

ORIGINAL

Decision No. 8211.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of )  
Crown Stage to increase rates. ) Application No. 4576.

Clyde Bishop for Applicant.

W. H. Powell for Motor Transit Company.

BY THE COMMISSION:

O P I N I O N

A. B. Watson, sole owner and proprietor of Crown Stage Company, has applied to the Railroad Commission for an order authorizing an increase in rates and fares between points served by such line in Los Angeles and Orange Counties.

A public hearing on this application was conducted by Examiner Handford at Santa Ana, the matter was duly submitted and is now ready for decision.

Applicant is operating stage lines between Pomona and Long Beach, from Santa Ana to Balboa Beach, from Santa Ana to Long Beach, from Santa Ana to Laguna Beach, from Santa Ana to Orange, Anaheim and intermediate points and from Santa Ana to Los Angeles.

At the hearing on this application, applicant withdrew the request for a readjustment of rates between Santa Ana, Orange and intermediate points and also stated that no consideration of a rate readjustment on the so-called valley line from Santa Ana to Los Angeles was contemplated in this application.

Applicant bases his request for a readjustment of rates, which readjustment would result in an increase, upon the increased operating costs entering into the conduct of the stage business and witnesses testified as to increase in various items entering into the cost of operation and there was also filed exhibits setting forth the receipts and expenditures over certain periods. By reference to these exhibits it appears that the value of the equipment used in the stage business by applicant as of March 31, 1920, is \$66,024.61. Applicant's exhibit No. 1 filed at the hearing on this proceeding shows receipts derived from operation during the period June 1, 1919, to March 31, 1920, inclusive, total \$104,016.82. The expense of operation during the same period shows a total of \$94,681.54 or a net return of \$9,335.28. In the operating expenses has been figured depreciation at the rate of fifty per cent per annum and it was testified by Mr. Watson that his experience with his class of cars used on this line justifies a depreciation of fifty per cent in that the cars are of no value for the stage business after two years used. This is an exceptionally high rate of depreciation and would indicate that the particular type of car used on the line under consideration is not economically adapted to the stage business. An analysis of detailed data supporting the item of incidental expense as appearing on the applicants exhibit hereinabove referred to shows two items which are improperly shown as operating expenses; one shown as the right to operate Rose Line in amount \$1,900.00, the other the right to operate Ogden Line \$10,000.00. These amounts are those paid by Mr. Watson to the proprietors of other lines that he has purchased with the consent of the Railroad Commission and the items are presumed to

cover franchise value, good will, going concern value, or other intangibles by whatever term called; there having been no tangible property acquired for such specific items which have been entered as "incidental expense." The statement above referred to furnished as an exhibit covers a period of ten months and therefore five-sixths of the above amounts which have been spread over an annual period are properly deductible from the total statement of operating expenses as appearing above. The Commission will not allow in a rate basis of any carrier any amount for so-called operative right, other than the expense actually paid for the securing of a certificate of public convenience and necessity. Deducting the above mentioned amounts, which erroneously appear as operating expenses, the correct statement of operating expenses for the above period is \$84,764.89 and the correct net amount derived from operation during the period above mentioned is \$19,251.93. After allowing the very liberal depreciation claimed by applicant, the net amount received from operation results in a return of 29.15 per cent on the investment amounting to \$66,024.61 and, in the opinion of the Commission, such return is in excess of a reasonable return on the capital invested and justifies an inquiry on the Commission's initiative as to the reasonableness of the present rates of fare as charged by the applicant. Such inquiry is this day instituted on the Commission's initiative.

The application will be denied.

O R D E R

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted and the Commission being fully advised,

IT IS HEREBY ORDERED that this application be and the same hereby is denied.

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 6<sup>th</sup> day  
October  
of ~~September~~, 1920.

Edwin O. Edgert  
H. D. Loveland  
Frank R. Wynn  
H. B. Sandig

Commissioners.