

Decision No. 8358

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application )  
of Peninsula Rapid Transit Company )  
for permission to increase rates )  
and fares. )

APPLICATION NO. 6177.

J.E.McCurdy and J.P.Duffy for Applicants.

BY THE COMMISSION:

O P I N I O N

The Peninsula Rapid Transit Company, a corporation, organized and existing under the laws of the State of California, whose principal place of business is the city of Burlingame, San Mateo County, California, has made application to the Railroad Commission of the State of California under its Rule 11 of General Order No. 51 for authority to establish certain increases in rates. A public hearing was held at San Francisco on October 25, 1920 and the matter is now ready for decision.

The applicant in this proceeding was organized November 25, 1914 and began operations on May 20, 1915, conducting an automotive passenger service between San Francisco and San Mateo. In 1917 this concern suffered a fire which consumed their entire plant and equipment, with the exception of one bus, therefore the present company may be said to have started business in that year. Their original operations were between San Francisco and San Mateo and were subsequently extended to Palo Alto.

By this Commission's Decision No. 6547, issued August 9, 1919, the applicant in this proceeding was authorized to purchase and transfer the operative rights and equipment of G. Imperiale, who operated an automotive passenger service between San Francisco, San Jose and intermediate points along the State Highway. At the time of taking over the Imperiale rights the applicant in this proceeding, in accordance with the requirements of the Commission, adopted the tariff of Imperiale, which included the fares, charges, rules and regulations of that company. The applicant company filed with this Commission their Tariff No. 3, C.R.C.No.1, effective March 1, 1917 and the rates and charges contained therein, as well as the rates and charges of G. Imperiale which this company adopted, have never been changed.

The application in this proceeding was for an increase in rates of 5 cents on most of the fares interlocally between points San Mateo and San Jose and intermediate points inclusive and between San Francisco and points Beresford, San Jose inclusive, and for the elimination of round trip tickets (the only ones being to San Jose and Palo Alto) and to abolish 10-ride tickets applying between San Francisco, and Palo Alto, Redwood City, San Mateo and Burlingame. No changes in rates are intended between San Francisco and San Mateo and intermediate points, there being two exceptions to the 5 cent increase which apply between San Francisco and San Jose, where the increase is 10 cents and between San Mateo depot and San Jose, where a 10 cent increase is necessary to adjust rates in such a manner as to prevent a combination of locals being less than a through rate. By the elimination of the round trip fare between San Francisco and San Jose the rate will be increased.

to those who have heretofore purchased round trip tickets, but the testimony showed that many of these purchasers of round trip tickets have sold the return portion thereof, in violation of the carrier's rules. This is also true of the round trip fares between San Francisco and Palo Alto. Round trip tickets have been sold only in a limited number. Between points entirely within the incorporated limits of the municipalities of Redwood City, San Mateo, Burlingame and San Bruno and interlocally between the municipalities of San Mateo and Burlingame, the applicant desires to increase the rate to 10 cents.

At the hearing in this matter several exhibits of comparisons and charts were offered, among which was a report of Haskins & Sells, certified public accountants, comprising General Balance Sheet September 30, 1920 and 1919, a comparison; statement of income for the nine months ended September 30, 1920 and the nine months ended September 30, 1919, a comparison; statement of income by months for three months ended September 30, 1920, and while these figures were taken from the books without audit, they were sworn to as correct by the accountant who supervised the work and a subsequent check by the Commission's auditors has verified the figures in the report of the certified accountants.

As of September 30, 1920 the company reports assets and liabilities as follows:

ASSETS

Lands and Buildings	-	-	-	\$ 38,455.90
Coaches				149,005.36
Plant Equipment and construction in progress	-	-	-	14,676.62
Franchises	-	-	-	17,000.00
Working Assets, including gasoline, materials, supplies, tires, lubricants, etc.	-	-	-	15,781.76
Cash on Hand and Accounts Receivable-				4,873.55
				\$239,793.19

LIABILITIES

Stock	-	-	-	\$ 28,780.00
Mortgage Notes	-	-	-	16,000.00
Current Liabilities	-	-	-	91,209.53
Depreciation Reserve	-	-	-	92,189.83
Surplus	-	-	-	11,613.83
				\$239,793.19

The company reports under franchises an investment of \$17,000. This includes \$12,000. paid to G. Imperiale and \$5,000. to W.L. Moreland for operative rights. The rights acquired from G. Imperiale authorize the company to operate between San Francisco and San Jose, while those acquired from W.L. Moreland permit the company to operate between San Jose and Palo Alto. The Commission allows only the amount paid by the original grantee to be capitalized, but the increase in rates herein asked for is clearly justified without taking into consideration the amounts paid for these operative rights.

