

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application )  
of the Pacific Electric Railway ) Application No. 3791.  
Company for permission to Increase )  
Passenger Fares. )

- Frank Karr, for Pacific Electric Railway Company.
- Albert Lee-Stephens and F.D.Howell, for City of Los Angeles.
- Victor R. McLucas, for City of Santa Monica.
- Rush M. Blodget, for City of Venice.
- John Manger, for City of Pasadena.
- William Hazlett, for City of South Pasadena.
- Alfred Barstow, for City of Alhambra.
- George L. Hoodenpyl, and D. L. Bathurst, for City of Long Beach.
- M. Estudillo and George B. Bush, for City of Riverside.
- W. E. Evans, for City of Glendale.
- Frederick Baker, for City of Sierra Madre.
- C. E. Spencer, for City Attorneys' Association.
- O. E. Williams, for Hawthorne and Lawndale.
- F. A. Cattern, for Northeastern Improvement Association.
- Mrs. A. G. Shaw, in propria persona.
- W. M. Northrup, for City of San Gabriel.
- Thomas A. Berkebile, for Monterey Park.
- S. M. Haskins, for City of San Marino.
- J. B. Beman, for City of Watts.
- William B. Ogden, for Crescent Heights.
- W. W. Phelps, for Hermosa Beach.
- Frank, L. Perry, for City of Redondo Beach.
- Eurum E. Reeve and W. T. Pratt, for Chamber of Commerce of Torrance.

LOVELAND, COMMISSIONER.

O P I N I O N and O R D E R  
ON APPLICATION FOR REHEARING.

This is a rehearing of Application No. 3791, decided by  
this Commission September 4, 1918, Decision No. 5731. In the

original proceeding the Pacific Electric Railway Company sought authority to increase its passenger fares. The application was purely in the nature of a relief measure to meet, in part, operating costs due to war prices, and it did not ask a return upon the value of the property devoted to the service, but only sought sufficient new revenue to meet increased wages of its employees, increased costs of materials, equipment and taxes. The Commission decided, and it was admitted by all parties that the fares in effect were insufficient under existing conditions, and the following fares, which were determined to be just and reasonable, were authorized:

One way - - - - -	3 ¢ per mile
Round trip - - - - -	2½ ¢ " "
10-Ride Individual Commutation Tickets-	2 ¢ " "
30-Ride Family Commutation Tickets-	1½ ¢ " "
46-Ride and 60-Ride Individual Com-	
mutation Tickets - - - - -	1 ¢ per mile for
distances one to ten miles, inclusive,	
Fifteen miles and over ten - - -	9 mills per mile
Twenty miles and over fifteen - - -	8 " " "
For all distances over twenty miles-	7½ " " "

The fares to and from Los Angeles to be made by applying an arbitrary of five cents for the first five and one-half miles to cover street car territory within Los Angeles and the mileage rates for the remaining distances, except where based on the total mileage at the rate per mile, the fares would figure less.

Authority was also sought to reduce the street car zones in certain districts, and to increase the fare from five to seven cents in other districts within the city of Los Angeles. Also to increase to six cents all street car fares within other municipalities through which applicant's cars operate and where a five cent fare was in effect. This part of the application was denied and applicant was instructed to continue in effect the five cent street car fares.

Tariffs intended to be a full compliance with the Commission's order were issued September 15th, effective September 18, 1918, to cover one way and round trip fares, and on September 21st, effective September 24, 1918, to cover commutation fares.

On September 16, 1918, the cities of Santa Monica and Venice filed a joint petition for rehearing. This was followed on September 18th by a joint petition from the cities of Pasadena, South Pasadena and Alhambra and on September 19th by the city of Long Beach. Petitioners for rehearing asked for a review of the opinion and order on certain specific points and, believing that same should be given consideration, an order was issued September 24, 1918 reopening the case for the purpose of receiving further evidence. The petition, however, not having been received ten days or more before the effective date of the order, as provided under Section 66 of the Public Utilities Act, did not automatically suspend the original order and the Commission being of the opinion that an emergency situation existed and that the Pacific Electric Railway Company should not be denied relief, permitted the tariffs to go into effect.

