

Decision No. 28451

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
PEERLESS STAGES, INC., a corporation,)
for an order establishing certain zone) Application No. 20183.
lines and simplifying the fare structure)
between Oakland, San Leandro and Hayward.)

Harry A. Encell and Orla St. Clair, for Applicant.

Frank S. Richards,
for East Bay Street Railways, Ltd., Protestant.

Ezra W. Decoto,
for Decoto Chamber of Commerce, interested party.

J. E. Warren,
for Southern Pacific Company, interested party.

WARE, COMMISSIONER:

O P I N I O N

This is an application of the Peerless Stages, Inc., to establish zones on its motor bus line operating between Oakland and Hayward, and to simplify its fare structure by substituting cash and token fares for the system for one-way tickets, round-trip tickets, commutation books and cash fares now in effect.

Public hearings were held in San Francisco on December 3d and 4th, 1935, and on the latter date the matter was submitted.

Applicant is engaged in the business of transporting passengers by auto bus in the counties of Alameda, Santa Clara and Santa Cruz, and one of its operations is that of bus service over several different routes between the cities of Oakland and Hayward. The principal operation is by way of East 14th Street, but between the cities of San Leandro and Hayward applicant maintains alternate routes, one of which passes through the town of San Lorenzo, while other operations are by way of Foothill Boulevard and Castro Valley Road.

The East Bay Street Railways also operate in this same territory, and provide service by rail between Oakland and San Leandro along East 14th Street and also by motor bus between Oakland and Hayward on East 14th Street. The rail line of this company previously extended beyond San Leandro to Hayward but in Decision No. 27696, in Application No. 19578, East Bay Street Railways, Ltd., was granted authority to abandon its rail line between San Leandro and Hayward and was given a certificate to operate motor coach service from Oakland to Hayward. Transfer privileges from these lines to the other street railway and motor coach lines of East Bay Street Railways are in effect.

Peerless Stages operate between Oakland and Hayward on a ten minute frequency, with forty minutes required for the one way trip. Previous to the inauguration of motor coach service by East Bay Street Railway, that company's rail cars required one hour and five minutes in each direction between Oakland and Hayward, but its motor coach schedules are now approximately the same as those of Peerless Stages with respect to running time. A ten minute frequency is also provided between Oakland and San Leandro, but beyond San Leandro the headway is twenty minutes.

The Peerless Stages, Inc., has on file both permanent and temporary rates between Oakland, Hayward and intermediate points. The permanent fares are in general 15¢ one way between Oakland and San Leandro and 25¢ between Oakland and Hayward, with fares to and between intermediate points consistent therewith. Temporary fares in this same territory were, however, put into effect at the time there was a ^{general} reduction of railroad and bus fares throughout the state. Under these rates the one-way fare between Oakland and San Leandro is 10¢ and between Oakland and Hayward 15¢ with round trip rates of 15¢ and 25¢ respectively. Applicant also offers for sale books containing 14 tickets for \$1.00 good for transportation in either direction between San Leandro and Hayward. In addition applicant sells 30-ride school

ticket books and individual monthly commutation tickets.

Under its present operation, Peerless Stages has an overlapping zone at San Leandro, the fare from Oakland to San Leandro being good to the easterly city limits while that from San Leandro to Hayward is available from the westerly city limits.

In its proposal, applicant desires to establish a zone limit at the easterly city limits of San Leandro, thereby dividing the territory between Oakland and Hayward into two zones, in each of which the cash fare would be 10¢. In addition, applicant proposes to sell tokens at the rate of four for 25¢ (or 6 $\frac{1}{2}$ ¢ each), each token being available for use in lieu of a 10¢ cash fare. Twenty-nine ride school ticket books would also be sold at \$1.00.

These zones would in general conform to those now in effect on the lines of the East Bay Street Railways, that company also having two zones between Oakland and Hayward, the dividing point being at the east city limits of the City of San Leandro. Said Railway also charges 10¢ cash fare or one token in each zone but its tokens are on sale at the price of seven for 50¢ (or 7-1/7¢ each).

The motor coach service of East Bay Street Railways was inaugurated on March 10, 1935, and applicant presents several exhibits, the purpose of which is to show that on or about that date there was a material reduction in the number of passengers carried by Peerless Stages in the territory between San Leandro and Oakland, the average inner-zone passengers per day being 1,118 in October 1934 and but 732 in October 1935. The average in February 1935, the last full month of operation prior to the East Bay Street Railways motor coach competition was 1,164 and in April 1935, the first full month of operation subsequent to this competition, the average was 880.

In Exhibit 6 Applicant presents an estimate of the number of passengers handled by both carriers between San Leandro and Oakland in 1934 and 1935. These totals are based on actual traffic counts over short periods, and, while the method of expanding the actual statistics to estimated annual totals fails to consider seasonal

fluctuations, the basic counts are sufficiently comparable for the purpose at hand. This exhibit indicates that prior to the motor coach competition of East Bay Street Railways applicant carried about 45% of the total passengers and that subsequent to this competition, this percentage was reduced to 23% of the total. The exhibit further shows that while the 1931 total business was 29% greater than 1934, that of Peerless Stages, Inc. was 34% less.

