

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the appli-  
cation of the Pacific Electric  
Railway Company for permission  
to increase passenger fares.

Application No. 3791

- ✓ Frank Kerr for Pacific Electric Railway Company.
- ✓ Albert Lee Stephens, for City of Los Angeles.
- Frank L. Perry for the City of Redondo Beach and  
City of Manhattan Beach.
- ✓ Victor R. McLucas for the City of Santa Monica.
- W. E. Evans for City of Glendale.
- M. Estudillo for the City of Riverside.
- Frederick Baker for the City of Azusa.
- ✓ W. A. Vandogrift, Mayor; City Attorney Guerin and  
Charles P. Bayer for City of Pomona.
- Thomas B. Reed, for City of Covina.
- R. B. Bidwell for City of Glendora.
- E. A. Decker for City of San Fernando.
- O. J. Fairchild for City of Pasadena.
- W. H. Porter for City of Hawthorne.
- William Hazlett for City of South Pasadena.
- George R. Fisher for patrons of Los Angeles.
- Thomas A. Berkebile for City of Monterey Park.
- Victor G. Watkins and W. A. Blanchard for City of Burbank.
- S. A. Waldron for City of Venice.
- L. Baird and F. A. Cattern for Bairdstown Improvement Assn.
- C. A. Rice for Los Angeles Workers of the ship yards.
- G. W. Collins for Ocean Park Pier Company.
- W. F. Dunn for the cities of Arcadia and El Monte.
- John P. Dunn for City of Monrovia.
- Martin F. Betkouski, for Hollywood Board of Trade.
- C. Cole for the Santa Monica lines.
- W. W. Phelps for City of Hermosa Beach.
- J. B. Beaman for City of Watts.
- C. E. Spencer for City Attorneys Association of  
Southern California.
- J. G. Wingert, City Attorney of Whittier, for City  
of Whittier.
- Rush M. Blodget, City Attorney of Venice; for City of Venice.
- ✓ D. L. Bathurst, Assistant City Attorney of Long Beach,  
for City of Long Beach.
- O. E. Williams for South & West Civic Federation of  
Hawthorne.
- Charles W. Hoag for Culver City.
- Alfred Barstow, City Attorney for City of Alhambra.
- E. Burke, for City of Culver City.
- John Mungler, City Attorney, for City of Pasadena.
- A. P. Nelson, City Attorney, for City of Huntington Beach.

LOVELL, Commissioner,

O P I N I O N

Applicant, an electric railroad corporation, alleging that present revenues are insufficient, prays for permission to make increases in its passenger fares to such extent that the revenues derived therefrom when added to its present earnings will enable it to meet fixed charges and operating expenses. It is not asking for a return upon investment or on the value of the property devoted to the service.

A brief history of the origin of this company and the extent and character of its operations will be appropriate at this time.

The Pacific Electric Railway Company was formed September 1, 1911, by the consolidation of the original Pacific Electric Railway Company and seven other railroads operating in Southern California, all of which, prior to this consolidation, were separately organized corporations.

The rails of this company extend in and through the counties of Los Angeles, Orange, Riverside and San Bernardino where more than 600 miles of road are operated. The method of operation, as the name implies, is by electric power. A glance at the map shows a literal network of roads radiating from Los Angeles, the physical and operating center of this large system.

A rapid interurban transportation service is maintained in consequence of which the worker in the city is enabled to make his home in the outlying sections.

The continued growth of these residence districts has developed a steady current of commutation traffic to and from Los Angeles and other industrial centers.

A considerable portion of the territory served by this company is also reached by the Southern Pacific, Santa Fe and Salt Lake Roads and numerous and well paved highways in this section of the State lend themselves to automobile transportation with which it also enters into severe competition.

While applicant furnishes both freight and passenger service, it is dependent on the latter for its principal source of income, the revenue derived from passenger traffic amounting to approximately 75% of the gross earnings.