In addition to the formal applications for rehearing, representatives from the following communities entered appearances:

Crescent Heights	Los Angeles	San Marino
Glendale	Monterey Park	Sierra Madre
Hawthorne	Redondo	Torrance
Hermosa Beach	Riverside	Watts
Lawndale	San Gabriel.	

Petitioners' objections to the findings in the original opinion and order are, in the main, as follows:

1- By Santa Monica and Venice:

That the Commission erred in establishing the one way fare of 40 cents and round trip fare of 60 cents between the city of Los Angeles and the cities of Santa Monica and Venice; that these cities should not have been included in the beach territory blanket at a common rate, and that the rates were excessive and unreasonable.

2- By Pasadena, South Pasadena, Alhambra and San Gabriel:

That the record was insufficient to warrant the Commission in authorizing other than a flat increase in the fares; that the percentage increase in fares between Los Angeles and these four communities was greater than at other points; that there was no physical valuation of the property of applicant upon which to base the fares, and that the fares established were discriminatory, excessive and unjust.

3- By Long Beach:

That the fares established were excessive, unjust and unreasonable.

4- In general, that the applicant in publishing tariffs did not follow out the terms of the opinion and order with reference to the five cent fares within municipalities, and that the fares authorized were excessive and unreasonable.

Hearings were held at Los Angeles October 4, 5 and 7, exhibits were submitted, arguments heard and briefs filed. The public was notified in the usual manner of the reopening of the case and testimony was presented by interested persons, associations and communities, but the supplementary evidence was not materially different from that considered in the formal report, witnesses

reiterating to a great extent facts already in the original record and most of the new testimony was, therefore, only of a cumulative nature.

The matter is now submitted upon the record of both proceedings.

The cities of Santa Monica and Venice are contending that the 40 cent one way and 60 cent round trip fares between those cities and Los Angeles, which are the blanket fares used for all of the Beach communities extending from Port Los Angeles on the north to Anaheim Landing on the south, are excessive and unreasonable when applied to what is known as the West Coast Group of beaches located in the zone extending from Playa del Rey-Venice through Ocean Park to and including Santa Monica. This claim is based on the testimony of applicant's General Passenger Agent, who at the original hearing testified that the proposed fares for the West Coast beaches were computed on the mileage to Sunset Station, a point located between Santa Monica and Venice, 15.28 miles from Los Angeles via the shortest mileage route. Taking this distance and applying the basis per mile for the system authorized by the Commission in its opinion and order, the fares would figure less than 40 cents one way and 60 cents round trip, but these blanketed fares were not based on any mileage scheme as the opinion and order clearly set forth, but were made arbitrary to fit the needs of the public traveling to the ocean beaches in great crowds mainly for recreation and pleasure.

The following table shows distances between Los Angeles and the different beach resorts via routes over which applicant regularly operates trains and via which mileage it is possible for the purchaser of a single or round trip ticket to travel:

DISTANCES BETWEEN LOS ANGELES AND  
SANTA MONICA, OCEAN PARK, VENICE AND PLAYA DEL REY  
VIA VARIOUS ROUTES.

