

Decision No. 5660

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application )  
of the Union Traction Company to ) Application No. 3805.  
Increase Rates in Santa Cruz and )  
Vicinity. )

S. Waldo Coleman, for Applicant.

W. R. Springer, City Attorney for the City of Santa Cruz.

LOVELAND, COMMISSIONER:

O P I N I O N

This is an application of the Union Traction Company for permission to increase street car zone fares within the city limits of Santa Cruz and to Twin Lakes, and between Twin Lakes and Capitola from 5 to 6 cents; to sell books containing ten tickets for use between Santa Cruz and Capitola for \$1.00; to issue school children's 50-ride tickets for \$1.50, and to alter its express freight tariff to the extent of limiting weight of any single package to not over 25 pounds. It also seeks authority to cancel 60-ride family commutation and 15-ride individual commutation tickets now sold for use between Santa Cruz and Capitola, and to make other minor changes in the rules governing passenger transportation.

The company operates 14.96 miles of track, located in the City of Santa Cruz and between Santa Cruz and Capitola, in Santa Cruz County. This track consists of 11.52 miles of first track, 2.28 of second track and 1.16 of yard tracks and sidings. Included in the mileage are eight bridges of concrete and wooden construction crossing the San Lorenzo River, the different creeks and sloughs which are very expensive to maintain because of washouts, due to high water.

Applicant has outstanding first mortgage bonds, interest 5%, amounting to \$631,000.00; it has never paid a dividend to stockholders nor has it paid interest on its bonds since August 1, 1915. The balance sheet of December 31, 1917 shows accrued interest, unpaid, amounting to \$76,245.86 and accounts payable amounting to \$12,859.27.

The following financial statement, taken from annual reports on file with this Commission, shows results of operations for twelve month periods June 30, 1915 to December 31, 1917:

	June 30, 1915.	June 30, 1916.	Dec. 31, 1916.	Dec. 31, 1917.
<u>Earnings</u>				
Passenger	\$68479.65	58995.79	63109.25	59750.10
Other from transportation	82.55	113.10	95.00	71.35
Other than from "	815.13	863.17	813.70	989.26
Total Oper. Revenues -	<u>69377.33</u>	<u>59972.06</u>	<u>64017.95</u>	<u>60810.71</u>
<u>Expenses</u>				
Way & Structures	3274.40	4853.22	4884.20	3884.44
Equipment	5256.08	7136.74	7453.69	4783.11
Power	8592.40	11243.80	11443.60	11405.20
Conducting Transportation	23401.42	20061.71	20075.67	19987.98
Traffic	373.97	576.39	613.57	437.36
General & Miscellaneous	3940.11	3646.00	4108.41	3856.14
Cr. Transp. for Investment	-	-	-	-
	<u>44838.38</u>	<u>47517.86</u>	<u>48579.14</u>	<u>44354.22</u>
Operating Ratio	64.53%	79.23%	75.89%	72.1%
Net Operating Revenues	24538.95	12454.20	15438.81	16456.49
Taxes	4108.29	4071.77	3766.98	3543.11
Operating Income	20430.66	8382.43	11671.83	12913.38
Non-operating Income	-	-	-	21.11
Gross Income	20430.66	8382.43	11671.83	13124.49
Reductions from Gr. Income	31546.66	31550.00	31550.00	31550.00
Income Profit or Loss	11116.00	23167.57	19878.17	1874.49

*CORRECTION*

# CORRECTION

THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY

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Taxes	4108.29	4071.77	3766.98	3543.70
Operating Income	20430.66	8382.43	11671.83	12912.78
Non-operating Income	-	-	-	214.49
Gross Income	20430.66	8382.43	11671.83	13127.27
Reductions from Gr. Income	31546.66	31550.00	31550.00	31550.00
Income Profit or Loss	11116.00	23167.57	19878.17	18422.73

It will be noted passenger earnings declined from \$58,479.65 for twelve months ending June 30, 1915 to \$59,750.10 for the twelve months ending December 31, 1917, while operating expenses remained practically constant. The income balance (deficit) was \$11,116.00 in 1915; \$23,167.57 in 1916 and \$18,422.73 in 1917. According to the testimony of a witness for applicant, the largest operating revenue ever earned was \$96,090.00 in the fiscal year ending June 30, 1908, which fell to \$60,810.71 in the calendar year ending December 31, 1917, or a decrease of approximately \$36,000.00 in the ten year period. This loss in revenue has been gradual and is mainly attributable to the use of privately owned automobiles.

The company introduced an exhibit comparing earnings and expenses for the first six months of 1918 with the same period of 1917. The gross earnings were \$22,407.79 in 1918 as against \$23,591.10 in 1917, operating expenses \$21,559.13 in 1918 and \$21,009.39 in 1917, while net revenue from railway operations was \$848.66 in 1918 as against \$2,581.71 for 1917. After deducting taxes there was a deficit of \$460.53 in 1918 as against a net operating profit of \$774.97 in 1917. Including the bond interest for this six months' period there was an income deficit of \$16,115.07 in 1918 against \$14,701.41 in 1917, or an increased loss of \$1,413.16 in 1918 compared with 1917. However, this ratio will not be maintained, for the reason that the company's heaviest traffic is during the months of July, August and September, due to tourist travel between the city and beach resorts, but it is safe to assume that the total deficit for the calendar year 1918 will be much in excess of the deficit of \$18,422.73 for the year 1917. For the first six months of 1917 the company carried 463346 paying passengers, while only 439418 were handled during the first six months of 1918, a loss of 23928 passengers.