Applicant has a bonded indebtedness of \$58,141,000.00 and unfunded debt of approximately \$10,000,000.00. There is an outstanding stock issue of \$34,000,000.00 which is owned by the Southern Pacific Company and on which no dividends have ever been paid. Since its incorporation in 1911 this company has failed to earn operating expenses and fixed charges, the total corporate deficit as of April 30, 1918, being \$5,958,008.39.

Applicant alleges, and has showed by uncontroverted testimony, that present revenues are insufficient to meet operating expenses and fixed charges. In support of this contention an exhibit was filed from which the following table has been prepared:

INCOME STATEMENT

	: Twelve : Months : Ending : April 30, 1918 : (Actual)	: Twelve : Months : Ending : May 31, 1919 : (Estimated)
<u>OPERATING INCOME</u>		
Railway operating revenues	\$9,678,508.15	\$10,815,250.00
Railway operating expenses	6,601,979.67	8,440,977.27
Net Revenue-railway operations	\$3,076,528.48	\$ 2,374,272.73
Taxes assignable to railway operations	514,781.75	540,172.00
Operating income	\$2,561,746.73	\$ 1,834,100.73
Non-operating income	145,333.09	73,980.70
Gross income	\$2,707,079.82	\$ 1,908,081.43
<u>DEDUCTIONS FROM GROSS INCOME</u>		
Rent for leased roads	48,251.81	52,222.16
Miscellaneous rents	1,259.27	1,316.68
Interest on funded debt	2,826,987.44	2,816,189.77
Interest on unfunded debt	520,205.50	665,657.05
Amortization of discount on funded debt	87,983.23	87,895.13
Miscellaneous debits	6,678.72	10,046.54
Total Deductions from Gross Income	\$5,491,325.97	\$3,633,327.33
Income balance transferred to profit and loss (Deficit)	\$ 784,246.15	\$1,725,245.90

From the preceding tabulation it will be seen that applicant's net revenue from railroad operations is more than absorbed by certain fixed charges, the largest item of which consists of bond interest; in fact this one item exceeds the amount of income remaining after the payment of operating expenses and taxes.

While it is estimated that some \$1,136,000.00 of new operating revenue will be obtained, the table shows that this will be more than overcome by the estimated increase of approximately \$1,938,000.00 in expenses and that the result for the fiscal year ending May 31, 1919, will show an even greater deficit than for 1918.

An item of \$565,657.05 appears in the foregoing table representing interest on unfunded debt. A witness for applicant testified that it has an investment in non-productive lands which is offset by a floating debt due its stockholders. Assuming this interest item to cover the money invested in non-productive property and eliminating it altogether there will still remain a deficit for the estimated period of more than \$1,000,000.00. The reason for this financial showing will be more clearly apparent from a perusal of the detail of the operating expenses and revenues, present and proposed, which are set forth in the following table:

RAILWAY OPERATING REVENUES.

	: Twelve : months : ending : April 30, 1918. : (Actual)	: Twelve : months : ending : May 31, 1919. : (Estimated)
<u>REVENUE FROM TRANSPORTATION</u>		
Passenger revenue	:\$7,011,414.79	:\$7,840,000.00
Baggage revenue	: 1,353.43	: 1,000.00
Parlor sleeping, dining and special car revenue	: 1,602.55	: 2,000.00
Mail revenue	: 24,744.19	: 25,000.00
Express revenue	: 151,702.98	: 151,000.00
Milk revenue	: 529.59	: 700.00
Freight revenue	: 2,142,919.98	: 2,477,400.00
Switching revenue	: 43,459.86	: 50,000.00
Miscellaneous transportation revenue	: 1,927.74	: 1,850.00
Total Revenue from transportation	:\$9,379,655.13	:\$10,548,950.00
 <u>REVENUE FROM OTHER RAILWAY OPERATIONS</u>		
Station and car privileges, storage, demurrage, rent of equipment, etc.	: 298,853.02	: 266,300.00
Total Operating Revenues	:\$9,678,508.15	:\$10,815,250.00

