

Decision No. 29338

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN PACIFIC GOLDEN GATE FERRIES,
LTD., to increase foot passenger fares
between Ferry Building Terminal, San
Francisco, California, and Oakland,
California, Broadway Wharf.

Application No. 20753

ORIGINAL

E. J. Foulds and R. S. Myers, for the Applicant.

Homer W. Buckley, Assistant City Attorney, and
Walter W. Cooper, for the City of Oakland.

H. Albert George, City Attorney, for the City of
Alameda.

BY THE COMMISSION:

O P I N I O N

This is an application by Southern Pacific Golden Gate Ferries, Ltd. to increase to 10¢, the existing 5¢ fare for foot passengers on its transbay ferry line operating between the Ferry Building Terminal, San Francisco, and Broadway Wharf at the foot of Broadway, Oakland. A hearing was held at Oakland on November 4, 1936 before Examiner Hunter. At this hearing the matter was duly submitted.

The ferry line concerned in this proceeding is that commonly known as the Creek Route, operated from the vehicle slips near the foot of Mission Street, San Francisco, to a slip owned by applicant on Oakland Estuary near the foot of Broadway in the City of Oakland. At the present time service on this route is provided by one boat operating seven round trips daily excepting Sundays and holidays.

The present fare structure on the Creek Route is the same as that in effect on the other lines of the company operating between San Francisco and the East Bay ferry terminals, namely on the date of the hearing, 60¢ for automobiles and 5¢ per passenger. (1) Unlike the other lines, however, foot passengers are permitted on the Creek Route ferry and to these passengers the same fare of 5¢, applicable to the passengers in automobiles, is in effect. Applicant now desires to increase the rate of fare for these foot passengers to 10¢. To passengers in automobiles the regular rate for such automobile traffic would continue to apply.

This ferry line was established many years ago, primarily as a vehicle ferry between San Francisco and Oakland, the pedestrian travel at that time being merely incidental to the service, these foot passengers probably being attracted by the 5¢ fare which was originally half the fare of 10¢ in effect on the regular passenger ferries, which provide a rail haul in addition to ferry ride. With the establishment of other vehicle ferries some fifteen years ago, offering shorter routes and more frequent schedules, the vehicle traffic making use of the Creek Route ferry steadily declined and has now practically disappeared. In the year 1935 but 3153 vehicles were carried on this route, an average of about ten a day or less than one per single trip of the ferry.

On the other hand the pedestrian travel has materially increased, particularly during the depression years 1932, 1933, and 1934, when an average of approximately one million passengers a year were transported. The traffic in 1935, the last complete

(1) On November 12, 1936 applicant put into effect a change in its rates between San Francisco and East Bay ferry terminals. A flat rate of 65¢ per automobile, including passengers up to five in number, was added to its tariff.

year of operation by the applicant, was approximately 50% in excess of the pedestrian travel in 1930, the first complete year of operation by the existing owners.

Operating statistics for the year 1935 are summarized in the following table:

	<u>Number</u>	<u>Revenue</u>
Revenue, foot passengers	939,774	\$46,989.
Revenue, passengers in vehicles	5,247	262.
Non-revenue passengers	<u>1,407</u>	
Total passengers	<u>946,428</u>	<u>\$47,251.</u>
Passenger vehicles	1,552	\$ 934.
Freight vehicles	1,413	1,546.
Other vehicles	<u>188</u>	<u>82.</u>
Total vehicles carried	<u>3,153</u>	<u>\$ 2,562.</u>
Tons of freight on vehicles	3,356	\$ 1,729.
Tons of deck freight carried	<u>2,508</u>	<u>3,943.</u>
Total freight	<u>5,864</u>	<u>\$ 5,672.</u>

In support of this application applicant presented exhibits showing operating revenues and expenses and the value of the property used in this service. Exhibit No. 2 shows the operating results before and after depreciation and the net total loss after all charges and includes all items directly assignable to this route as well as a proportion of overhead of other items common to all the routes of applicant. The boat used in this service is also used by applicant in maintaining service on other lines, particularly those between San Francisco and Alameda, San Francisco and Richmond, and San Francisco and Tiburon. The operating expense of this boat is, however, pro-rated to the Broadway Route in general on a mileage basis. In addition, certain items of direct expense assignable to the Broadway Route are included in the

statement of operating expenses. The following tabulation showing the operating expenses from 1932 to 1935 is abstracted from Exhibit No. 2.

		<u>Operating Revenues</u>	<u>Operating Expenses, Taxes and Rent (ex- cluding depreciation</u>	<u>Net Income</u>	<u>Depreciation Charges</u>
May 1					
to					
Dec. 31	1929	\$43,856.	\$70,513.	(\$26,657.)	\$10,262.
	1930	68,941.	103,121.	(34,181.)	12,984.
	1931	56,214.	87,801.	(31,587.)	9,956.
	1932	62,902.	75,533.	(12,630.)	11,967.
	1933	68,652.	64,961.	3,691.	16,316.
	1934	66,787.	70,259.	(3,472.)	16,567.
	1935	58,175.	65,383.	(7,208.)	15,608.
to Aug. 31	1936	34,835	39,856.	(5,031.)	9,869.