WEST COAST BEACHES

Route No.	From	Santa Monica Utah Ave: Miles	Ocean Park: Pier Ave.: Miles	Venice: Windward: Ave. : Miles	Playa del Rey (Auditorium) Miles
1	:4th & Hill Sts.Sta.,L.A. :via Hollywood Blvd., :Sawtelle,Soldiers' Home : and Westgate Line.	21.56	22.89	23.76	26.10
2	:4th & Hill Sts. Sta.,L.A. :via Hollywood Blvd. :Sawtelle and Dunham.	19.21	20.58	21.42	23.96
3	:4th & Hill Sts. Sta. L.A. :via Colegrove,Sawtelle :and Westgate Line	21.06	22.39	23.26	25.60
4	:4th & Hill Sts. Sts. via :Colegrove, Sawtelle and :Dunham.	18.71	20.04	20.91	23.25
5	:4th & Hill Sts. Sta. L.A. :via Sherman Jct.,Sawtelle: and Westgate.	19.50	20.87	21.71	24.05
6	:4th & Hill Sts. Sta.,L.A. :via Sherman Jct.,Sawtelle: and Dunham.	17.17	18.49	19.33	21.67
7	:4th & Hill Sts. Sta.,L.A. :Vineyard,Venice Short :Line.	17.00	15.65	14.81	17.15
8	:4th & Hill Sts. Sta.,L.A. :Vineyard,Palms,Home Jct., :Soldiers' Home and :Westgate Line.	19.32	20.65	21.52	23.86
9	:4th & Hill Sts. Sta.,L.A. :Vineyard,Palms,Sawtelle, :Dunham.	16.88	18.21	19.08	21.42
10	:4th & Hill Sts. Sta.,L.A. :Vineyard, Home Jct. and :Bergamot.	16.24	17.57	18.44	20.78
11	:6th & Main Sts. Sta.,L.A. :Santa Monica Air Line.	18.00	18.00	20.21	22.55
12	:4th & Hill Sts. Sta., L.A: :Redondo Line via Playa :del Rey.	19.56	18.10	17.35	15.01
	AVERAGE ---	18.68	19.45	20.16	22.11

DISTANCES LOS ANGELES TO VARIOUS BEACH POINTS  
VIA ROUTES OF PACIFIC ELECTRIC RAILWAY.

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Redondo Beach - (Pavilion)

<u>Route:</u>	<u>From</u>	<u>:</u>	<u>Via</u>	<u>:</u>	<u>Miles</u>
1	:4th & Hill Sts.:		Vineyard & Playa del Rey:		24
2	:6th & Main Sts.:		Watts & Gardena		: 20.4
3	:6th & Main Sts.:		Watts & Hawthorne		: 20.6
AVERAGE---					<u>21.66</u>

San Pedro - (5th & Front Sts.)

1	:6th & Main Sts.:		Gardena		: 24.31
2	:		Dominquez Jct.		: 22.61
AVERAGE---					<u>23.46</u>

Long Beach - (Pacific Ave.) : 20.45

Seal Beach

	Naples	: 24.11
	Long Beach	: 26.45
AVERAGE---		<u>25.28</u>

It will be noted there are twelve possible routes between Los Angeles (4th & Hill Sts. Station - 6th & Main Sts. Station) and Santa Monica (Utah Ave.). This mileage varies from 16.24 via Route No. 10 through Vineyard, Home Junction and Bergamot, to 21.56 via Route No. 1 through Hollywood, Sawtelle and Westgate, the average mileage of the twelve routes being 18.68. Since the tickets are good at the option of purchaser via any of the twelve routes, the more logical and fair mileage upon which to base a rate, if it were to be computed on mileage, would be the average of the whole, or 18.68. This, upon the basis prescribed by the Commission, would make one way fare of 45 cents and round trip 76 cents. The average mileage at Ocean Park (Pier Ave.) would be 19.45; at Venice (Windward Ave.) 20.15 and Playa del Rey (Auditorium) 22.11, while to the South

Coast Beaches the average mileage at Redondo is 21.66; at San Pedro 23.46; at Long Beach 20.45 and at Seal Beach 25.28. It will thus be seen when all elements of the different routes are taken into consideration that the travel mileage possible to any of the beaches, either in the west coast or south coast territory, is approximately the same.