Wages of trainmen have increased; total paid this class of labor was \$17,514.18 for the twelve months ending May 31, 1918, and is estimated at \$20,482.92 for the twelve months ending May 31, 1919, or an increase of practically \$3,000.00. In addition to the advance in wages of trainmen, the cost of power will be increased by \$1500.00 and the wages of shop men by \$900.00; materials have also increased, but the General Manager of the company testified that there is an ample stock of ties and other materials on hand and that therefore these items will reflect but little extra cost to the company during the next twelve months. The company has but four shop men and the upkeep of its electric lines is taken care of under contract with the Coast Counties Gas & Electric Company, resulting in a substantial saving over what would be required if special crews of section men and electricians were employed. One-man cars are operated on the Laveaga Park and Capitola divisions and the company appears to be carefully and efficiently managed throughout.

The City Attorney of Santa Cruz called attention to the fact that the franchises under which the Union Traction Company secured its right to operate over public streets carried contract clauses for a charge of not more than 5 cents per ride, and questioned the Railroad Commission's authority to permit any rate in excess of 5 cents. This point has been raised in a number of proceedings, and the Commission's right to alter such contracts has been consistently maintained. (Decision No. 2816- Town of Sausalito vs. Marin Water & Power Co., Vol. 8, Opinions & Orders of the Railroad Commission of California, p. 252).

Specific authority is contained in Section 27 of the

Public Utilities Act:

"No street or interurban railroad corporation shall charge, demand, collect or receive more than five cents for one continuous ride in the same general direction within the corporate limits of any city and county, or city or town, except upon a showing before the Commission that such greater charge is justified; provided, that until the decision of the Commission upon such showing, a street or interurban railroad corporation may continue to demand, collect and receive the fare lawfully in effect on November 3, 1914".

Decreases in operating revenues and increases in operating expenses, as shown in the preceding statement, have brought this company to a crisis in its affairs and it is conclusively proven that it cannot continue to give satisfactory service at the rates now in effect, which during the first six months of the current year failed to provide even operating expenses and taxes, to say nothing of bond interest.

Apparently every reasonable economy has been introduced by the management, including the one-man car operation, and there is no other form of relief in this situation than through increases in fares. I am of the opinion the residents in the communities would prefer paying a slight increase in fares rather than suffer a reduction or a discontinuance of the service. I therefore conclude, after giving careful consideration to all evidence submitted that the present rates of applicant are unremunerative.

I recommend that the Union Traction Company be authorized to increase its one-way fares within the city limits of Santa Cruz, and to and including Twin Lakes, from 5 to 6 cents; increase the one-way fare between Twin Lakes - Capitola and intermediate points from 5 to 6 cents; to sell books of tickets containing ten rides at \$1.00 for use between Santa Cruz-Capitola and intermediate points; also that it be permitted to change its rule governing the transportation of express packages to provide that no single package weighing

over twenty-five pounds will be handled on its cars, and make other adjustments as set forth in the application. Under the provisions of Section 17 of the Public Utilities Act, common carriers have authority to issue reduced rate transportation to its own employees and members of their families and to children attending institutions of learning; therefore, no authority is necessary from this Commission to adjust these special rates.

I submit the following form of order:

O R D E R

The Union Traction Company having applied under Section 63 of the Public Utilities Act for permission to increase its passenger fares and express rates, as set forth in the opinion which precedes this order, and a public hearing having been held and the Railroad Commission being fully apprised in the premises, it is hereby found as a fact that the existing rates are unjust, unreasonable and insufficient and that the rates herein established are found to be just and reasonable.

Basing this order on the findings of fact which precede.

IT IS HEREBY ORDERED that the Union Traction Company be and the same is hereby authorized to establish within twenty (20) days from the date of this order a fare of 6 cents within the City of Santa Cruz and to Twin Lakes, and a fare of 6 cents between Twin Lakes and Capitola, a 10-ride commutation ticket for \$1.00 between Santa Cruz and Capitola, change its express tariff rule limiting weight of a single package to 25 pounds and make such cancellations and changes



as are set forth in the application not inconsistent with this opinion and order.

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 10<sup>th</sup> day of August, 1918.

Edwin C. Edgerton  
H. D. Loveland  
Alfred G. ...  
Frank R. ...  
Commissioners.

STATE OF CALIFORNIA  
DEPARTMENT OF CORRECTIONS  
PRISON INDUSTRY AUTHORITY

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Section 14756, Government Code

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WITNESS my hand and the seal of the Department of Corrections Prison Industry Authority  
18 day of Jul, 1985 .

VACAVILLE

Thomas R. Coupe'  
(name)