() = Loss

The City of Oakland questioned the depreciation charges shown on this exhibit. These charges consist principally of depreciation on the ferry boat used in the service, the ledger value of which is shown to be \$385,000. It would appear that \$15,600 a year for depreciation on a boat of this value, approximately one-half the use of which is in other services, is somewhat excessive, but the exhibit clearly shows that even if the item of depreciation is omitted entirely, the operations on this route are conducted at a substantial loss under existing fares.

In Exhibit 5 the company presents the ledger value of property and equipment assigned to and used in this service. According to this exhibit the value of the property at present in use is as follows:

Motorship Golden State	\$385,618.
Ferry Slip, etc. Foot of Broadway	39,289.
Waiting room, freight shed, scales, etc. - Broadway	7,130.
Engineering and interest during construction	4,270.
Water front and terminal grounds, 1st and Broadway	<u>342,593.</u>
T o t a l	\$784,900.

The question is raised as to whether the entire value of the motorship Golden State should be allocated to this service since the record shows that approximately one-half the boat miles operated by this vessel were in other services. It also appears that the present-day value of the land at the foot of Broadway, occupied by the terminal at that point, is approximately one-half of the ledger value shown, or in round figures, \$175,000. It is apparent, however, that even allowing a reduction for both of these items, the value of the property useful in this service is in excess of \$400,000 and that any rate base which the Commission might find would probably be considerably more than that figure.

Applicant presents Exhibit 4, which purports to set forth the operating results that would have been obtained if the fare for foot passengers had been 10¢ instead of 5¢. The estimated revenue shown in this exhibit is obtained merely by multiplying the number of foot passengers carried by the amount of the increase, with no compensation for loss in travel due to the increase in fare, diversion of traffic to the new San Francisco-Oakland Bay Bridge now in operation or deductions for Federal income tax on the increased revenue. The amounts shown, therefore, represent the maximum revenue that can be expected. The figures for the year 1935 produced a net income of \$24,173, which if ap-

plied to the minimum rate base that could be established, would yield a return of less than 6%.

While no exhibits were presented showing the financial result of the company's operations as a whole, it was stipulated that the annual reports of the company could be considered in this record. The 1935 report covering operations of the company as a whole shows that the net operating income, excluding depreciation, was \$2,069,199. The investment in property and equipment is shown to be approximately \$15,000,000.

The financial results of operation of this company during past years, however, are now entirely unreliable as any indication of what its future financial prospects may be. Within the past few days the opening of the San Francisco-Oakland Bay Bridge has established a competitive route which will unquestionably reduce the revenues of this company and already the company has found it necessary to establish lower vehicular fares. While it is too soon to make any forecast of the effect that this bridge route may have, it is apparent that the company would hardly be in a position to carry this non-paying service.

As before pointed out, the present Creek-route ferry is now to all practical purposes a passenger rather than a vehicular ferry and as such it differs from the remaining operations of the Southern Pacific Golden Gate Ferries, Ltd. The existing fare of 5¢ for passengers was established with the inauguration of the service many years ago and at that time was an equitable rate compared with the rate of 10¢ charged on the regular passenger ferries, which included a rail trip to the vicinity of passenger's destination in the East Bay area. The single-trip fare for these passenger ferry and rail lines has for many years been 21¢ or in excess of double the original rate. The proposed

rate of 10 cents for foot passengers using the Broadway Ferry, therefore, does not appear out of line, particularly in view of the fact that the service is provided at a substantial loss under existing fares and the proposed fare of 10 cents would, even by the most optimistic calculations, barely produce a return of 6 per cent on the investment.

No opposition to the granting of this application developed, other than that offered by the representatives of the City of Oakland through cross-examination of applicant's witnesses.

Subsequent to the time this matter was taken under submission, the California Toll Bridge Authority has advised by letter under date of December 5, 1936, that it will present no opposition to the granting of the application.

A review of this record leads to the conclusion that the application should be granted and the following Order will so provide.

O R D E R

Southern Pacific Golden Gate Ferries, Ltd., having filed an application for authority to increase its one-way adult fare between San Francisco (Ferry Building Terminal) and Oakland (Broadway Wharf) from 5 cents to 10 cents; a public hearing having been held; the matter having been submitted to the Commission for decision; and it appearing to the Commission that said increase is justified and that the authority should be granted;

IT IS HEREBY ORDERED that Southern Pacific Golden Gate Ferries, Ltd. is hereby authorized to increase its one-way adult

fare between San Francisco (Ferry Building Terminal) and Oakland (Broadway Wharf) to 10 cents on ten days' notice to the public and this Commission.

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

Dated at San Francisco, California, this 7th day of December, 1936.

M. B. Harris
Leon S. Whidell
W. J. Carr
Walter M. Mearns
Frank R. DeLoe

Commissioners.