A blanket system of passenger fares between Los Angeles and the different beach resorts has been in effect since transportation was first inaugurated by companies originally in competition. The pioneer railroad was built into Wilmington in 1869; a second company built into Santa Monica in 1878. These companies had a one way fare of \$1.00 in each direction and no round trip tickets. In 1889, or thereabouts, a railroad was constructed to East San Pedro via Long Beach; about the same time the Atchison, Topeka & Santa Fe built its line into Redondo Beach. The fare to all beach points at the commencement of operation was \$1.00. Later a round trip fare of \$1.50 was made, and at the time the first electric line reached Santa Monica the round trip fare was \$1.00 via the connecting steam lines. The electric line reduced its fare to 50 cents, which reduction was immediately met by the steam lines at Wilmington, Long Beach, San Pedro, Redondo and Santa Monica. It will thus be seen that at no time during the past fifty years has the blanket of fares applicable to the one way and round trip fares been disturbed. It cannot be said that the West Coast beach cities have suffered because of this blanket fare adjustment, which afforded equal facilities to all. The territory embraced in the Santa Monica-Venice district now has a claimed population of approximately 25,000 and its growth compares favorably with that of other ocean front communities. The cities of Long Beach and San Pedro, because of industrial developments, are accredited with very substantial increases in population during



the past few years, but the ratio of increase at the West Coast cities no doubt would compare favorably with Long Beach and San Pedro were it not for the industrial features referred to.

In a blanket adjustment of fares distances alone are not controlling and carriers may lawfully, within reasonable limits, as a matter of traffic policy, adjust competition between points by the establishment of identical fares. Blanketed groups of fares long maintained are not to be disturbed unless substantial justice clearly requires it, and ordinarily a community should show it is actually injured by an unjust and unlawful discrimination before the group can be broken up. An undue inequality can only be shown by dealing with a situation as a whole, and mere comparisons of distances without supporting details and facts does not justify a division of the group. It has not been shown that Santa Monica, Venice and the other West Coast beaches are injured by being included in the blanket of one way and round trip fares. for the beach territory caters to a distinct class of patronage, which on certain days of the week for local traffic and during fixed periods of the year for outside traffic is purely excursion and pleasure-seeking in its nature. This class of traffic would not move freely upon normal fares and the conclusion is inevitable that the communities, the traveling public and the transportation companies are in a better position under the arbitrary fares, call them excursion or by some other name, than would result if the beach community fares were placed on a strictly mileage basis varying from town to town, in some cases so high as to almost prohibit their use by a great mass of the people. Again, if this Commission were to break the blanket system of fares, traffic would naturally flow to the point having the lowest fares and it would be expensive and difficult, if not impossible, to handle the immense crowds going to the ocean front during hot summer days, especially on Sundays and

holidays. The change would prove unsatisfactory both to the traveling public and the transportation company.

The blanketing of passenger fares, especially to cover excursion and commutation traffic, is not uncommon throughout the United States, and reference might here be made to the fact that the one way and commutation fares applying between San Francisco and points on the Alameda County side of the bay cover a blanketed zone beginning with five miles from San Francisco and extending 12.1 miles, which is practically the condition obtaining in Southern California between Los Angeles and the beach resorts.

Commissioner Edgerton in deciding Case No. 457, May 5, 1915, involving this same rate situation, said: (Vol. 6, Opinions and Orders of the Railroad Commission of California, 794-799).

"The question of blanketing rates has been passed on a number of times by commissions and courts, and it has been definitely decided that the proper blanketing of rates does not create an unlawful preference in favor of one community as against another. It is quite impossible for the Commission to order a reduction in the rates to Venice and Santa Monica without finding them to be excessive and unreasonable, and notwithstanding the complainants' numerous statements that the reasonableness of the rates is not in question and discrimination is the only matter in issue, I am inclined to believe that what was meant was that the rate to Long Beach should be adjudged reasonable for the distance and therefore unreasonable for the shorter distance to Venice and Santa Monica."

Consideration has been given to all the facts and circumstances placed in the case as originally presented, and to the additional testimony and arguments submitted on rehearing dealing with this phase of the situation and there is nothing in the entire record to warrant a change in our conclusions; therefore, the fares established to cover the beach communities will not be disturbed.

