmun

H. S. Loveland

H. S. Gordon

Edwin O. Edgerton

Commissioners.