Exhibits 8 and 9 show a record of ticket sales in detail and were checked and found to be substantially correct. Some slight errors were made in these exhibits, but resulted in a change in the figures amounting to only \$63.82.

The company is very economically managed. 22 busses are operated continuously on schedule time, each bus running approximately 300 miles per day. The capital necessary to run the business was originally derived from the sale of stock. The fire in 1917, referred to in the first part of this opinion, left the company with practically no assets excepting one coach and some insurance, which

were the nucleus of the present institution. The rehabilitation of the company was due to the Military Encampment at Camp Fremont, which provided a peak business, resulting practically in putting the company on their feet within a short time. No dividends have been paid by the company in some years. The company is well protected by insurance, carrying \$5,500. on each of the 28 coaches, 90% of the value of the building, liability insurance of \$1,000. property damage to others, and each bus carries from \$10,000. to \$50,000 personal liability.

The company has recently established ticket agencies at various points - San Francisco, Palo Alto, San Jose - and have discontinued the practice of allowing operators to handle cash fares, having established a cash box pay-as-you-enter system, whereby all cash fares are dropped into this box. A trip report, covering the business handled each trip, is made by every driver.

The actual revenue received for nine months in 1920 was \$350,066.16; using this basis and estimating the revenue for the remaining three months of the year would produce, under the existing rates, a total of \$437,582.70. For these nine months the company received from the sale of tickets \$272,960.91, while its cash box collections amounted to \$77,105.25. The total estimated revenues, \$437,582.70, for the year 1920, include \$351,810.20 from the sale of tickets, and \$85,672.50 cash box collections. If the proposed rates be applied to the ticket sales January 1 to September 30, 1920 inclusive, they would provide additional revenue of \$32,807.78, and estimating the additional revenue for the other three months of the year would produce a total increase from the sale of tickets of \$41,009.73.

Assuming that the proposed rates result in an increase of cash box fares of \$10,000 within a year's period, the result would be an increase of \$51,009.73 on the estimated average year without an allowance for increase in business. Allowing for an

increase in business of 5% on the estimated year's business, there would result a total increase in revenue of \$72,888.86. Added to the estimated revenue of \$437,582.70 under existing rates would amount to \$510,471.56.

The company's records show it operated during July, 1920 at a loss of \$4,144.57; during August \$6,711.58 and during September \$3,234.62, making a total loss for these three months of \$14,090.77. If the losses during the three months were extended to the entire year, the company under existing rates, would sustain a deficit of \$56,366.08. As stated above, the company's revenues under the proposed rates are estimated to increase by the sum of \$72,888.86, or by an amount of \$16,525.78 in excess of the estimated deficit under present rates, which applied to the company's reported investment of \$239,793.19, would give a return of approximately 7%.

Applicant as of September 30, 1920, reports \$92,189.83 in its reserve for accrued depreciation, and \$11,611.83 of unappropriated surplus. All of the moneys represented by the reserve for accrued depreciation and surplus have been invested in equipment and other properties. This was made possible by reason of the fact that the applicant has not retired any of its equipment as yet and the depreciation reserve is an accumulation of three or more years.

All of the evidence presented at the hearing in this proceeding went to show that an emergency exists and while this company made money during the beginning of operations and made a

profit during the first six months of this year, they were confronted in July with a strike of the drivers and operators, and the wages were increased, as shown heretofore. Gasoline and tires have also increased and immediate relief is necessary.

In order that the Commission may be fully advised as to the result of the increases herein authorized, applicant will be required to furnish the Commission a monthly report for six months, beginning December 1, 1920, and from such reports we will determine whether or not the rates authorized herein are reasonable and provide a fair return upon this applicant's investment.

Taking all of these things into consideration, the Railroad Commission hereby grants this application.

I hereby submit the following form of order:

O R D E R

IT IS HEREBY ORDERED that the Peninsula Rapid Transit Company, a corporation, is hereby authorized to increase their fares in accordance with the application in this proceeding, and

that the applicant will prepare and submit to the Railroad Commission a monthly report showing the result of the increased rates herein authorized.

The rates herein authorized may be published effective upon one day's notice, in accordance with the rules and regulations of General Order No. 51 of the Railroad Commission.

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 25<sup>d</sup> day of November, 1920.

Edwin O. Edwards  
H. Loveland  
Frank P. Holby  
H. B. Brundage  
James M. ...  
Commissioners.