Decision No. 6549

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of the San Francisco-Oakland Terminal Railways for an order re-adjusting passenger fares between San Francisco and transbay points.) Application No. 2985.

C.W.Durbrow, for Southern Pacific Company.
Bishop & Bahler, by H.M.Wade and L.R.Bishop, for the City of Oakland and Oakland Chamber of Commerce.
Paul C. Morf and E.L.Hagan, for the City of Oakland.
Frank D. Stringham and B.D.Marx Greene, for the City of Berkeley and Berkeley Chamber of Commerce.
A.F.St.Sure, for City of Alameda.
H.F.Strother, for master mates and pilots in the employ of the Southern Pacific and San Francisco-Oakland Terminal Railways.
Vincent Carroll, for marine engineers.
C.W.White, for City of Hayward.
T.V.O'Brien, for the citizens of Hayward.
Sapiro, Neylan & Ehrlich, for East Oakland Protective League and Merchants Exchange of Oakland.
Leon Clark, for City of Albany.
Morrison, Dunne & Brobeck and Creed, Jones & Dall, for San Francisco-Oakland Terminal Railways.

BY THE COMMISSION:

FIRST SUPPLEMENTAL ORDER.

On June 8, 1918, the Commission made a preliminary order in this application (Decision No. 5473, Opinions and Orders of the Railroad Commission of California, Vol. 15, p.832) and authorized the San Francisco-Oakland Terminal Railways to increase by 10% its one way and commutation suburban passenger fares. This order had the effect of raising the one way fare from 10 to 11 cents and the commutation fare from $3.00 to $3.30 between San Francisco and points located in Alameda County, these being the rates established June 10, 1918 between the same points on the Southern Pacific

Company by Director General McAdoo in his Order No.28. The application had been consolidated with Applications Nos. 3086, 3087 and 3219 and a number of hearings were held on the four applications, beginning September 5, 1917 and ending May 29, 1918. Applications Nos. 3086 and 3087 were filed in behalf of the Southern Pacific Company to increase their fares between these same points and were dismissed by this Commission June 8, 1918, by reason of the Southern Pacifis Company having passed under federal control. Application No. 3219, of the San Francisco-Oakland Terminal Railways, sought authority to increase its street car fares on the Traction Division serving points in Alameda and Contra Costa Counties. This last application was disposed of by our decision No. 5687, August 13, 1918 (Opinions and Orders of the Railroad Commission of California, Vol.15, p.1070), by which applicant was given permission to increase the fares in the street car zones from 5 to 6 cents.

We, therefore, have remaining for consideration, in connection with the trans-bay rates, only those of the Key Division of the San Francisco-Oakland Terminal Railways embraced in Application No. 2985. The application as filed July 7, 1917 asked for higher passenger fares based on the large increases in operating costs consisting mainly of wages, paving, taxes, cost of materials and supplies, power and fuel.

In Decision No. 5473, supra, we said:

> "On May 27,1918, the Director General of railroads, Hon. Wm. G. McAdoo, filed with this Commission his Order No.28, initiating new freight and passenger rates on all federally controlled railways, the passenger rates to become effective on June 10, 1918, and the freight rates on June 25, 1918.
>
> The passenger rate schedule as initiated by the Director General also affects so-called suburban and commutation rates, and insofar as such rates are concerned reads as follows:
>
> 'Section 9- Commutation fares shall be advanced ten (10) per cent. Commutation fares shall be construed to include all forms of transportation

"designed for suburban travel, and for the use of those who have daily, or frequent occasion to travel between their homes and places of employment or educational institutions'." (page 833)

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"The numerous issues involved were presented by the applicants and protestants in these proceedings in a very thorough and complete manner. The Commission has now before it all of the data necessary in order to come to definite conclusions, but it has not yet been possible to come to a final decision as to the amount of increase which should be finally allowed. Pending such decision it is our opinion that the Key System should be authorized to put into effect the same rates that will be established for the Southern Pacific as it seems to us proper that similar rates should become effective for both lines at the same time". (page 834).

The San Francisco-Oakland Terminal Railways is divided into two divisions, the Key Division, covering that part of the organization handling passengers by boat and rail between San Francisco and Alameda County points, and the Traction Division, handling the street car and interurban traffic between points located in Contra Costa and Alameda Counties. While this proceeding has only to do with Key Division rates, it will be necessary to deal, to a great extent, with the property as a whole in order to reach a conclusion.