RAILWAY OPERATING EXPENSES

	:Twelve :months :ending :April 30, 1918. :(Actual)	:Twelve :months :ending :May 31, 1919. :(Estimated)
Way and structures	:\$973,852.81	:\$1,457,640.77
Equipment	: 933,570.60	: 1,345,166.79
Power	:1159,946.54	: 1,207,150.00
Conducting transportation	:2590,038.66	: 3,322,474.25
Traffic	: 137,912.91	: 185,470.60
General and miscellaneous	: 866,737.07	: 963,074.86
Transportation for investment (Credit)	60,078.92	40,000.00
<b>Total operating expenses</b>	<b>=6,601,979.67</b>	<b>=\$8,440,977.27</b>

The amounts shown in the preceding tables are as stated therein actual for the twelve months ending April 30, 1918.

The estimated passenger revenue for the fiscal period ending May 31, 1919, is based on a travel check for a certain period and taking into consideration changes in the character of travel which it is expected will result in consequence of the rearrangement of the rate structure. To this amount has been added the increase in revenue anticipated from freight and other sources.

The approximated operating expenses for this period are predicated chiefly on increased wages already granted and prevailing prices of materials and supplies.

Applicant has made the same increases in wages as were accorded employees of the roads under Federal control. It is unnecessary to go into the detail of these wage increases but will suffice to state that in December 1915 the monthly payroll of this company was \$546,321.45 for 4433 employees or an average of \$76.08 which in

June 1918 rose to \$484,738.41, making an average for the same number of employes of \$109.35 per month or an annual increase of \$1,661,003.52.

As illustrative of the increased costs of materials and supplies, the following items are reproduced from exhibit filed on behalf of applicant:

COMPARATIVE COST OF MATERIALS AND SUPPLIES

Commodity	Unit	Dec. 1914 :25% off :catalog :price	Dec. 1915 :25% off :catalog :price	June 1918 :37½% added :to catalog :price
Air brake material				
Car axles	CHW.	\$2.60	\$3.80	\$5.20
Journal boxes	Each	2.28	2.34	5.80
Brooms, household	Doz.	3.00	2.46	7.00
Castings, mall iron	Lb.	.052	.05275	.0825
Conduit ½" black	C Ft.	3.48	3.52	7.56
Distillate	Gal.	.05	.05	.10
Duck, white cotton	Yd.	.095	.115	.32
Lamps, switch	Doz.	50.90	50.90	81.65
Metal, Babbit	Lb.	.495	.495	.90
Armature coils (38-B)	Set	18.90	23.50	42.45
Brackets, Tel. Transposn.	C	12.70	19.80	37.70
Poles Trolley	Each	1.825	2.00	3.65
Rail	Gros. Ton	30.00	30.00	57.00

Numerous other items might be mentioned but those shown are sufficiently representative. The statement may conservatively be made that practically everything entering into the operation of railroads has greatly increased and prices are still ascending.



The new fares which applicant proposed to establish are constructed in the following manner:

INTERURBAN FARES

One-way fares based 3 cents per mile. Round trip  $2\frac{1}{2}$  cents per mile with maximum increase in present fares of 20%. Children 5 years or over and under 12, half fare, adding sufficient to make fare end in 0 or 5. Commutation tickets based:

10 ride individual, limit 30 days from date of sale,  
2 cents per mile.

30 ride family, limit 90 days from date of sale,  
 $1\frac{1}{2}$  cents per mile.

46 ride individual school, limit 60 days from date  
of sale,

60 ride individual, limit 40 days from date of sale,

1 to 10 miles inclusive,	1 cent per mile.
15 miles and over 10,	9 mills per mile.
20 " " " 15,	8 mills per mile.
Over 20 miles,	$7\frac{1}{2}$ " " "

Fares to end in multiples of 0 or 5 by increasing those ending in  $2\frac{1}{2}$  or more to the next 5, those ending in  $7\frac{1}{2}$  or more to the next 0 and <sup>reducing</sup> those under  $2\frac{1}{2}$  or  $7\frac{1}{2}$  to the next lower 0 or 5 as the case may be.

