

Decision No. 6976

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of the Martinez-Benicia Ferry &)
Transportation Company for auth-)
ority to Increase Rates.)

APPLICATION NO. 5078.

John S. Partridge, for Applicant.

LOVELAND, COMMISSIONER:

O P I N I O N

This is an application by the Martinez-Benicia Ferry and Transportation Company for authority to increase freight rates. There is to be no change in the one-way passenger fare of 15 cents nor the round trip fare of 25 cents. Ferry boats are operated between Martinez and Benicia handling both freight and passengers. the bulk of the company's revenue being received from the transportation of passengers and passenger automobiles.

The first tariff of this company became effective September 8, 1913 and, among other items, provided a rate of 75 cents for automobiles, 80 cents per ton for freight on vehicles and \$1.00 per ton for freight not on vehicles, minimum charge 25 cents. Since the commencement of service, in 1913, only slight changes have been made in these rates.

It will not be necessary to here set forth in detail all of the present and proposed freight rates, the most important being as follows:

	<u>Present</u>	<u>Proposed</u>
Automobiles	\$.75	\$.94
Automobiles with trailers	1.25	1.50
Automobile trucks under 4000 lbs.-	.75	.94
Automobile trucks over 4000 lbs.-	.75	1.35
Automobile truck trailers	-	.75
Freight on vehicles	.80	1.00
Freight not on vehicles	1.00	1.90
Minimum charge	.25	.50

In justification of the increases in rates and the need for additional revenue, applicant presented a number of statements:

BALANCE SHEET OCTOBER 31, 1919

ASSETS

Steamer City of Seattle	\$ 19,533.30
Steamer City of Martinez	71,187.09
Slips, Tanks Equipment	27,605.53
Petty Cash	250.00
Cash on hand and in bank	20,335.04
Lease of wharf - Martinez	4,600.00
Lease of wharf - Bonicia	3,252.94
Real Estate	9,002.00
Investments	14,676.00
Prepaid water	225.60
TOTAL -----	<u>\$170,687.50</u>

LIABILITIES

Capital Stock	50,000.00
Profit and Loss	65,123.72
Liability Insurance Reserve	6,000.00
Notes Payable	4,000.00
Mortgage Payable	5,000.00
War Tax Collections	294.04
Reserve for Depreciation	40,269.74
TOTAL -----	<u>\$170,687.50</u>

With the exception of the real estate - \$9002.00 - and the investment in government bonds - \$14,676.00 - shown above, all of the remaining assets, totalling \$147,009.50, are actively employed in the public service.

A statement, making a comparison of the payroll April, 1916 with September, 1919, shows the following increases in monthly wages:

Captains	from	\$150.00	to	\$250.00
1st Officers	"	90.00	"	160.00
Chief Engineers	"	125.00	"	225.00
Firemen	"	75.00	"	126.35
Deckhands	"	75.00	"	119.40
Ticket Agents	"	50.00	"	90.00

Applicant alleges that because of changed conditions and circumstances the service can no longer be performed under the rates now being charged.

The company was organized January 25, 1912 under the laws of the State of California, with a capital stock of 5000 shares, having a par value of \$10.00 per share, all of which was outstanding as of October 31, 1919.

The first annual report rendered to the Commission covered the year ending December 31, 1916, at which time the total assets were \$69,469.27, including a surplus of \$36,178.51. On December 31, 1918 the capital investment in plant, building, land, etc. was \$115,441.60 and the total assets were \$160,435.50. At that time there was a surplus of \$85,008.93, a reserve for accident insurance of \$6000.00 and a reserve for depreciation of \$40,269.74, or a total, surplus and reserve, of \$131,278.67.

The annual report shows that the company met with prosperity in the years 1916-17-18, its gross earnings being \$54,610.32, \$95,320.08 and \$112,538.82; total expenses \$25,248.77, \$48,840.24 and \$58,610.06, and the net profits, before charging depreciation, \$29,252.77, \$45,643.04 and \$45,000.61.

Applicant furnished a statement of revenue and expenses, giving the actual results for twelve month periods ending October 31, 1918 and 1919 and the estimated results for the same period ending October 31, 1920. The annexed table is compiled from this statement:

INCOME ACCOUNT FOR 12 MONTHS
NOVEMBER 1 to OCTOBER 31, Incl.