Financial Condition of the Company

The financial condition of applicant as it appears in the last annual report filed with the Commission is shown on the following condensed balance sheet as of December 31, 1918:

ASSETS

Investments.

Road and Equipment	$46,052,230.05
Sinking Fund	213,342.35
Deposits in lieu of mortgaged property sold	11,700.00
Miscellaneous physical property	1,594,177.99
Investments in affiliated companies:	
Stocks-	1,979,344.26
Other Investments:	
Bonds-	13,601.00
Miscellaneous	3,464,000.00
Total Investments	53,328,395.65

CURRENT ASSETS

Cash	66,040.41
Special deposits	110,854.52
Loans and notes receivable	500.00
Miscellaneous accounts receivable	125,695.42
Material and supplies	388,172.56
Interest, dividends and rents receivable	528.93
Total Current Assets	691,791.84

DEFERRED ASSETS

Insurance and other funds	6,426.91
Total deferred Assets	6,426.91

UNADJUSTED DEBITS

Rents and insurance premiums paid in advance	16,322.75
Other unadjusted debits	55,992.55
Total Unadjusted Debits	72,315.30
Grand Total--	54,098,929.70

LIABILITIES

Stock

Capital Stock.	$28,175.000.00
Total Stock	28,175.000.00

LONG TERM DEBT

Funded debt unmatured	18,825,000.00
Total Long-term Debt	18,825,000.00

CURRENT LIABILITIES

Loans and notes payable	3,848,901.51
Audited accounts and wages payable	531,250.44
Miscellaneous accounts payable	12,351.86
Matured interest, dividends and rents unpaid	952,310.00
Matured funded debt unpaid	1,183,000.00
Accrued interest.dividends and rents payable	318,012.86
Total Current Liabilities	6,845,826.67

DEFERRED LIABILITIES

Deferred liabilities	34,182.63
Total Deferred Liabilities	34,182.63

UNADJUSTED CREDITS

Tax liability	16,381.32
Insurance and casualty reserves	5,000.00
Operating reserves	25,875.03
Accrued depreciation-Road and equipment	866,726.02
Reserve for amortization of franchises	22,094.40
Other unadjusted credits	33,970.48
Total Unadjusted Credits	970,047.25
Profit and Loss Debit	751,126.85
Total corporate surplus	751,126.85
Grand Total	54,098,929.70

The investment in road and equipment of the entire property, including materials and supplies, it will be noted, appears on the balance sheet at $46,440,402.61. This figure is not reliable as an investment figure and should be compared with the valuation figures available for this purpose.

It is our opinion that neither the investment nor the valuation in this proceeding can be considered the chief factor in the determination of rates. It should be noted, however, that the Commission's Engineering Department's estimates of reproduction cost less depreciation of this property, which figures in our opinion reflect as nearly as may be the "fair value" of the property devoted to the public service, are: $8,000,000 (approxiamtely) for the Key Division property, $11,000,000 (approxiamtely) for the Traction Division property, and a total of $19,000,000 (approximately) for the combined property.
The valuation figures as reflecting the cost, less depreciation, are the values under which the company claims a fair return.

The following table, compiled from applicant's Income and Expense statements in evidence herein, portrays the results of the Company's operation for the Key and Traction Divisions for the various periods shown:

	Gross Operating Revenue	Operating Expenses (including depreciation as figured by company) and Taxes.	Operating Income	Non Operating Income	Gross Income
Fiscal Year ending June 30, 1915					
Traction Div.	$2,994,599.03	2,159,261.49	835,337.54	16,325.10	851,662.64
Key Division	1,359,292.26	1,025,272.62	334,019.64	46,339.65	380,359.29
Total-	4,353,891.29	3,184,534.11	1169357.18	62,664.75	1232,021.93
Fiscal Year ending June 30, 1916					
Traction Div.	$3,009,702.30	2,276,184.07	733,518.23	13,375.52	746,893.75
Key Division	1,408,145.59	1,051,892.40	356,253.19	47,037.24	403,290.43
Total-	4,417,847.89	3,328,076.47	1089771.42	60,412.76	1,150,184.18
Fiscal Year ending June 30, 1917					
Traction Div.	$3,228,940.95	2,277,964.03	950,976.92	13,908.37	964,885.29
Key Division	1,187,454.34	#1274,257.83	*86,803.49	41,982.34	* 44,821.15
Total-	4,416,395.29	3,552,221.86	864,173.43	55,890.71	920,064.14
Calendar Year 1918					
Traction Div.	$3,748,821.78	2,924,087.59	824,734.19	15,008.71	839,742.90
Key Division	1,411,563.36	1,371,556.29	40,007.07	3,174.91	43,181.98
Total-	5,160,385.14	4,295,643.88	864,741.26	18,183.62	882,924.88

* Deficit.