In figuring fares to and from Los Angeles combination of locals on the street car zone fare to be held as a maximum. An exception to the general rule is also contemplated in the one way and round trip fares between Los Angeles and Beach points where it is proposed to increase the present 35 cent and 50 cent fares to 40 and 60 cents, respectively.

The new tariff will also eliminate certain party and excursion fares and arrangement for sale of cash coupon tickets which were originally established in competition with the steam roads but as these roads have canceled such provisions under order of the Director General of Railroads applicant desires to take similar action.

### STREET CAR FARES

Within the City of Los Angeles 5 cent fares are now published for distances ranging from .81 of a mile to 8.76 miles from a central point with transfer privilege within these limits. It is proposed to establish 5 cent zones for varying distances to and including 5.58 miles and 7 cent zones beyond the 5 cent limits extending 7.55 miles to 8.7 miles from the central point with like privileges of transfer. This has the effect of increasing by 2 cents the fare for travel beyond the proposed 5 cent limits.

At other points applicant proposes to increase the fare from 5 to 6 cents, the zones or districts to remain unchanged except in a few instances where they have been slightly reduced in extent.

### INTERURBAN FARES

In order that a clear understanding may be had of the proposed changes, the following examples, which are typical of the different sections of applicant's line and of the various class of fares, are taken from exhibits filed at the hearing:

Miles	Between	And	One Way	Round Trip	10	50	46	52	60
					Indivi- dual	Fam- ily	School	Indivi- dual	Indivi- dual
20.6	Los Angeles	Redondo Beach	(Pres. : .35	.50	2.00	5.00	5.75	6.50	7.50
			(Pro. : .40	.50	3.00	8.25	7.05	-	9.20
22.61	"	San Pedro	(Pres. : .35	.50	2.00	5.00	5.75	6.50	5.50
			(Pro. : .40	.60	3.00	8.25	7.05	-	9.20
7.85	San Pedro	Long Beach	(Pres. : .15	.25	1.00	3.00	3.80	4.50	5.20
			(Pro. : .20	.30	-	3.55	3.60	-	4.70
17.35	Los Angeles	Whittier	(Pres. : .35	.50	2.00	5.25	6.05	6.50	-
			(Pro. : .40	.60	2.85	6.85	6.40	-	8.35
33.3	Los Angeles	Santa Ana	(Pres. : .65	1.00	4.00	10.00	-	11.00	-
			(Pro. : .90	1.20	-	14.00	11.50	-	15.00
31.97	Los Angeles	Pomona	(Pres. : .90	1.40	-	10.00	-	11.00	-
			(Pro. : .85	1.40	5.80	13.40	11.05	-	14.40
27.97	Los Angeles	San Fernando	(Pres. : .65	1.05	3.60	8.85	7.90	9.00	-
			(Pro. : .65	1.15	4.70	11.10	9.65	-	12.60
11.17	Los Angeles	Pasadena	(Pres. : .15	.25	1.00	3.00	3.45	5.00	-
			(Pro. : .20	.30	-	4.05	4.60	-	6.05
62.14	Los Angeles	Riverside	(Pres. : 1.70	3.10	-	26.10	-	24.90	-
			(Pro. : 1.75	2.95	11.85	27.00	21.45	-	27.95
10.63	Pomona	Ontario	(Pres. : .20	.35	1.50	4.00	-	6.00	-
			(Pro. : .30	.40	-	4.80	4.40	-	5.75
10.23	Riverside	San Bernardino	(Pres. : .30	.50	-	6.00	-	5.15	-
			(Pro. : .30	.50	2.05	4.60	4.25	-	5.50
4.79	Santa Ana	Garden Grove	(Pres. : .15	.25	.90	2.35	2.70	4.10	-
			(Pro. : .15	.25	.95	2.15	2.75	-	3.60

