

Decision No. 8506

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
Union Traction Company, a corporation,)
for an order increasing its passenger)
fares in the city of Santa Cruz and on) APPLICATION NO. 6341
its suburban line to Capitola, County)
of Santa Cruz.)

S. Waldo Coleman, for applicant.
Geo. W. Smith, for City of Santa Cruz.
G. Stevenson, for tax payers.
Mrs. W. Robinson, for tax payers.
W. Collins, for tax payers.

BY THE COMMISSION -

O P I N I O N

This is an application by the Union Traction Company filed November 27, 1920, under Section 63 of the Public Utilities Act, for authority to reduce the number of rides furnished for 50 cents from eight to six and to continue in effect the ten cents cash fare.

A hearing was held before Examiner Geary at Santa Cruz, December 21, 1920, and the case is now ready for an opinion and order.

The applicant operates some fifteen miles of track in the city of Santa Cruz and between Santa Cruz and Capitola. Of this trackage, 11.52 miles is mainline, 2.28 is second track, and 1.16 represents yards and sidings.

This is the third time applicant has appeared for a readjustment of its passenger fares. By Decision No. 5660 in Application No. 3805, August 10, 1918, authority was given to increase the cash fare from 5 cents to 6 cents within the different zones, and to establish a ten ride commutation book for \$1.00 between

Santa Cruz and Capitola. By Decision No.7667 in Application No.5637, June 8, 1920, authority was given to increase the cash fare from 6 cents to 10 cents and to sell coupon books containing eight rides for 50 cents, making the cost to the book users $6\frac{2}{3}$ cents per ride. The present application seeks authority to reduce the number of rides in these 50 cents books from eight to six, making the cost per ride $8\frac{1}{3}$ cents.

In this proceeding applicant is not endeavoring, nor has it any hope of securing a return upon the investment and, therefore, the actual value of the property devoted to the public service is not of importance in this proceeding.

However, to illustrate the financial situation, the following language is repeated from our Decision No.5660, supra:

"Applicant has outstanding first mortgage bonds, interest 5%, amounting to \$631,000. It has never paid a dividend to stockholders nor has it paid interest on its bonds since August 1, 1915. The balance sheet of December 31, 1917, shows accrued interest unpaid amounting to \$76,245.86 and accounts payable amounting to \$12,859.27."

By a statement filed in this proceeding, the present claimed value of the property was shown to be \$567,585.86. The annual report for the year ending December 31, 1919, carries a total current liability of \$152,252.11, consisting of wages payable \$46.98, accounts payable \$12,859.27; matured bond interest unpaid \$126,199.99 and also other accrued interest rents payable \$13,145.87.

The testimony and evidence presented relates almost entirely to the income statement for the year 1920. An exhibit shows that the total gross revenue using actual figures for the first eleven months and estimated for the month of December 1920 was \$86,348.68, while the operating expenses including depreciation and taxes were \$90,645.62, leaving a loss from operations of

\$4,296.94. The bond interest for the year 1920 unpaid amounted to \$31,550.00 making an actual loss of \$35,846.94. Attention is directed to the fact that the expenses for the year 1920, include an item of \$15,000.00 for depreciation, which amount this Commission considered proper, and ordered set aside annually in its Decision No.7677 of June 8, 1920. The earnings, however, under the rates now in effect have made impossible the actual carrying out of this part of our order. It may here be said that from the knowledge this Commission has of the affairs of the company, derived from previous careful examinations and from reports filed, that the company has been and is now most efficiently and honestly managed. Operating expenses have been reduced to a minimum by the use of one-man cars wherever possible,- the equipment, cars and tracks are well maintained and further reductions in operating expenses appear impossible without seriously impairing the standard of the service now being rendered. The prices of materials and labor have greatly advanced during recent years,- as an illustration, platform men, who in 1917 were receiving 26, 27 and 28 cents per hour, dependent upon the length of service, are now receiving 46, 48 and 50 cents per hour based upon the number of years with the company. The general expenses including power, maintenance of equipment, ways and structures have also greatly advanced.

By referring to the annual reports and comparing the year 1916 with 1920, it is shown that the gross revenue has increased from \$64,017.95 to \$86,548.68, or a total of \$22,530.73. During the same period the expenses increased from \$48,579.14 to \$75,645.62, or by \$27,066.48, a net operating revenue decrease of \$4,535.75. These operating expenses do not include any depreciation and, of course, there is no allowance in this item for interest on bonds.

The present fares, single trip - 10 cents, and books of 8 tickets for 50 cents, became effective June 28, 1920, and therefore were only employed during six months of the year 1920. Another exhibit shows that had the present fares been in effect during the full period of twelve months, there would still have been a net loss including the bond interest and depreciation of \$33,315.06. Using the proposed increase in rates, 6 tickets for 50 cents, and basing upon the number of passengers carried during the year 1920, it is estimated that the year 1921 will still show a loss of \$17,892.00. It is doubtful, however, if an increase in the unit fares will result in an increased revenue equal to the percentage increase in the fare for the reason that high fares have a tendency to check the volume of traffic, although resulting in a somewhat larger gross revenue.

In the year 1919, 1,178,729 regular fare passengers were carried, while in the year 1920 the number was 1,272,300. The city of Santa Cruz caters to a very large tourist travel in the summer months, especially during June, July, August and September. During the balance of the year the travel is light. As illustrative of this situation in the month of January 1920, 68,498 passengers were handled, as compared with 210,258 in the month of July, and 165,673 during the month of August.

The city is contemplating certain street improvements in the districts served by this applicant and within the near future the company will be called upon to furnish \$7000.00 as its proportion of the street work. The General Manager of the company, however, stated that there were no funds available and he did not know where the money could be secured.

At the hearing some objections were entered by certain citizens against the increases in fares, another group of patrons had no objections to urge, the majority frankly declaring that it

would be a calamity to the city of Santa Cruz and the outlying districts if the company were forced to discontinue or curtail its service by reason of lack of adequate revenue. The City Attorney while calling attention to some unsatisfactory service at points along the line, had no objection to the increases in fares and stated that in his judgment the application should be granted.

That the petitioner is entitled to, and must have additional revenue is abundantly shown by the fact that during the year 1920 its operating expenses, taxes and depreciation exceeded the total revenue by \$4,296.94. We have given careful consideration to the return secured in the past and to the extent to which the earnings may be increased as a result of the increased fares sought, and while the moderate advance to be made in the fares may solve the problem and retain to the community the transportation service which it needs in order to continue to grow and prosper, it is difficult to escape the conclusion, in the face of the competition by automobiles, mostly vehicles operated for private family use, that the limited number of riders now patronizing a street car system of this kind cannot be expected to pay rates sufficiently high to carry the entire burden.

O R D E R

The Union Traction Company having applied to the Commission to increase its passenger fares, a public hearing having been held, and the Railroad Commission being fully advised in the premises,--

IT IS HEREBY FOUND AS A FACT that the existing rates are unjust,

unreasonable and insufficient and that the rates herein established are found to be just and reasonable.

Basing this order on the findings of fact which precede,

IT IS HEREBY ORDERED that the Union Traction Company be, and the same is hereby authorized to establish within twenty (20) days from the date of this order a rate of fifty cents (50¢) for coupon books containing six (6) rides, coupon books to be on sale with all conductors, to be transferable and good for passage any time within sixty (60) days from the date of sale.

Dated at San Francisco, California, this third day of January, 1921.

H. H. Boardman
Frank R. Brown
H. K. G. ...
COMMISSIONERS.