With respect to the interzone passengers, or those between Oakland and points in the vicinity of Hayward, the loss is not so marked, there being in fact a small increase over the corresponding months of 1934 in the earlier months of competition, which applicant attributes to strike conditions prevailing in the summer of 1934. In August, September and October of 1935, however, this interzone business was slightly less than during the corresponding months of 1934, although other figures submitted indicate that the total passengers handled by both applicant and East Bay Street Railways in the territory was greater in 1935 than in 1934. Applicant now has in effect a round trip interzone fare of 25¢, identical in amount with the fare it seeks to establish and lower than the round trip fare of its competitor, which possibly accounts for the fact that its interzone business has not suffered to the same extent as its innerzone.

Applicant claims that a considerable amount of this falling off of its business is due to the fact that East Bay Street Railways, in addition to a comparable bus service, is in a position to offer a transfer to its patrons entitling them to extend their ride to other points in the East Bay district while no transfer privileges are available on the Peerless Stages, the westerly ride terminating in downtown Oakland at 12th and Clay Streets.

I believe there is merit in this contention. While there is no doubt that a considerable amount of the loss of traffic in the inner zone is due to the fact that applicant's competitor now offers a comparable service at a lower fare, it is difficult to explain the

loss in the interzone traffic when the competitive service is possibly slightly inferior and its fare approximately the same,* unless it be due to the transfer privilege.

To overcome this advantage, applicant proposes the differential between its token fare and that of the East Bay Street Railways as noted above, viz., $6\frac{1}{2}\text{¢}$ on Peerless Stages and $7-1/7\text{¢}$ on East Bay Street Railways. It was admitted that some further advantage might accrue due to the fact that in purchasing applicant's tokens the rider would be required to expend only 25¢ whereas an expenditure of 50¢ would be required for purchasing tokens of its competitor. Thereupon applicant's President stated that if the Commission considered this an undue advantage, it would be agreeable to selling its tokens at the rate of eight for 50¢ to be sold only in quantities of eight or multiples thereof.

The Peerless Stages also presents an exhibit showing the effect on its revenues of the change in fares and zones proposed in its application. This exhibit shows that if the proposed fares had been in effect during September 1935, applicant's revenue would have been \$813. greater than actually accrued under the existing fares, the probable increase being due largely to the elimination of the overlapping zone at San Leandro. Passengers between San Leandro and Hayward now pay a single fare regardless of the point of origin in San Leandro, whereas, under the proposed zone fares, most of these passengers would be required to pay two fares.

In addition to the increase in revenue, applicant expects to be able to materially reduce its operating costs by reducing clerical and printing expense required by the ticket system in effect. Applicant

*The one way fare of applicant is 15¢ and token fare of competitor is $14-2/7\text{¢}$, while round trip fare of applicant is 25¢ and token fare of competitor is $28-4/7\text{¢}$.

estimates that it can thereby effect a saving of approximately \$5,000 a year.

Shortly after the inauguration of motor coach service by East Bay Street Railways, the Peerless Stages requested authority to establish token fares in the territory involved, somewhat similar to its present proposal, excepting that the zone line at San Leandro was not fixed. This proposal was filed as Application No. 15-19825 and Application No. 63-10975, and, being protested by the East Bay Street Railways, a public hearing was held. In its Decision No. 27883, dated April 8, 1935, the Commission stated that it was not convinced that applicant was at any material disadvantage because of the transfer privileges accorded by its competitor but stated that "if after operating for a reasonable time applicant finds that it is losing an appreciable amount of traffic and a study reveals that the loss is actually attributable to the transfer privileges accorded by protestants, the matter may again be referred to the Commission's attention." The application was at that time denied.

After reviewing the evidence in the present proceeding, however, it appears to me, from the record, that applicant has lost a considerable amount of its business to the East Bay Street Railways because of the advantage afforded by the transfer and it is my conclusion that the application should be granted permitting the differential in fares proposed by applicant. I recommend, however, that the Commission limit the sale of applicant's tokens to units of eight and the following form of order will so provide.

ORDER

Public hearing having been held upon the above entitled proceeding, the matter now being under submission and ready for decision,

IT IS HEREBY ORDERED that Peerless Stages, Inc. is hereby authorized to establish two basic fare zones on that portion of its

transportation system lying between Oakland and Hayward, Alameda County, namely:

- (1) from Oakland to the easterly city limits of San Leandro; and
- (2) from the easterly city limits of San Leandro to Hayward.

IT IS HEREBY FURTHER ORDERED that Peerless Stages, Inc. is hereby authorized to revise its fare structure applying to the district between Oakland and Hayward in the following respects:

- (1) To provide for zone fares as set forth in Exhibit E attached to the application, except that the sale of tokens referred to therein shall be at the rate of eight for fifty cents, and shall be sold only in quantities of eight or multiples thereof;
- (2) To provide for school ticket rates as proposed in Exhibit 1 filed at the hearing, said tickets to be sold at the rate of twenty-nine for one dollar (\$1.00);
- (3) To cancel all passenger fares, both temporary and permanent, and commutation fares as set forth in Exhibits A, B and C attached to the application, and to cancel the thirty-ride school ticket fares set forth in Exhibit 1 filed at the hearing;

and to file new tariffs in accordance with this order and the Commission's tariff requirements on not less than ten (10) days' notice to the Commission and to the public of the proposed changes by posting notices in the vehicles in which said changes will apply.

The Commission reserves the right to make such further orders in this proceeding as to it may seem right and proper and to revoke its permission if, in its judgment, public convenience and necessity demand such action.

The effective date of this order shall be twenty (20) days from the date hereof.

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 21st day of December, 1935.

Leon A. Whaley

M. A. Cunniff

W. B. Harris

Walter Moore

Frank R. DeWitt
Commissioners.