The basis for round trip fares is  $2\frac{1}{2}$  cents per mile with a maximum increase of 20% over the present rates. If this basis is employed, no discriminations now existing will be removed. A concrete instance exists in the case of fares between Los Angeles and Pomona and between Los Angeles and Santa Ana which follows:

Between Los Angeles and	Miles	One way		Round Trip	
		Pres- ent cent	Pro- posed cent	Pres- ent cent	Mileage basis Maximum
Pomona	31.97	\$.90	\$.85	\$1.40	\$1.40
Santa Ana	33.3	\$.65	\$.90	\$1.00	\$1.50

It will be seen that while Pomona has a slightly shorter mileage than Santa Ana, the fares today are entirely out of line. For instance, Pomona, 31.97 miles from Los Angeles, pays 90 cents one way and \$1.40 round trip while Santa Ana, 33.3 miles distant, has today a one way fare of 65 cents and a round trip of \$1.00. The basis proposed by applicant properly adjusts the one way fares but would leave the round trip to Pomona \$1.40 and only increase the round trip to Santa Ana to \$1.20. In other words, instead of establishing the mileage basis of \$1.50 between Los Angeles and Santa Ana, applicant proposes a 20% increase in the present fare or \$1.20 as a maximum. This feature is objectionable as it destroys the uniformity of the rate structure that would otherwise obtain and perpetuates a discrimination now existing where the fares have been established without due regard to relative distances.

It will be observed that the 52 ride ticket which expired with the end of the calendar month for which sold is to be abolished under the proposed tariff and a 60 ride ticket with limit 40 days from date of sale to be issued in lieu thereof.

It is proposed to make a departure from the general basis of rate construction in the case of one way and round trip fares between Los Angeles and Beach resorts. The present fares of 35 cents and 50 cents for single and round trip, respectively, are blanketed from Port Los Angeles on the north to Anaheim Landing on the south and it is the intention of applicant to preserve this blanket or zone relationship in the proposed adjustment which contemplates a single trip rate of 40 cents and round trip 60 cents between Los Angeles and the Beach resorts mentioned.

The only objection offered was on part of the City of Santa Monica which contended that on account of shorter mileage to Los Angeles than the other Beach points it should have a relatively lower fare.

I am in accord with the argument advanced by Santa Monica as a general principle but in this particular instance the peculiar character of the Beach traffic should be taken into consideration.

Travel under one way and round trip tickets between Los Angeles and the Beaches situated between Port Los Angeles and Anaheim Landing is purely excursion in nature. The fares applicable to this service are nothing more nor less than excursion fares and from their inception they have been kept on an equality. The resorts in that district have been established in response to this travel and are dependent upon it for existence.

In view of the vast dissimilarity of conditions this is not properly comparable with ordinary travel but should be considered entirely of itself.

It is my opinion that the blanket adjustment, insofar as it affects fares to the Ocean beaches is of great benefit to the public, enlarging as it does the field for recreation and affording greater opportunities in this respect than would otherwise be available. Therefore in establishing the new rate adjustment these zone arrangements will be continued in effect.

In figuring round trip fares the mileage basis, except to the Beach resorts, should be consistently employed without regard to a maximum predicated on present adjustments.

Much testimony was introduced at the hearings and extensive arguments were made in the briefs of attorneys with reference to preferential commutation rates between Los Angeles and San Pedro, based on the fact that there are at San Pedro shipbuilding plants employing large numbers of men who reside in the city of Los Angeles and that on this ground and because of the volume of traffic, lower commutation rates should be maintained. If commutation fares were to be based on the volume of business, the fares would vary as to density of traffic, making schedules entirely one of degree.

Naturally, industrial organizations gravitate, all other things being equal, to the points where the rates, either passenger or freight, are the lowest and it can easily be seen that if this decision gave to San Pedro a lower rate than authorized to Wilmington, Long Beach or Redondo, the shipbuilding industry would undoubtedly center around that one point.

