

Decision 6626**ORIGINAL**BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.
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In the Matter of the Application)
of the Oakland, Antioch & Eastern)
Railway for authority to increase)
passenger fares.)

Application No. 4625.

Steinhart, McAtee & Levy, by Jesse H. Steinhart,
for applicant.

LOVELAND, COMMISSIONER:

O P I N I O N

Pleading increased operating costs and that present revenues are insufficient to defray operating expenses and yield a reasonable return upon investment, applicant requests authority under Section 63 of the Public Utilities Act to increase passenger fares. The fares which it is desired to advance are mostly those applying between points served also by the lines of the U.S. Railroad Administration and it is proposed to establish the same fares as prevail via the Federal lines, except where combination of locals makes lower.

The following statement covers the more important changes contemplated and will serve to illustrate the effect of

the application in general.

Between	And	Single Trip		Week End Round Trip			
		Present	Proposed	S.P.Co.	Present	Proposed	S.P.Co.
San Francisco	: Bay Point	: \$1.10	: \$1.20	: \$1.25	: \$1.40	: \$1.60	: \$2.50
	: Nichols	: 1.15	: 1.30	: 1.30	: 1.55	: 1.75	: 2.60
	: Pittsburg	: 1.35	: 1.45	: 1.50	: 1.80	: 1.95	: 3.00
	: Sacramento	: 2.50	: 2.70	: 2.70	: 3.35	: 3.60	: 5.40
Oakland	: Bay Point	: 1.00	: 1.10	: 1.10	: 1.35	: 1.50	: 2.20
	: Nichols	: 1.05	: 1.15	: 1.15	: 1.40	: 1.55	: 2.30
	: Pittsburg	: 1.25	: 1.30	: 1.35	: 1.70	: 1.75	: 2.70
	: Sacramento	: 2.50	: 2.55	: 2.55	: 3.35	: 3.40	: 5.10

The proposed one way fares are based 3 cents per mile, adding sufficient to make fares end in 0 or 5, observing as a maximum the short line mileage of the competing road, the Southern Pacific Company, while the contemplated week-end round trip fares are one and one-third times the one-way figures. There are no round trip fares in effect via the Southern Pacific line of the U.S. Railroad Administration, the figures used in comparison being merely double the one way fares.

In substantiation of the allegations specified in petition, applicant submitted a statement of revenues and expenses for the calendar year 1918 and the first five months of 1919, from which the following is taken:

I T E M S	CALENDAR	First Five
	YEAR 1918	MONTHS-1919
Railway Operating Revenue	: \$879,766.36:	\$313,855.61
Railway Operating Expenses	: 591,772.88:	222,589.19
Net Revenue-Railway Operations:	287,993.48:	91,266.42
Taxes Assignable to Railway operations	: 36,375.00:	13,550.00
Operating Income	: 251,618.48:	77,716.42
Non-Operating Income	: 2,029.71:	942.37
Gross Income	: 253,648.19:	78,658.79
Deductions from Gross Income-interest on debt, etc.	: 287,809.39:	122,373.28
Deficit--	\$34,161.20 :	43,714.49

The results for the first five months of 1919 cannot be taken as a criterion for the entire year, as these months represent a period when travel is slack and with the recurrence of activities

during the remainder of the year, it is fair to anticipate a revenue showing more closely approaching that of 1918.

As an illustration of increased operating costs, applicant's general manager testified that advances in wages since 1916 had caused an increase in payroll of \$198,207.00, or approximately 72.97%, which figure covers unit cost only and does not include additional help due to natural growth. Evidence was also offered showing that cost of materials had increased some 57.7% during the same period.

Applicant testified that when present fares were originally established in 1913 they were merely a duplication of those applying via competing lines, no consideration whatever being given to the usual elements influencing rate construction.