\# Includes $240,882.34 account abandonment of old trestle.

Items representing operating income, as the table shows, are the amounts obtained after deducting operating expenses (including depreciation and taxes) from the gross operating revenue to which is added non-operating income and from this gross income payment of interest on funded and unfunded debt and return on the property investment is obtained. The deficit for fiscal year 1917 for the Key Division is accounted for by reason of a charge to operating expense of $240,882.34, covering abandonment of the old pier trestle, which amount should properly have been spread over a period of years. By eliminating this charge, instead of a deficit of $44,821, a profit of $196,061. would appear. It will be noted that the increase in gross operating revenue 1918 over 1915 is $806,493.85 whereas the increase in expenses amounts to $1,111.109.77, indicating that the growth in revenue has failed to keep pace with the increase in operating expenses. The operating costs commenced to ascend in 1917 beginning with the Decision of the Board of Arbitration in the dispute between the company and its steamer crews involving the engineers, masters, mates and pilots, which resulted in changed working hours and the employment of additional men, entailing an increase in the pay roll of approximately $30,000.00 per annum. It is an established fact that since then the cost of labor and materials has steadily been on the increase.

The following table was prepared from the applicant's accounts and from reports made by the Commission's Auditing

Department. It shows results for the Key Division only for the period beginning August 1, 1918 and ending June 30, 1919, compared with similar period for the preceding year.

Period	Operating Revenue	Operating Expenses exclusive of Depreciation	Operating Profit before charging Depreciation	Depreciation	Operating Profit after charging Depreciation
Aug. 1, /18 to June 30, /19	$1,384,138.00	1,214,647.00	169,491.00	193,071.00	23,580.00
Aug. 1, /17 to June 30, /18	1,206,141.00	959,071.00	247,070.00	143,783.00	103,287.00
Increase	177,997.00	255,576.00	-	49,288.00	-
Decrease	-	-	77,579.00	-	126,867.00

NOTE: During the current year (1919) the wages of platform men and the boat crew were increased, such increase being retroactive, as follows: Platform men as from November 1, 1918, boat crew as from January 1, 1919. The company states that the amount due the men under the retroactive clause had not been paid June 30, 1919, nor had the liability been set up on the books, with the result that the operating expenses shown above are understated by approximately $20,000.00 and the result of the operation of the System for the eleven months, to June 30, 1919, should be a loss of $43,580.00 in place of $23,580.00 shown above.

From the foregoing table it will be seen that while operating revenue increased $177,997.00, the operating expenses, exclusive of depreciation, increased $255,576.00, an excess in the increase in expenses over increase in revenue of $77,579.00. When the claimed increase in depreciation of $49,288.00 is included, it is shown that the net operating profit for the eleven months' period, 1918-1919, as compared with 1917-1918 was a decrease.

In this discussion the item of depreciation enters as charged by the company without any correction on the part of the Commission. The matter of depreciation is a very important one and will be further considered in this decision.

The fare of 11 cents and the commutation fare of $3.30 authorized in our decision No. 5473, Application No. 2985, constituting a 10% increase on the Key Division, became effective June 12, 1918 and the fare of 6 cents on the Traction Division, making an increase of 20%, as authorized by our 276

In order to ascertain the effect of these increases on the revenue of both divisions of the San Francisco-Oakland Terminal Railways, the Commission's Auditing Department made a comparative statement beginning with August 1, 1918, to an including June 30, 1919. Without producung the figures in detail, it is sufficient to say that while in the period under consideration the increases in rates produced additional revenue to the amount of $685,116.83, the increases in expenses and taxes including depreciation as charged by the Company amounting to $762,808.42, showing that during the ten months' period August 1, 1918, to and including May 31, 1919, the entire property earned net $77,691.59 less than it produced during the same period of 1917-1918.

For the twelve months, comparing the fiscal year ending June 30, 1919, with the year ending June 30, 1918, we find that the Traction Company carried (pay passengers only) 68,234,105 as against 66,407,534, or an increase of 1,826,571, indicating no dimunition in travel by reason of the change in fare from 5 to 6 cents. The same condition developed on the Key Division, 15,338,617 passengers having been carried as against 14,663,552, or an increase of 675,065, a total increase for the two divisions during the twelve months' period of 2,501,636 passengers.