It is proposed to increase the 60 ride commutation fare between Los Angeles and San Pedro from \$7.25 to \$9.20. The present ticket expires with the calendar month for which purchased and is at the rate of .1208 cents per ride. The proposed fare carries a limit of 40 days from date of sale and is at the rate of .1533 cents per ride. When consideration is given to the fact that the proposed commutation ticket can be purchased at any time and has a limit of ten additional days, making it possible to ride out every coupon, while under the present arrangement the coupons not used average 10 or 12 per month, it will be seen that the actual cost of the new ticket is but slightly in excess of the fare now in effect.

A carrier as a public servant cannot build up one community at the expense of another and this is what occurs whenever rates between industrial centers are not on a uniform and non-discriminatory basis.

I am therefore of the opinion that the commutation rates to inter-urban points must be on the same footing and not graded on the simple theory that one community today furnishes more traffic than another.

Applicant proposes to make certain changes in its street car fares, not only in Los Angeles but in all the communities in which it now has a local 5 cent fare restricted to certain zones.

The boundaries of the City of Los Angeles are very extensive and therefore 5 cent fares governed by the corporate limits of the city cannot be justified. It is proposed to shorten the Los Angeles zones to an average distance of  $5\frac{1}{2}$  miles from 6th & Main and from Hill Street stations and on certain lines where the fare is now 5 cents to increase same to 7 cents to cover territory at present in the 5 cent zones which would be excluded by the shortening of the zones. The proposed adjustment, however, in establishing 7 cents for distances varying from 7.55 miles to 8.70 miles is only made on certain lines, this would continue in effect, although not to as great an extent, the discriminations now prevailing. In outside territory applicant proposes not only to increase all present 5 cent fares to 6 cents, but also to shorten some of the zones. In a great portion of the territory where applicant now has 5 cent fares it is in direct competition with the Los Angeles Railway Company and if the fare were increased, traffic, wherever possible, would move via the 5 cent route and in other instances would be lost entirely by reason of people walking short distances between the different rate zones. It is doubtful if increasing rates from 5 cents to 6 cents in some localities, from 5 cents to 7 cents in others and making no changes at all in still other parts of the city would be productive of any increase in applicant's revenue.

Since the 5 cent fares are not to be increased within the congested parts of the City of Los Angeles, I am of the opinion that increases in such fares should not be permitted in the outlying districts where the traffic may not be quite as heavy, nor in other communities where a street car fare is now in effect.

Attorneys for the City of Los Angeles and for the other communities strongly objected to any change in street car fares until the entire situation can be studied and corrected on a uniform and non-discriminatory basis, and since the City of Los Angeles is now endeavoring to straighten out the transportation situation along its public streets, I am of the opinion that no good would be accomplished by the changing of these fares or the zones at this time.

Applicant proposes that all new fares end either in 0 or 5. Its principal witness testified that the figuring of fares to the actual odd cent would be cumbersome and impracticable and advanced certain reasons for such conclusions.

While the opposition to the use of pennies has some merit, I do not think it controlling, for the reason that business is now being done on the penny basis; not only in the commercial world but by the Federal Government in its railroad rates and in its method of taxation etc. Applicant will therefore be required to figure fares to the exact cent and not use multiples of 0 or 5, as proposed, except in the instance of fares to the beach zones which are arbitrarily established and not constructed on a mileage basis.

The opinion was expressed by several of the city attorneys, representing various communities interested in this proceeding, that a valuation of the company's property would be of great assistance to them and to the Commission in reaching a sound conclusion in this hearing, and that such a valuation would be an important factor in the determination of proper rates.

The Commission's chief engineer testified that both the company and the Commission had been engaged in making a valuation of the company's property, operative and non-operative, for a number of years past, and that the valuation was approximately seventy-five per cent finished.



He also testified that in his opinion the valuation, if it were available and complete, would be a minor factor in this case, since the company could not, under any reasonable circumstances, expect to earn a fair return on the value of its operative property, no matter by what standard this valuation might be measured. After considering the figures involved I am inclined to agree with this statement.