Representatives of the cities of Pasadena, South Pasadena and Alhambra were not opposed to the claim that this carrier was in need of additional revenue during this emergency war situation and were willing to pay increased passenger fares, but they objected to the schedules of fares as set forth in applicant's Exhibit No. 12, which after making an arbitrary allowance for the five and one-half mile street car district within the city of Los Angeles, based fares on 3 cents per mile one way,  $2\frac{1}{2}$  cents per mile round trip, and a graduated scale of from 2 cents per mile to  $7\frac{1}{2}$  cents per mile for commutation fares.

No testimony was introduced to prove the new fares were in and of themselves excessive or unreasonable, the main contention being that the increases resulted in substantial changes and that

their percentage of increases was higher than those made at other points.

A study of the passenger fares in effect between Los Angeles-Pasadena and the other communities mentioned shows conclusively that these communities have had fares on a relatively lower basis than at other points equi-distant from Los Angeles. The following table compares the old and new fares between Los Angeles and Pasadena with the old and new fares between other points for approximately the same mileage from Los Angeles:

Miles:	Los Angeles And	: One-Way	: Round Trip	: 10-Ride	: 30-Ride
11.2	: Pasadena	: Old 15	: 25	: 1.00	: 3.00
	: (Col. & Fair Oaks)	: New 22	: 38	: 1.63	: 4.05
	:	:	:	:	:
11.5	: Morton	: Old 25	: 40	: 1.50	: 3.85
	: (Santa Ana Line)	: New 23	: 40	: 1.70	: 4.20
	:	:	:	:	:
10.9	: Compton	: Old 20	: 30	: -	: 4.00
	: (Long Beach and)	: New 21	: 37	: 1.58	: 3.93
	: (San Pedro Line)	:	:	:	:
	:	:	:	:	:
11	: Buenos Ayres	: Old 20	: 35	: -	: 3.50
	: (Santa Monica Line)	: New 21	: 37	: 1.60	: 3.97
	:	:	:	:	:
11.4	: Bundy	: Old 25	: 40	: -	: 4.00
	: (Redondo Line )	: New 23	: 39	: 1.68	: 4.15
	: (via Culver City)	:	:	:	:
	:	:	:	:	:
11.6	: Universal City	: Old 25	: 40	: 1.40	: 3.50
	: (Van Nuys Line)	: New 23	: 41	: 1.72	: 4.25
	:	:	:	:	:
10.8	: Senorita	: Old 20	: 35	: -	: 3.90
	: (Burbank Line)	: New 21	: 37	: 1.59	: 3.96
	:	:	:	:	:
10.9	: Rosemead	: Old 25	: 40	: 1.60	: 3.80
	: (Covina Line)	: New 21	: 37	: 1.59	: 3.94
	:	:	:	:	:

It will be noted the old one way fare between Los Angeles and Pasadena, 11.2 miles, was 15 cents; between Los Angeles and Morton, 11.5 miles, the old fare was 25 cents. The Pasadena round trip was 25 cents as against the Morton round trip of 40 cents.

Under the new tariff, the Pasadena one way fare is increased from 15 cents to 22 cents and the Morton fare reduced from 25 cents to 23 cents. The round trip Pasadena fare is increased from 25 cents to 38 cents, while the Morton round trip remains at 40 cents. The Pasadena 10-ride is increased from \$1.00 to \$1.63 and the Morton from \$1.50 to \$1.70. The Pasadena 30-ride is increased from \$3.00 to \$4.05, and the Morton fares from \$3.85 to \$4.20. The same situation is illustrated by comparing the old and new fares at Compton on the Long Beach Line, Buenos Ayres on the Santa Monica Line, Bundy on the Redondo Line, Universal City on the Van Nuys Line, Sencrita on the Burbank Line and Rosemead on the Covina Line.