Were it not for the fact that there has been a remarkable increase in traffic during the last two years on both the Traction and the Key Divisions of this system, the financial results would be much worse. There appears to be so healthy and rapid a growth in population in the territory served by this company that it is sound to estimate that this growth will further continue. This condition is taken into consideration in reaching our conclusions.

Even with this condition obtaining it is apparent that the increased gross revenue from the increased traffic has failed to keep up with the increasing operating expenses. The results for the ten months' period September 1, 1918, to June 30, 1919, for the Key and Traction Divisions during which time the increased fares were in full force and effect, will be apparent from the following table:

	KEY	TRACTION	TOTAL
Gross Operating Revenue	$1,194,165.34	$3,460,300.20	$4,654,465.54
Operating Expenses (excluding depreciation)	1,048,540.83	2,311,164.50	3,359,705.33
Net Operating Revenue	145,624.51	1,149,135.70	1,294,760.21
Add. Net Commissary Revenue	57,056.12	....	57,056.12
Total Net Revenue	202,680.63	1,149,135.70	1,351,816.33
Less Taxes	67,173.09	163,108.23	230,281.32
Operating Income	135,507.54	986,027.47	1,121,535.01
Add - Non-Operating Income	1,375.49	14,855.93	16,231.42
Gross Income	136,883.03	1,000,883.40	1,137,766.43
Total Depreciation	175,415.59	236,577.99	411,993.58
Net Income after deducting Operating Expenses, including Depreciation and Taxes	38,532.56	764,305.41	725,772.85
Correction: Auditor's Entry in connection with Renewals for last four months of 1918 improperly charged to Operating Expenses, now credited to Profit and Loss and charged to Depreciation	5,828.17	23,856.29	29,684.46
Corrected Net Income	32,704.39	788,161.70	755,457.31
Deduct additional Operating Expenses:			
Increased wages motormen and conductors retroactive Nov.1, 1918 to April 22, 1919 (National War Labor Board Award)	11,189.21	74,465.37	85,654.58
Increased wages, Ferry Boat crews, retroactive January 1, 1919 (Account action of Federally controlled Lines)	10,560.00	....	10,560.00
Actual Net Income after deducting all Operating Expenses (including Depreciation and Taxes) Corrected	54,453.60	713,696.33	659,242.73

Under a decision of the National War Labor Board, effective April 22, 1919, wage scales of motormen and conductors were increased and other wage increases have been given to various classes of the company's employees since May, 1919.

The Commission has definitely adopted the policy to recognize as operating expense all increases in labor costs and this policy will be adhered to in this proceeding. It will not be necessary in this decision to go into the details of the increases in operating expenses and the reasons for such increases. The subject is a familiar and pressing one and has been dealt with exhaustively in a number of previous decisions made by this Commission.

A careful analysis of applicant's financial condition leads to the conclusion that the margin between revenues and operating expenses is steadily growing less. This is true for the property as a whole, taking the Traction and the Key Divisions together. It is also true to a lesser extent for the Traction System alone, although it is apparent that the street car operations of applicant taken by themselves are still, even with the increased operating costs, returning a profit even though this profit on a fair rate basis is less than 8 per cent. The Traction Division earnings now are, as they have been in the past, carrying the Key Digision's losses. Considering the Key Division along (and it must be remembered that it is the rates on the Key Division that we are dealing with in this decision), the point has almost been reached where the revenues are insufficient for operating expenses and taxes alone with no margin whatever for a return on any rate base.

For the property as a whole, the net income after operating expenses, depreciation and taxes, is less than 5 per cent on the rate vase.

Rate Base

The interurban service given by Applicant is of a strictly competitive character. I t will not prove practicable to have one set of rates for the Key Route and another set for the competing Southern Pacific lines. To fix fares on a theoretical rate base without regard to this competitive condition is impracticable and is, therefore, in our opinion unsound.

It is further our conclusion that the interurban service of this company and the street car service must be considered together. And applicant would have no cause for complaint if its combined transportation operations were on a fair earning basis. It has already been pointed out that the traction operations are carrying the Key Division's losses. It seems to us impracticable, aside from the questions of value of the service, to increase the interurban fares to a point where they would produce what might be called a fair return on the value of the Key Division property alone. We are aware that this is the claim made by the company but it is our conclusion that this claim cannot be considered without at the same time giving consideration to the other controlling factors referred to.

A fair decision both to the public and to the company should provide for increases in fares sufficient to place this company in a position where it can render adequate and efficient service to the communities on its lines.

