

Decision No. 5727-

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application )  
of Fresno Traction Company for )  
an Order Granting Permission to )  
Increase Rates for the Transport- )  
ation of Passengers. )

Application No. 3806.

Everts & Ewing, for Petitioner.

GORDON, COMMISSIONER:

O P I N I O N

This is an application of the Fresno Traction Company for authority to increase its urban and suburban passenger fares upon the allegation that existing fares are insufficient to meet fixed charges and operating expenses. The Commission is asked to prescribe such fares as will return adequate revenue. Applicant does not seek any return upon the property devoted to the service, but does ask that it be permitted to earn sufficient revenue to liquidate fixed charges and operating expenses.

A witness for the company suggested that its five cent fares be increased to seven cents and that five-ride tickets, good for passage within the five cent zone, be sold for thirty cents. In justification of the increased fares applicant shows that the cost of materials and supplies are constantly mounting, that wages

of employees were increased during calendar year 1917 and that a further increase is contemplated during the present year.

Notice of the hearing, which was held in the city of Fresno July 8, 1918, was given wide publicity in the local press and interested parties and commercial organizations officially advised. Notwithstanding such intelligence no one appeared in opposition, though the records show that certain patrons of carrier were inclined to the belief that the poor financial showing is attributable to inadequate service.

The Fresno Traction Company was incorporated September 22, 1903, under the laws of the State of California and was capitalized at \$5,000,000.00. The Funded Debt at the close of the year 1917 totalled \$709,000.00 and the open book accounts with affiliated companies amounted to \$829,437.60.

Annual reports on file with the Commission, beginning with the fiscal year ending June 30, 1911 and closing with June 30, 1916, show a deficit each year ranging from \$9,628.47 in 1913 to \$41,282.85 in 1916. The deficits for the calendar years 1916 and 1917 were \$47,792.24 and \$59,702.06, respectively. Thus it will be seen that at no time during this period has applicant been able to meet its operating expenses, taxes and interest on funded and unfunded debts.

The following condensed statement portrays carrier's financial condition for the fiscal years ending June 30, 1914, 1915 and 1916 and the calendar years 1916 and 1917.

STATEMENT SHOWING INCOME ACCOUNT FOR THE FISCAL YEARS  
 ENDING JUNE 30, 1914, 1915 and 1916, CALENDAR YEARS  
 ENDING DECEMBER 31, 1916 and 1917; ALSO THE IN-  
 CREASE, AMOUNT AND PERCENTAGE, CALENDAR YEAR  
 1917 OVER THE YEAR 1916.

A.C.C.O.U.N.T.S.	FISCAL YEAR ENDING JUNE 30.			CALENDAR YEAR		INCREASE CALENDAR YEAR 1917 OVER 1916	
	1914	1915	1916	1916	1917	Amount	Per Cent
<b>OPERATING REVENUE:</b>	\$240,972.70	\$231,330.74	\$227,394.45	\$225,517.65	\$235,639.71	\$10,122.06	4.49%
Transportation, Pass. Revenue	233,984.40	228,845.25	223,477.85	223,093.15	232,725.84		
Transportation other than Pass.Rev	3,858.50	1,061.70	2,392.60	1,125.50	1,127.40		
Other Operations	3,129.80	1,423.79	1,524.00	1,299.00	1,786.47		
<b>OPERATING EXPENSES:</b>	164,297.37	181,143.22	166,742.21	170,905.84	188,937.42	18,031.58	10.55%
Way & Structures	1,323.01	10,466.24	12,673.76	11,097.01	10,800.27		
Equipment	24,967.96	24,231.59	20,177.82	19,826.52	27,230.44		
Power	33,131.67	32,231.59	28,537.09	29,938.01	30,945.67		
Conducting Transportation	87,836.48	87,613.02	86,143.85	89,540.95	92,479.37		
Traffic	246.95	3,996.30	2,976.44	2,763.98	4,283.71		
General and Miscellaneous	19,437.32	22,629.10	16,233.25	17,739.37	23,246.32		
Transportation		24.62			48.36		
<b>NET OPERATING REVENUE:</b>	76,675.33	50,187.52	60,652.24	54,611.81	46,702.29	7,909.52	14.48%
Taxes	11,671.78	12,562.96	14,130.20	13,744.54	14,688.10	943.56	6.86%
Operating Income	64,803.55	37,624.56	46,522.04	40,867.27	32,014.19	8,853.08	21.66%
Non-operating Income		18,957.89	11,299.17	11,661.75	11,665.91	4.16	.04%
Gross Income	64,803.55	56,582.45	57,811.21	52,529.02	43,680.10	8,648.92	16.85%
Deductions from Gross Income:	80,730.55	93,932.02	99,094.06	100,321.26	103,382.16	3,060.90	3.05%
Interest on Funded Debt	37,333.33	36,459.17	36,100.00	35,975.00	35,699.30		
Interest on Unfunded Debt	23,494.83	37,664.65	43,196.24	44,560.41	47,837.70		
Amortization of Discount on Funded Debt	3,034.80	3,034.80	3,034.80	3,034.80	3,034.80		
Other Deductions	16,867.59	16,773.40	16,763.02	16,751.05	16,810.36		
<b>INCOME BALANCE</b>	\$ 15,927.00	\$ 37,349.57	\$ 41,282.85	\$ 47,792.24	\$ 59,702.06	11,909.82	24.92%