I T E M S	A C T U A L		ESTIMATED
	1918	1919	1920
OPERATING REVENUE:			
Traffic-other than misc. freight:	\$108,777.36	\$105,046.00	\$ 93,855.88
Traffic-misc. freight	: 1,257.00	: 1,377.89	: 413.37
Rent- Bar and Restaurant	: 920.00	: 1,300.00	: 1,320.00
Rent- City of Seattle	: 4,783.33	: 1,666.67	-
Telephone	: 63.00	: 95.71	: 95.71
Drinking Cups	: 40.90	: 34.35	: 34.35
TOTAL ---	: \$115,841.59	: \$109,520.62	: \$ 95,719.31
OPERATING EXPENSES:			
Salaries and Wages	: \$ 32,690.45	: \$ 52,052.44	: \$ 55,444.62
Fuel	: 4,677.35	: 12,430.67	: 12,430.67
Supplies for boats	: 2,798.93	: 4,372.68	: 4,372.68
Repairs to Boats	: 7,833.19	: 6,273.72	: 7,842.15
Repairs to Slips and Tanks	: 10,221.96	: 5,247.41	: 6,559.26
All other operating expenses, including Taxes	: 9,179.04	: 11,919.31	: 13,116.68
TOTAL ---	: \$ 67,400.92	: \$ 92,296.23	: \$ 99,766.06
Net Operating Revenue	: \$ 48,440.67	: \$ 17,224.39	: (2) 4,046.75
Depreciation	(1) 24,918.17	: 14,351.57	: 14,351.57
Net Operating Profit	: 23,522.50	: 2,872.82	: (2) 18,398.32

- (1) Includes depreciation for previous years.
(2) Loss.

It will be noted the total revenue was \$115,841.59 in 1918, \$109,520.62 in 1919 and that the estimate for 1920 is \$95,719.31. A segregation by months of the 1919 period shows that during the first eight months the traffic revenues were approximately 25 per cent less than for the same period of 1918. This is accounted for by the fact that during the eight months period in 1919 the opposition company - Rodeo Vallejo Ferry - maintained a complete schedule. During the four months of the remainder of the period - July, August, September and October, 1919 - the competing line was unable to secure more than one boat, which materially increased the revenue of applicant. This was an unusual condition and comparisons show that under normal operations of the two lines the revenue of this applicant has decreased approximately 25 per cent since the Rodeo-Vallejo Ferry Company inaugurated its service in July, 1918.

Referring now to operating expenses, it will be noted that salaries and wages increased from \$32,690.45 in 1918 to \$52,052.44 in 1919 and are estimated at \$55,444.62 for the same twelve months period ending October 31, 1920. Fuel oil also shows an increase from \$4,677.35 in 1918 to \$12,430.67 in 1919. The percentage ratio of these increases in operating expenses to operating revenues are shown in the following tabulation:

	1918	1919	1920
Salaries and wages	: 28.23%	: 47.53%	: 57.92%
Fuel	: 4.04	: 11.35	: 12.99
Supplies for boats	: 2.42	: 3.99	: 4.57
Repairs to boats	: 6.75	: 5.73	: 8.19
Repairs to slips and tanks	: 8.82	: 4.79	: 6.85
All other operating expenses:	7.92	10.88	13.70
TOTAL -----	58.19%	84.27%	104.22%

This tabulation shows that the expenses absorbed 58.19% of the gross revenue in 1918; 84.27% in 1919 and will absorb 104.22% in 1920. The results for 1920 are based on the additional revenue anticipated under the proposed rates and the expenses are based on the schedule of wages established March 1, 1919. It therefore follows that if the estimates for the period ending October 31, 1920 are correct, applicant will be unable to secure sufficient revenue to meet operating expenses and taxes, without any allowance for depreciation or return upon investment. The largest item of operating expense upon which applicant depends for higher rates is that of salaries and wages. The wages now being paid are the result of a settlement between the company and its employees in July, 1919, retroactive to March 1, 1919, whereby they were advanced to the basis paid to employees of federal controlled lines performing a like service. Definite figures were furnished by Exhibit No. 2, but it will not be necessary to here set forth the payroll in detail; however, mention may be made of the fact that when the rates now being charged were first put into effect the eight-hour day was not observed. Under the present agreement wages are based on an eight-hour day, with pay for all overtime. Captains have been advanced from \$150.00 to \$250.00 per month; 1st officers from \$90.00 to \$150.00; chief engineers from \$125.00 to \$225.00, with overtime and a bonus, making their monthly wage \$300.25; firemen from \$75.00 to \$126.35 and deck hands from \$75.00 to \$119.40. The increase to captains, including overtime, is 72%; chief engineers 140%; deck hands 66%, with other employees in proportion. Fuel oil formerly secured under contract at 60 cents per barrel, delivered, now costs \$1.62 per barrel, plus the delivery charges.