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It has been repeatedly pointed out by this Commission that the only permanent remedy for the financial difficulties of this company is a thorough-going reorganization of its finances. As long as the Key System rests on the present unsound financial structure, it is bound to continue in financial difficulties in the future as it has in the past. The rate increases will not effect a complete or permanent remedy of this situation. If it were practicable to do so, we would make reorganization one of the conditions of this order. The value and the cost of the service rendered by the Company, in our opinion, justify an increase of interurban fares. Even with the fares as they are now proposed, the suburban rates will still be among the lowest inthe entire country. This is true if we take into consideration both the quality of the ferry and electric service rendered and also the length of haul, which for the combined ferry and rail service on the shortest line amounts to 6.7 miles and on the longest line to 12.6 miles, with an average haul for all passengers carried of nearly 10 miles.

Depreciation and Depreciation Reserve

In the figures of operating expenses shown heretofore, there are included for the several years varying amounts credited to depreciation reserves, increasing for the year ending December 31, 1918, to the sum of $492,291. The applicant in 1918 made a radical change in its practices of depreciation accounting. Prior to 1918 the company charged altogether insufficient amounts against depreciation, and in a number of statements filed with the Commission the depreciation actually charged on the company's books was revised in order to reflect more accurately what in the company's opinion was the actual result of its operations year by year. In the year 1916, for instance, the actual depreciation deduction from gross income according to the annual report of the company was $89,281.54, while in the subsequent statements that figure was increased to $473,197 ($204,731 for the Key property and $268,466 for the Traction property). In 1917, the actual charge appearing in the company's annual report was $178,070.83, while the figure was increased in the statement to $488,607 ($211,215 for the Key property and $277,392 for the Traction property). The figures for 1918 were $211,900 for the Key property and $280,391 for the Traction property.

The matter of adequate depreciation reserves is without doubt one of the most important considerations in this proceeding. In a number of investigations in various street railway properties throughout the state which are now under way, it has become increasingly clear that one of the principal reasons for the present difficult financial situation of these properties is the fact that in the past no provision at all, or only inadequate provision, has been made for the inevitable wasting away of property, from natural or other causes, that is summed up in the term "depreciation".

It is self-evident that when track and equipment wears away and must be replaced and there is no money available for such replacement, operating expenses must increase, the value of the property must dwindle, the capital account will be inflated, and, what is perhaps most important, service must deteriorate. Without exception, almost all street railway properties, not only in California but throughout the United States, are today confronting this deplorable condition.

Whatever the ultimate solution of the present day street railway difficulties may be: whether we have to come to outright public ownership or to some form of partnership between the present owners and the public on a cost of service basis; or whether private ownership and operation continues; there is no escape from this proposition: If the service is to continue, the cost of the service must be forthcoming. And this cost of service is made up of the three chief items of expense, namely, cost of operation, taxes and cost of money. Included in the cost of operation is the cost of maintaining the property and maintaining the service. Included in the cost of maintaining the property is the cost of depreciation.

We propose in this proceeding to fix such rates as will enable the company to meet for the future all of the costs of operation, including the cost of depreciation, as will provide for taxes, and as will, in addition, give such a return on the property devoted to the service of the public as seem possible under the circumstances. The depreciation allowance, therefore, which will be made in this rate fixing proceeding is a direct operating expense, exactly as the cost of power, for instance, and becomes a direct charge on the patrons of this business and consequently on the public. We propose, therefore, that in the future the amount allowed to insure against depreciation shall be actually set aside and used for that purpose only under the careful and strict supervision of this Commission. One great difficulty in the past has been that the amounts ostensibly set aside for depreciation were book figures merely and that the actual money was used for altogether different purposes. It must be clear that depreciation funds used for new construction or for additions and betterments are not available when the need for the replacement of the original property items arises. And the additions and betterments paid with such funds cannot possibly be a substitute for what it is necessary to replace. As long as the credit of a utility is good and as long as there exists sufficient margin between property values and outstanding bonds, the real condition is not apparent and the financial aspect of the question is not a very serious on.e Additional bonds can be issued and sold and the property can be kept intact. Operating expenses in normal times can be increased to take care of unusual replacement and requirements without great damage to net revenue. But such practices cannot be considered as sound under normal conditions even, and with prosperous concerns. In the present situation confronting the street and interurban railway properties, a continuation of this course must prove disastrous.