The investment in operative property, as it appears on the company's books and in the exhibits in the case, is in excess of \$82,000,000. While this figure is by no means controlling as an estimate of cost or value, the details making up the figures, nevertheless indicate the size of the property. The outstanding funded debt of the company is \$58,141,000. In addition to the bonded debt the company had, on the same date, other debts secured by notes amounting to \$10,241,502.50. The outstanding capital stock is \$34,000,000. I will disregard the stock entirely in a consideration of property values. The bonds and the notes are secured by all of the company's property, both operative and non-operative. We have no accurate estimate of the cost or value of the non-operative property, but there is testimony both from the President of the Pacific Electric, Mr. Paul Shoup, and from our chief engineer, that the reproduction cost and the reproduction cost less depreciation of the company's non-operative property, will in no case exceed the sum of \$20,000,000.00. Assuming for this purpose that all of the unfunded debt (\$10,241,502.50) and, in addition, \$5,000,000.00 of the funded debt, should be charged against the non-operative property, there is remaining a bonded indebtedness resting upon the operative property of \$42,899,497.50. There appears to be agreement between the company's and the Commission's engineers that in any event the reproduction cost and the reproduction cost less depreciation of all operative property will not be less than \$50,000,000.00.

After the payment of operating expenses and taxes, but making no allowance for depreciation, as heretofore indicated, it is estimated that there will remain, if the rates proposed by the company go into effect, a net income of \$1,908,081.45 for the payment of fixed and other charges. It will be seen that the net earnings remaining amount to but 6% on \$31,650,000.00, while the property devoted to this service has a value in excess of \$50,000,000.00.

There is no doubt in my mind that the actual cost, or the reproduction cost, or the reproduction cost less depreciation are each greater than the figure just mentioned. The statement that the valuation would not be an important factor in the case seems, therefore, to be borne out by these figures.

I am, nevertheless, of the opinion that the company should complete the valuation asked for by the Commission at the earliest possible date, so that it can be used in further rate considerations or in any other case in which this company comes before the Commission.

It is apparent that unless relief is granted, this line cannot continue in its present shape and that either more revenue must be obtained from increased rates or a radical reduction of service result.

The rails of this company serve a large and rapidly developing section of the state. It is of prime importance that the service now rendered be continued and improved rather than diminished. The rails reach prosperous and growing communities also districts where the population is small and the traffic light; however, there is no system of accounting in effect segregating the revenues and expenses of the different lines but it is not admitted by applicant that any of its lines fail to produce operating income; on the contrary, the contention is made that one line feeds the

other and all are necessary for the successful operation of the entire organization.

The City of Los Angeles is the center of this great railway system and it can easily be seen that if each branch were treated independent of the other and fares established on the volume of traffic, there would be instances of fares so extremely high as to be detrimental not only to Los Angeles, the central point, but to every outside community affected. Discrimination between localities should be avoided wherever possible, for when fares are built on different bases the low rated communities naturally benefit at the expense of the higher rated points. The conclusion is inevitable that the property of the Pacific Electric must be considered as a whole and not by separate divisions or lines.

The financial condition of this applicant has been unsatisfactory and difficult for many years prior to the outbreak of the war due principally to the growth of automobile transportation.

As the expense of operation grows without corresponding changes in gross revenue, a continual increase in fares cannot be avoided unless assistance is rendered by reduction in taxes and street maintenance charges assessed against transportation companies or by direct financial contributions; in other words, the costs must be paid either by the consumer direct through fares or by the people as a whole through taxation.

The Federal Administration has, by direct appeal, urged upon State Commissions the necessity of maintaining during this war crisis the financial stability of railroads and other public utilities.

I am of the opinion that the situation which now confronts the Pacific Electric Railway has been augmented during the last three years by the increased prices due to the war necessities, both as to the cost of labor and materials and that an emergency exists here from which this applicant must have relief.

It has been shown that the amount anticipated from the freight increases already authorized and from the passenger fares proposed will be absorbed by advances in wages alone, to say nothing of the rapidly mounting costs of power, materials and other factors entering into operation of this property.