The increases at Pasadena are substantial, but the reasonableness of the proposed fares cannot be determined by considering only the volume of the percentage increase, for a comparison of the fares shows conclusively that in the past there was a discrimination in favor of the Pasadena communities.

Attorneys representing Pasadena, South Pasadena and Alhambra dwelt strongly on the theory that fares to their communities should be based on the revenue, expenses and the value of the properties devoted to the particular service. In other words, fares should be constructed on each branch or division of applicant's railroad, independent of any other part of the property.

There are no facts in the record to show in what manner the Pasadena passenger traffic is different from traffic moving over other parts of the Pacific Electric system, unless it be the fragmentary evidence that the volume is somewhat heavier than obtains between other points.

Section 19 of the Public Utilities Act provides that,-

"No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities, or in any other respect, either as between localities or between classes of service. The Commission shall have the power to determine any question of fact arising under this section."

It by no means follows that because the number of passengers moving to or from a given point is larger than the movement to another point similarly located that different schedules of fares should prevail to fit the volume of traffic. If this theory were practiced discrimination would be created between the different interurban communities, in violation of the provisions of the Public Utilities Act. A community is entitled to just, reasonable and nondiscriminatory fares, and where the service is performed under similar circumstances and conditions preferential fares cannot be authorized based purely on the volume of the traffic.

These protestants further contend applicant only sought an increase of 20 per cent in its passenger revenue and that the Commission should have granted a flat increase and not the basis upon which the new fares were constructed. This contention is not borne out by the application or the record, for the fares authorized were promulgated upon the basis set forth in Exhibit No. 12, and the only reference to 20 per cent was in connection with round trip fares where it was suggested that no round trip fares be increased in excess of 20 per cent.

The testimony and exhibits disclosed many discriminatory situations under the old rates, some being higher than those in the proposed schedule and had the Commission authorized a flat increase of 20 per cent, or any other percentage, a gross injustice would

have been done to communities already paying fares higher than those in the Pasadena territory. As a result of the adjustment reductions were made at some points and all discrimination removed in interurban fares, the mileage basis being consistently employed except in territory where the Commission reached the conclusion that the blanket system of fares to beach resorts, on account of the entirely different nature of that traffic, should be maintained.

Counsel for the cities of Long Beach and Redondo supplemented their general protests by voicing specific objection to the volume of increase in the 10-ride and 30-ride commutation fares between Los Angeles and the Long Beach group, urging that under the new fares the differential over the fares applicable at Santa Monica and West Coast points is much greater than under the former adjustment and, therefore, works a corresponding detriment to Long Beach. While it is true that a greater percentage of increase is occasioned at Long Beach than at Santa Monica, there is nothing discriminatory in such adjustment, as the fares in both instances are constructed on a uniform mileage basis, whereas those previously in effect were established without regard to this feature. Long Beach is no different in this respect than other communities where the former fares were improperly adjusted.

In the rearrangement, by following a uniform mileage basis, a greater percentage of increase is necessarily brought about in some districts than in others.

It was urged by some of the petitioners for rehearing that failure to increase the 5 cent street car fare within prescribed limits of Los Angeles, while authorizing advances between this city and equidistant interurban points, engenders discrimination.

Specific reference was made to the 5 cent fare between Los Angeles and Gardner Junction, a point in Hollywood within the corporate limits of Los Angeles, 8.7 miles from applicant's Hill Street Station and within the Los Angeles street car zone, whereas between Los Angeles and interurban points similarly situated with respect to distance, fares were constructed on the mileage basis, the exact figure varying according to distance.

The first opinion and order in this proceeding announced the reasons for not disturbing the Los Angeles street car situation at this time, therefore it is unnecessary to repeat them herein. It is well, however, to again direct attention to the vastly different influences and conditions surrounding street car traffic within the 5 cent zones at Los Angeles and travel purely interurban in nature,

This city is served by two transportation systems entirely independent of each other. The line operated by applicant, while responding to the needs of a considerable portion of the city, is primarily an interurban road and as a street railway is secondary in importance to its competitor, the Los Angeles Railway Corporation, which conducts an exclusively street car business, extends into more districts of the city, and serves a much greater population.