A depreciation fund should be sufficient to allow for the replacement of such depreciable items of property at the end of a reasonable expected life as should be taken care of through the fund. What this sum should be, it is impossible to determine with absolute accuracy at this time because of necessity estimates of what will happen in the future enter into the problem. A close approximation, however, can be had. From time to time the status of the depreciation reserve should be compared with the actual depreciation of the property and the annual allowance for the fund should be either increased or decreased as actual conditions may demand.

The allowance should be neither too large nor too small. If it is too small, the property and the service will suffer. The depreciation reserve is intended to take care of the future and is not intended to provide a reimbursement for neglected renewals and maintenance in the past. Such renewals, of course must be made but the allowance which will be set up with inauguration of the proposed rates is intended to keep the depreciable property intact for the future only and the deficiencies of the past will have to be provided for out of surplus. We have reached the conclusion that the amounts set aside on the company's books (though it will be noted not actually set aside) in 1918 are too large. After segregating between depreciable and non-depreciable property and between ordinary operating expenses and such replacements as should come from a depreciation reserve, we are of the opinion that there should be set aside annually to take care of the now existing depreciable property, the sum of $240,000. Of this amount there should be assigned to the Key property the sum of $100,000 per year and to the Traction property $140,000. This total sum should go into a sinking fund in monthly installments of $20,000 and should be set aside in actual cash and invested, under the direction of this Commission. The safety of the fund should not be sacrificed to a possible high rate of interest. We believe it is preferable to require merely that all earnings by the fund shall be added to the reserve (whatever these earnings may be) rather than to require an accounting on a strictly sinking fund basis at a definite rate of interest, irrespective of whether or not the fund actually was able to earn at the fixed rate. This method seems to us more equitable to the company because under the fixed interest rate the unearned portion of the fund would have to be made up from the company's surplus.

Disbursements from the fund are to be made only on detailed showing and on the periodical approval of this Commission.

Proposed Fares and Estimated Results.

We have made a careful study of the operations of the Key Division and of the operations of the property as a whole, have considered all of the facts and circumstances and records in the case, and it is our conclusion that the Applicant should be authorized to increase its fares as follows:

(a) One-way fares on entire system between all points where the present fare is 11 cents to be increased to 15 cents.

(b) Monthly commutation books between all points where the present fare is $3.30 to be increased to $4.00.

It is our estimate that with these fares, the applicant's revenues will be increased by approximately $400,000 per annum. The greater percentage of this amount will be a net increase, because whatever additional operation expense increases may come, will occur regardless of the rate of fare. It is true that under these rates the company, with present and estimated

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operating expenses, will probably not earn more than 5 per cent on the depreciated reproduction cost of its operative Key Division property. But this rate of return is not an unreasonably low one, in our opinion, when the past history of the company, the competitive conditions and the returns from the Traction Division are taken into the calculation. The increase in earnings, we confidently believe, will be sufficient to take care of all increased operating expenses, will enable the company to set aside an actual depreciation reserve as indicated above and will make it possible in addition to secure the necessary funds to rehabilitate its track and structures where rehabilitation is necessary, and to provide for the necessary additions and betterments. We believe that with this increase, the applicant will be enabled to render an entirely efficient and adequate service to the public.

It is our opinion, as repeatedly expressed that a financial reorganization of the company is necessary and that no permanent satisfactory operating and financial result can be obtained until such a reorganization has been made.

O R D E R

A preliminary order having been made by the Commission in this proceeding on June 8, 1918 (Decision 5473, Opinions and Orders of the Railroad Commission, Vol. XV, page 832); and it appearing to the Commission that supplemental order should be made, and basing this supplemental order on the findings of fact as set forth in the foregoing Opinion:

IT IS HEREBY ORDERED that the San Francisco-Oakland Terminal Railways be and the same is hereby authorized to establish within thirty days from the date of this order a schedule of rates as follows:-

(a) A 15 cent single fare between all points on Applicant's lines where the single fare is now 11 cents.

(b) Monthly commutation rates between all points on Applicant's lines at $4.00 per monthly commutation book where the present monthly commutation rate is $3.30.

All other existing rates, rules and regulations now in effect on Applicant's system are to remain the same.

IT IS FURTHER ORDERED that applicant set aside beginning with the effective date of this order, in cash as indicated in the preceding opinion, as a depreciation sinking fund, the annual sum of $240,000 in installments of $20,000 per month. This fund is to be held, used and accounted for under such directions and regulations as the Commission may hereafter prescribe.

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 11th day of August, 1919.

Edwin O. Edgerton
H. D. Loveland
Frank R. Devlin
Irving Martin

Commissioners.