

**ORIGINAL**

Decision No. 5369

**BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.**

In the Matter of the Application of )  
CENTRAL CALIFORNIA TRACTION COMPANY ) Application No. 3882.  
for Authority to Increase Passenger )  
Rates, fares and charges. )

Sanborn and Roehl and Arthur L. Levinsky for applicant.

GORDON, COMMISSIONER:

O P I N I O N

This is an application by the Central California Traction Company for permission under Section 63 of the Public Utilities Act to increase its passenger fares to the basis of fares effective June 10, 1918 on Federal controlled railroads by order of Director General of Railroads, as per his General Order No. 28, issued May 25, 1918.

The important changes proposed are as follows:

Increase of all one-way fares to 3¢ per mile, cancellation of all round trip fares and the increasing by 10% of all monthly commutation fares.

There will also be minor changes - increasing party fares and charges for the transportation of excess baggage, but these services are seldom performed by applicant and will have no effect upon its passenger earnings.

One-way fares between intermediate points are now practically on a 3¢ basis and the increase in revenue involving this transportation will be very small. The principal changes proposed are

those brought about by the cancellation of round trip fares and increasing by 10% commutation fares. The proposed rates would give to applicant <sup>an increase of</sup> approximately \$11,000.00 per annum, provided the same number of passengers traveled under the new rates; however, experience has proven that when rates are increased the volume of traffic decreases and, without doubt, the added revenue will be much less than estimated in the exhibits filed at the hearing.

Applicant was incorporated as the Central California Traction Company August 7, 1905 and had invested December 31, 1917, according to annual reports on file with this Commission \$4,033,370.68; on the same date there was a funded indebtedness of \$1,490,000.00 and notes payable to different banks and electric companies of \$428,750.00.

Applicant operates an electric railway between Stockton and Sacramento, with a branch line to Lodi and is in direct competition with the Southern Pacific Company and the Western Pacific Railroad Company now operated by the Federal Government; these lines are charging and have been charging since June 10, 1918 the rates applicant now desires to put into effect via its line between the same points. Competition is also met from a number of well established automobile transportation companies.

Exhibits were presented showing revenue and expenses for the years 1914-15-16-17 and the first four months of 1918. It is unnecessary to reproduce the figures in detail; they were checked by the Commission's Auditor and agree with annual reports on file in this office. It is shown the net results for the fiscal years ending June 30th, were as follows: 1914- profit, \$8935.37; 1915- loss, \$33864.05 and 1916- loss, \$77936.37; for the first four months of the year 1918 a loss of \$19,137.16.

In the year 1916 the system of accounting was changed from fiscal year, ending June 30th, to calendar year, ending December 31st. For the calendar year ending December 31, 1916, the net loss was \$104,073.57 and for 1917 there was a net profit of \$1618.16.

The financial results of 1917 were made possible first, by legislation regulating automobile transportation companies, thus materially adding to rail carriers' passenger receipts; second, an unusual and large movement of fruit and vegetables to both local and transcontinental destinations and third, an agreement entered into in February, 1917, between a majority of the bond holders and the Central California Traction Company whereby the bondholders accepted as payment in full for the years 1917, 1918 and 1919 interest at the rate of 2% per annum instead of 5% per annum provided in the bond contracts. This reduced the interest on funded indebtedness from \$75502.50 in 1916 to \$30569.94 in 1917 and, no doubt, prevented applicant from going into the hands of a receiver. The interest on notes payable in 1917 amounted to \$26299.47; this was not changed.

A witness for applicant testified that because of the policy adopted by directors of Federal controlled railroads in routing all freight tonnage via the shortest possible mileage, his company would be deprived of traffic moving to or from points north of Sacramento heretofore turned over to the Atchison, Topeka & Santa Fe Railway Company at Stockton and that the loss in revenue because of the change would approximate \$40,000.00 per annum.

No dividends have ever been declared by this company. Three assessments of \$5.00 each have been levied; two have been paid and one is now in process of collection. The balance sheet of

April 30, 1918 shows, in addition to the loan secured by notes amounting to \$428,750.00, that there were floating debts, unsecured, amounting to \$244,978.62. No salaries, or fees, are paid to any executive officer or to members of the Board of Directors and, apparently, the properties are being operated in a most careful and ~~conservative~~ economical manner.

The present cost of materials, labor and fuel is greatly in excess of the prices paid in the year 1917 and from the results obtained for the first four months of the current year it is clearly apparent this applicant cannot meet its operating expenses and pay the interest on its bonds and notes payable under the rates now in effect.

This Commission recently authorized applicant to increase freight rates by 25%, in order to place them on a parity with the freight rates established by Director General McAdoo on the competing Federal railroads, Southern Pacific and Western Pacific, and these increases in rates will be of material benefit, provided applicant can secure the same tonnage as handled in previous year, but this relief will not be possible, for the reason as heretofore stated, that the Central California Traction Company will no longer be used as a link in the transportation of through traffic in connection with the Atchison, Topeka & Santa Fe.

The evidence and the reports of applicant substantiate the claims that present passenger fares are unjust and unreasonable and insufficient to yield reasonable compensation for the services performed under the existing war conditions and costs of operation.

I am of the opinion that the application should be

granted.

O R D E R

The Central California Traction Company having applied to this Commission for permission to increase its passenger fares to the basis of the fares made effective June 10, 1918 on Federal controlled railroads by the Director General's Order No. 28, and a public hearing having been held and the Railroad Commission being fully apprised in the premises, it hereby finds as a fact that the existing passenger fares of petitioner are unremunerative and the rates proposed in this application are just and reasonable.

IT IS HEREBY ORDERED that the Central California Traction Company be and the same is hereby authorized, within twenty (20) days from the date of this order, to file with the Railroad Commission and thereafter charge passenger fares not in excess of those put into effect June 10, 1918 on Federal controlled Railroads, as per the Director General's Order No. 28.

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 15th day of

July 1918.

Edwin O. Edgerton  
Alford  
W. G. ...  
Frank ...

Commissioners.