# CREDIT  
 @ Decrease  
 \$ Deficit

It will be noted the deficit for 1916 was \$47,792.24 and was augmented \$11,909.82, or 24.92%, in 1917. The net operating revenue for 1917 dropped \$7,909.52, or 14.48%, notwithstanding the passenger revenue increased 4.49%, this due to the fact that the operating expenses increased \$18,031.58, or 10.55%. It will be further noted that individual accounts of operating expenses, except "Way and Structures" show substantial increases.

Attention is further directed to the fact that the passenger revenue for the calendar year 1917 is \$5,332.99 less than in 1914, operating expenses \$24,640.05 greater, and that the deficit in 1917 was \$43,775.06 greater than in 1914, or 275%.

According to petitioner's testimony, the cost of materials and supplies for the year 1918 will be greatly in excess of prices obtaining in 1917. Assuming operating expenses increase \$10,000.00 and operating revenue remains constant, the deficit at the close of this year will be approximately \$70,000.00 and will be further enhanced about \$15,000.00 by the raising of wages to conform to Director General McAdoo's General Order No. 27, thus making a total estimated deficit of \$85,000.00 at the close of the year 1918. The proposed wage increase is necessary to offset the higher cost of living due to abnormal conditions resulting from the war, and by reason of the scarcity of labor at this time the increase is obviously essential as an inducement to retain experienced employees.

Carrier's revenue is largely derived from the urban traffic at a five cent fare. To outlying points the one-way fare ranges from ten cents to thirty cents, with round trip fifty cents; family commutation thirty rides from \$2.00 to \$6.00; individual commutation tickets, forty-six and sixty rides, from \$3.00 to \$7.00

for the former and from \$4.00 to \$9.00 for the latter.

The following statement shows number of five cent passengers carried for the periods specified:

First four months, year 1917	---	1,489,984
Second " " " "	---	1,414,170
Last " " " "	---	1,716,649
TOTAL - - -	---	4,620,803
Average for four periods - - -	---	1,540,268

First four months, year 1918 --- 1,596,910

The number of five cent revenue passengers carried during the first four months year 1917 was 1,489,984 and for the corresponding period 1918, 1,596,910, an increase of 106,926, or 7.2 per cent; for the second four months of 1917 there were 182,740 less passengers than during the first four months in 1918. However, it is fair to assume petitioner's revenue at existing fares will be increased at least ten per cent, particularly in view of the fact that this class of traffic during the last four months of 1917 was 226,665, or 15.2 per cent greater than the number carried the first four months; and in the first four months of 1918 exceeded the average for four months of 1917 by 50,284, or 3.37 per cent.

From the facts developed it is manifest petitioner should be accorded relief, for it is patent that unless fares are increased the standard of service must be greatly curtailed if a receivership of the property is to be avoided. Of these alternatives the public, in my judgment, would favor the first mentioned plan, - increase in rates, - rather than a radical reduction in the service rendered. As heretofore stated, the relief sought does not rest upon any demands for returns upon invested capital, but only for sufficient revenue to meet operating expenses and fixed charges. This

situation represents a war necessity and any added revenue obtained from the increasing of rates will be absorbed in increased compensation positively necessary to employees and for purchase of materials.

I find as a fact that the present rates are not just, reasonable or sufficient under existing conditions, and recommend applicant be authorized to increase its five cent fare to six cents and its commutation fares by ten per cent. This schedule of rates will not produce sufficient additional revenue to meet the estimated deficit of \$85,000.00 for the calendar year 1918, but in my opinion rates on a higher basis, considering the short hauls involved, would result in reduction in net revenue rather than in an increase.

I submit the following form of Order:

#### O R D E R

A public hearing having been held in the above entitled proceeding and the matter having been submitted and the Commission being fully informed and basing its order on the findings of fact as set forth in the opinion which precedes this order.

IT IS HEREBY ORDERED that the Fresno Traction Company be and is hereby authorized to increase its five (5) cent fares to six (6) cents and its commutation fares ten (10) per cent.

IT IS FURTHER ORDERED that schedules containing the increased fares be filed with this Commission within twenty (20)

days from 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 26<sup>th</sup> day of August, 1918.

Edwin O. Edgerton  
H. D. Leonard  
Wm. Gordon  
Frank R. Derby  
Commissioners.