As heretofore stated, this applicant met with great

prosperity during the early years of its operations, but in July, 1918 a competing company, known as the Rodeo-Vallejo Ferry commenced service between Rodeo and Vallejo, establishing a more convenient route to certain territory, thereby drawing heavily from the traffic formerly handled exclusively by applicant. This competition, with the heavy increases in operating costs, has changed the once prosperous utility to a condition where it will be unable to earn reasonable profits unless the gross revenue greatly increases. It is also shown by testimony that a third company, known as the Six-Minute Ferry, will commence operations between Valona and South Vallejo in the very near future, which will further curtail the business now handled by this applicant.

While applicant has paid dividends each year, with the exception of one, since operations were inaugurated, apparently they have not been excessive and the surplus earnings have been invested in property used in the service.

The company originally had one boat of small carrying capacity; it now owns two, both being in service during the rush periods of the year. The great volume of business consists of passenger and passenger automobile traffic, the revenue from freight representing less than 1% of the total operating earnings. It is estimated that the increase in rate for passenger automobiles from 75 to 94 cents will bring approximately \$12,000.00 additional revenue, which amount is included in the estimated earnings shown for 1920 in the preceding table. Without the increase in rates it is doubtful if the operations of this company can be maintained.

There are now five companies operating ferry boats for the transportation of automobiles at different points on San Francisco Bay, two of which are under federal control. Another company will begin operations within the very near future, but apparently the six companies will not be able to give an entirely satisfactory service. There is testimony to the effect that on Saturdays, Sundays and holidays the facilities of the combined companies operating across San Francisco Bay are inadequate to meet the demands of people traveling in automobiles. Apparently, what the people need and what they are insisting upon is a transbay service at the different points to meet their requirements during the peak hours, a situation which does not now exist.

The rates proposed have not been shown to be excessive and I am of the opinion that the public will be better satisfied with an improved and frequent service at a slightly increased rate, which cannot be given under the rates in effect.

Upon full consideration of all the evidence, I find as a fact that the rates in question are unjust and unreasonable to the extent that they exceed the scale of rates set forth in the order, which rates are found to be just and reasonable.

The application should be granted, and I submit the following form of order:

ORDER

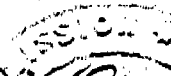
A public hearing having been held in the above entitled proceeding, testimony having been presented, the case having been submitted for decision and the Railroad Commission having reached the conclusion that the rates now being charged are unjust and unreasonable.

IT IS HEREBY ORDERED that the Martinez-Benicia Ferry & Transportation Company is authorized to establish within twenty days (20) from the date of this order, the following rates:

1- Automobiles	\$.94
2- Automobiles with trailers attached	1.50
3- Auto Trucks weighing under 4000 lbs.	.94
4- Auto Trucks weighing 4000 lbs. or over	1.25
5- Auto Trucks with trailers attached, weighing under 4000 lbs.	1.69
6- Auto Trucks with trailers attached, weighing 4000 lbs. or over	2.00
7- Motorcycles accompanied by party in charge (does not include attendant's fare)	.25
8- Motorcycles not accompanied or handled by owner	.62 $\frac{1}{2}$
9- Buggies (light), Hacks, Sulkies, Wagons, Carts and Trucks drawn by one horse	.75
10- Buggies (light), Hacks, Hearses, Sulkies, Carts, Wagons and Trucks drawn by two horses, each	1.50
11- Each extra horse	.75
12- Hearses, self propelling	1.25
13- Hearses, self propelling or horse drawn, including horses, containing casket with or without corpse,	1.50
14- Loose horses or cattle, ten head or less, each,	.75
15- Loose horses or cattle, over ten head, each,	.50
16- Push cart, where bed or box of cart does not measure to exceed 24x40 inches and weight of cart is not over 100 lbs.	.31 $\frac{1}{2}$
17- Push cart, where measurement of bed or box of cart exceeds 24x40 inches and weight of cart is over 100 lbs.	.62 $\frac{1}{2}$
18- Motorcycles with side car,	.50
19- Colts or Calves weaned and not following mother.	.75
20- Sucking Colts or Calves with Mother.	Free
21- All freight on vehicles, either horse or power, per ton	1.00
22- General freight (not on vehicles)	1.90
23- No charge on freight to be made for less than	.50

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 20th day of December, 1919.


Edwin O. Edgerton
H. D. L. ...
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 Commissioners.