Careful study of the local street car situation justified the conclusion previously reached that a disturbance of the existing arrangement is not proper under the present emergency proceeding and such consideration as this question may require should be effected through separate action with both of the transportation companies parties thereto, and a thorough investigation



made into the volume of fare, the extent of the zones, re-arrangement of transfer privileges and the many other matters entering into an intelligent consideration of the entire subject. Authority to increase the street car fares having been denied, this opinion and order deal entirely with interurban fares.

It will be unnecessary to here again discuss the contention that this Commission is without power to authorize rates different from those contained in franchises, for contract rates must give way to the rates fixed by this Commission when circumstances and conditions require changes.

The legal points involved are thoroughly analyzed in Case No. 731. Town of Sausalito vs. Marin Water & Power Company. Vol. 8, Opinions and Orders of the Railroad Commission of California, page 252.-

"The people of California, by recent amendment to Section 23 of Article XII of the Constitution of this State, have conferred upon the Railroad Commission the power, insofar as the Railroad Commission had not already acquired the same, to establish all the rates to be charged by public utilities in California".

Much objection was offered to the increase occasioned by advancing the minimum fare for single trips from 5 cents to 10 cents. The instances in which 5 cent fares were advanced to the new minimum are very numerous, many of them representing short hauls of less than one-half mile and often as low as one-quarter mile. It was shown that in general practice the trains are not required to make special stops for one person and therefore this item need not enter as a factor into consideration of cost of service insofar as this cost is affected by the stopping and starting of interurban trains.

After carefully reconsidering this feature, it is believed

that the interests of justice will be best served by observing a minimum of 5 cents for single trips and 10 cents for round trips instead of 10 and 15 cents, respectively, as established by carrier in taking advantage of the increases authorized in the original order.

Applicant, in the publication of its new tariffs, increased many fares within municipalities where a 5 cent street car fare was formerly in effect. This was apparently done through a misunderstanding of the original opinion and order. Acting upon instructions from the Commission the 5 cent fares have since been restored. These fares, however, covered zones in the different cities and towns and should not be confused with fares between interurban points, where the mileage basis with a minimum of 5 cents will be observed.

None of the parties to this proceeding questioned the fact that the Pacific Electric was in need of additional revenue. The annual reports on file in this office show that in 1914, after paying operating expenses and fixed charges, there was a deficit of \$467,220.38; in 1915 \$683,521.23; in 1916 \$821,734.33; in 1917 \$885,116.15, and that at the end of the calendar year 1917 the total balance (deficit) was \$6,170,583.05.

The company's actual deficit for the twelve months ending April 30, 1918 was \$784,246.15 and it is estimated the deficit for the twelve months ending May 31, 1919 will be \$1,725,245.90, after taking into account estimated increase in operating revenue under the passenger fares authorized in the original order in this proceeding and the increase in freight revenue, both state and interstate, granted informally by the Interstate Commerce Commission and this Commission.

Wage increases made in June, 1918 will approximate one and one half million dollars per year, and since this testimony was given other increases in wages have been granted. The increased revenue expected to be derived from the higher passenger fares will be much less than the increases in operating costs and, apparently, this applicant will show a larger deficit for the calendar year 1918 than existed in 1917.

Protestants maintained at the original hearing and on rehearing that the Commission should have secured a complete valuation of the operating property, but we are here presented with an emergency situation dealing with income and expenses, in which valuation has but little bearing. As shown by the testimony, the value of the operative property is not less than \$50,000,000, while the rate of return under the increased fares will produce but six per cent on \$31,660,000. indicating that if valuation were made the controlling factor fares would necessarily be on a much higher basis than those authorized.