The rates sought to be established will render assistance, but they will not by any means cure the financial difficulties in their entirety, and this applicant must by some other methods arrange in part to meet its bond interest payments.

Petitioner's application is purely in the nature of a war emergency and the rates it seeks to establish should not, and cannot, be considered along the lines governing the ordinary applications for increases in revenue. As heretofore stated, the engineers of this applicant and those employed by the Railroad Commission of California are working on a valuation of the property of the Pacific Electric Railway Company devoted to the railway transportation business, and just as soon as this valuation has been completed and the true value of the property ascertained, I am of the opinion that the entire rate structure, both passenger and freight, should be reviewed and such rates established as the conditions warrant.

I conclude from the evidence before me and find as fact that the fares now in effect are insufficient and unreasonable for the service rendered and that applicant should be authorized to establish the following basis of fares, without prejudice to future action calling into question the whole or any part of the rates herein established, and which under existing conditions are found to be reasonable.

INTERURBAN FARES

ONE WAY FARES -

Three cents per mile.  
Half fares for children five  
years or over and under twelve.

ROUND TRIP FARES -

Two and one-half cents per mile.  
Half fares for children five  
years or over and under twelve.

COMMUTATION TICKETS -

Ten ride individual, two cents per mile.

Thirty ride family, one and one half cents per mile.

Forty-six ride individual school, and sixty ride individual,

One to Ten miles, inclusive, 1 cent per mile.

15 miles and over 10, 9 mills per mile.

20 miles and over 15, 8 mills per mile.

Over 20 miles, 7½ mills per mile.

In figuring one way, round trip, ten and thirty ride fares to and from Los Angeles, 5½ miles should first be deducted from the through mileage and the mileage basis applied to the remainder, adding to this result the street car fare in Los Angeles.

Fares to be published between Los Angeles and the beaches and blankets or fare zones established in the beach territory in accordance with Exhibit No.12 consisting of proposed fares filed at the hearing.

Where a point is served by two or more direct lines, fares to be established on basis of short line mileage.

Where fares calculated on these bases come out an even half cent or over, they are to be rounded up to an even cent; where the calculation makes them come under one-half cent, fractions are to be discarded and fare published at the next lower whole cent.

That portion of application covering street car fares in Los Angeles and outside communities will be dismissed.

The following form of order is submitted:

### O R D E R

The Pacific Electric Railway Company having applied under Section 63 of the Public Utilities Act for permission to increase certain passenger fares, as set forth in the opinion which precedes this order, a public hearing having been held and the Railroad Commission being fully apprised in the premises, the Railroad Commission hereby finds as a fact that the present fares of petitioner are insufficient, unjust and unreasonable and that the fares hereinafter set forth, which under existing conditions are found to be reasonable, should be authorized.

Basing this order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that the portion of application covering street car fares be, and the same is hereby dismissed.

IT IS HEREBY FURTHER ORDERED that the Pacific Electric Railway Company be, and the same is authorized to establish within twenty (20) days from the date of this order the following basis of fares:

INTERURBAN FARES

One Way Fares -

Three cents per mile.  
Half fares for children five  
years or over and under twelve.

Round Trip Fares -

Two and one-half cents per mile.  
Half fares for children five  
years or over and under twelve.

Commutation Tickets -

Ten ride individual, two cents per mile.  
Thirty ride family, one and one half cents per mile.  
Forty-six ride individual school, and sixty ride individual,  
One to Ten miles, inclusive, 1 cent per mile.  
15 miles and over 10, 9 mills per mile.  
20 miles and over 15, 8 mills per mile.  
Over 20 miles, 7½ mills per mile.

and to make further changes as set forth in Exhibit No. 12 filed  
at the hearing and not in conflict with this 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 this <sup>September</sup> 4<sup>th</sup> day of ~~August~~ 1918.

E. O. Edgerton  
H. J. Loveland  
W. J. Gordon  
Frank P. Wilson  
Commissioners.