While admitting the conclusiveness of applicant's showing of increased revenue requirements, the San Francisco Chamber of Commerce, in behalf of the interests of San Francisco, expressed disapproval of the increased differential San Francisco versus Oakland in connection with proposed fares between those points and Sacramento. The present one way fare is \$2.50 in each instance, whereas the adjustment proposed contemplates a departure from the blanket system by increasing the Oakland-Sacramento fare from \$2.50 to \$2.55, an advance of 5 cents, while the San Francisco-Sacramento fare is to be increased from \$2.50 to \$2.70, an advance of 20 cents, or a difference of 15 cents between San Francisco and Oakland.

The distance between Oakland and Sacramento via applicant's line is 85 miles, which at 3 cents per mile makes \$2.55, the fare proposed. From San Francisco to Sacramento the distance is 93 miles, which at 3 cents per mile yields \$2.80, but as this exceeds the fare of \$2.70 in effect via Southern Pacific Company, the latter has been observed as a maximum.

In March, 1913, the Commission, upon complaint that the passenger fares of the Southern Pacific Company between Oakland, Sacramento and intermediate points were the same as the San Francisco

fares, notwithstanding the closer proximity of Oakland, caused an investigation to be made, which developed that with the exception of Sacramento the fares in this territory were based three cents per mile, but in publishing the Oakland fares the mileage figures were disregarded and the San Francisco fares applied. In consequence of this investigation the Oakland fares were reduced by approximately 15 cents, representing the difference in distance between San Francisco and Oakland, except that between Sacramento and Oakland and between Sacramento and San Francisco, in consideration of steamer competition at San Francisco, the Southern Pacific Company was permitted to depart from the mileage basis and continue in effect between these points the fare of \$2.50 existing at that time. Therefore, with the changes made by the Federal roads, the steps proposed by this application will have the effect of completing the partial adjustment made by the Commission in 1913.

In establishing a passenger fare structure based on a uniform mileage scale, some disturbance of differentials theretofore existing is bound to occur, but the Commission cannot for such reason refuse to sanction a rate system which is obviously non-discriminatory as between the various communities and localities affected and which has the effect of preventing artificial advantages attendant upon a less scientific system of rate construction.

It is estimated that about \$22,100.00 additional revenue will be obtained by use of proposed fares, which would still leave a deficit of some \$12,000.00 based on 1918 figures. Approximately 75% of applicant's operating revenue is derived from passenger traffic, some 20% from freight and the remainder from express, baggage and miscellaneous sources. It may, therefore, be said that the property is essentially a passenger line and whatever relief is to be obtained must come through such channel, particularly in view of

the fact that applicant's freight rates were generally increased to the basis adopted by Federal controlled lines.

From the evidence submitted it is apparent that applicant's passenger fares are insufficient to enable it to pay operating expenses and interest on its money obligations. The claimed investment in road and equipment as of April 30, 1919 is \$6,513,253.06.

This line is now rendering efficient and much needed service to the sections traversed by its rails and the relief prayed for in this application will assist in maintaining the present high standard.

Without passing on the inherent reasonableness of the fares proposed, I am of the opinion and hereby find as a fact that applicant has substantiated its contention that the existing fares are insufficient to yield a proper return, in view of the increased expense of transportation and that application should be granted.

The following form of order is submitted:

O R D E R

The Oakland, Antioch & Eastern Railway having applied under Section 63 of the Public Utilities Act to increase certain passenger fares, as set forth in exhibit A, attached to and forming a part of its application, 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 existing passenger fares, as set forth in the application of petitioner, are

unremunerative and that the fares herein established are just and reasonable.

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

IT IS HEREBY ORDERED, that the Oakland, Antioch & Eastern Railway be and the same is hereby authorized to publish and file the schedule of fares set forth in Exhibit A attached to and made a part of the application, which are found by this Commission to be just and reasonable.

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 29th day of August, 1919.

Edwin O. Egerton
H. H. ...
Frank R. ...
H. H. ...
J. W. ...
 Commissioners.