It cannot be said on this record that applicant is not entitled to adequate revenue and since apparently no further economies can be introduced in the operating expenses without materially reducing the service, the only other alternative under the prevailing war conditions was increases in fares.

The fact that changes in fares which have been in existence for a great many years will work some inconveniences to certain individuals and communities cannot preclude the establishment of increased fares if they are just and reasonable. Sound economic considerations require that transportation charges be reasonable and not frequently changed, but when

conditions have changed as they have during this war period, there is no justification for maintaining a basis which does not produce sufficient revenue to meet carrier's operating expenses, taxes and interest on bonds.

In some sections the advance over the previous fares is considerable, while in others it is very slight and in still other districts a reduction is brought about under the new adjustment. It will therefore be seen that while the basis established by this Commission is in itself uniform and nondiscriminatory, it will have a varying effect in the different communities, owing to the diverse bases formerly employed.

In the adjudication of a matter of this kind, involving a multitude of fares, it is impossible to formulate a system which will be fully satisfactory to all of the districts and communities affected, and necessarily the volume of increase will vary in the different sections. This is in consequence of the utter lack of uniformity in the former rate fabric which was established many years ago under entirely different circumstances.

The inauguration of fares on the basis authorized will preclude a condition of this kind arising in the event of future general rate changes, as a foundation has here been established on uniform lines throughout applicant's entire system.

Some of the parties to this proceeding seem to be in doubt as to the authority conferred in the original order with respect to interurban fares, and for the purpose of clarification of that portion of the original order will be amended herein.

Applicant appears to have made some clerical mistakes in publishing the new fares and the adjustments necessary to

correct these errors, also the necessary authority to bring certain rates within the requirements of the long and short haul clause of the State's constitution or to the prohibition against through rates exceeding combination of locals may be made by informal applications.

Our original order was made upon a careful consideration of a voluminous record, and after again reviewing the issues in the light of the records of both proceedings there appears no reason why the previous conclusions should be changed, with the exception of the minimum fare, which applicant will be required to reduce from ten to five cents.

I submit the following form of order:

### O R D E R

Petitions having been received for rehearing in this application, same having been duly heard on rehearing and full investigation of the matters and things involved having been had, and the Commission basing its order on the facts and conclusions contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that the order in Decision No. 5731, dated September 4, 1918, insofar as it appertains

to interurban fares is hereby amended to read as follows:

ONE WAY FARES:

Three cents per mile,  
Half fare for children five years or over,  
and under twelve,  
Minimum fare five cents.

ROUND TRIP FARES:

Two and one-half cents per mile,  
Half fare for children five years or over,  
and under twelve,  
Minimum fare ten cents.

COMMUTATION TICKETS:

Ten-Ride Individual, two cents per mile.  
Thirty-Ride Family, one and one-half cents  
per mile,  
Fortysix-Ride Individual School, and  
Sixty-Ride Individual,-  
One to ten miles, inclusive, 1 cent per mile.  
Fifteen miles and over ten, 9 mills per mile,  
Twenty miles and over fifteen, 8 mills per mile,  
Over twenty miles, - - 7½ mills per mile.  
Minimum fare, six cents per ride.

In figuring fares to and from Los Angeles, five and one-half 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, except where the scale applied to the actual mileage makes lower.

Fares between Los Angeles and the beach territory to be constructed in blanket zones, in accordance with Exhibit No. 12.

Where a point is served by two or more direct lines, fares are to be established on basis of short line mileage, except where fares are authorized in blanket zones. Where fares collected on this basis come out an even one-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 disregarded and fares are to be published at the next lower whole cent.

IT IS HEREBY FURTHER ORDERED that the order in Decision No. 5731, dated September 4, 1918, shall remain in full force and effect as modified by the order herein.

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 2 1st day of November, 1918.

Edwin O. Edgerton  
H. D. Loveland  
W. Gordon  
Frank R. Decker  
Commissioners.