

Decision No. 20599

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ORIGINAL STAGE LINE, INC., for certificate of Public Convenience and Necessity authorizing the operation of a motor-coach service for the transportation of persons, baggage and express, as a common carrier between Los Angeles on the one hand and San Fernando on the other hand, serving intermediate points via Riverside Drive, Cahuenga Boulevard, Burbank Boulevard, Lankershim Boulevard, Ventura Boulevard, Laurel Canyon Boulevard, Oxnard Street, Hazeltine Avenue, Victory Boulevard, Sepulveda Boulevard, and Brand Boulevard.

Application
No. 20567.

In the Matter of the Application of PACIFIC ELECTRIC RAILWAY COMPANY for authority to make certain changes in Los Angeles-San Fernando Valley operations.

Application
No. 20590.

ADDITIONAL APPEARANCES:

Robert Wanamaker, For City of Pasadena.

Walter Satterwhite, For San Fernando Valley Voters League.

E. L. Parker and D. T. Webb, For United Electrical Railroad Workers of America.

WHITSELL AND RILEY, COMMISSIONERS:

OPINION AND ORDER ON REHEARING

By the provisions of Decision No. 29633, dated April 5, 1937, the above-numbered applications were granted in part and denied in other respects.⁽¹⁾ Acting upon a request from Pacific Electric Railway

(1) Decision No. 29633 is based upon a joint record in Applications Nos. 20567 (as amended), 20827, and 20857, filed by Original Stage Line, Inc., and Application No. 20590 (as amended) filed by Pacific Electric Railway Company.

Company, the Commission, on April 23, 1937, issued its Supplemental Order (Decision No. 29690), in which it extended the effective date of this Order (Decision No. 29633) to May 5, 1937. Pacific Electric Railway Company filed its Petition for Rehearing on Application No. 20590 and likewise the Original Stage Line, Inc., petitioned for a rehearing on Application No. 20567, as a result of which the Commission, on May 3, 1937, directed that an oral argument on this Petition for Rehearing be had at Los Angeles, May 7, 1937.

Decision No. 29764, dated May 10, 1937, granted Pacific Electric Railway Company's petition for rehearing.⁽²⁾ This decision also affirmed Decision No. 29633, in so far as it related to Applications Nos. 20567, 20827, and 20857. Subsequently, however, upon request from the Original Stage Line, Inc., Application No. 20567 was reopened for further hearing. Further hearings were conducted on Applications Nos. 20567 and 20590, and on October 29, 1937, the matters were submitted on concurrent briefs to be filed with the Commission on or before December 15, 1937. Such briefs have now been filed and the applications are ready for determination.

Inasmuch as the entire record on these two applications was discussed in considerable detail in the Opinion of said Decision No. 29633, it would appear to be unnecessary to go into this phase of the matter again, other than to offer general statements and a discussion of the record adduced at the subsequent hearings.

Briefly, Application No. 20567, filed by Original Stage Line, Inc., proposes to conduct a motor coach operation between San Fernando and down town Los Angeles, via Van Nuys, North Hollywood, and Burbank.

(2) Additional hearings were held at San Fernando on June 15th and 16th, at San Fernando and Van Nuys on June 17th, and at Los Angeles on July 1st and 2nd, August 24th, 25th, 26th, 27th, 30th and 31st, September 1st and 2nd, October 8th, 28th, and 29th, 1937.

Application No. 20590, filed by Pacific Electric Railway Company, proposes the complete abandonment of its passenger rail service between downtown Los Angeles and San Fernando Valley points, and the substitution therefor of a system of motor coach operations. The record in these proceedings now includes 2,935 pages of transcript and 90 exhibits, 1,153 pages of the transcript and 36 exhibits constituting the record upon which said Decision No. 29633 is based, the remainder being the record on the rehearing.

Pacific Electric Railway Company's showing on the rehearing centers largely around its Exhibit No. 37, a 23-paged exhibit, covering the estimated results from operations for the period January 1, 1929, to March 31, 1937, inclusive, on an annual basis. This exhibit also sets up estimated results that would obtain from future operations on three different plans, viz.,

- (a) A period of one year with rail operations.
- (b) Average per year for a period of five years with rail operations.
- (c) A period of one year with motor coach operations, as proposed in the application.

This exhibit is more or less in the nature of an elaboration of Exhibits Nos. 27 to 33, inclusive, introduced by Pacific Electric Railway Company at the hearing in San Fernando on December 16, 1936.

Pages 15 and 16 of Exhibit No. 37 purport to show that if passenger rail operation is continued, it will result in an out-of-pocket loss of \$107,550 over a period of one year. Contrasted with this, sheet 23 of Exhibit No. 37 is an estimate of the results obtaining from motor coach operations for a one-year period, which indicate that a net operating income of \$22,256 would be realized if full substitution, as applied for, were effected. Considerable difference of opinion was expressed at the hearings as to the methods employed in arriving at the results shown in this exhibit.

The principal criticism was directed toward the methods used in determining unit costs, which, in general, are based upon one of three different plans, viz., actual cost, per-car-mile basis, or system averages. Furthermore, percentages were added to some of the figures to provide for anticipated increased labor costs.

As set forth above, Exhibit No. 37 and supplementary exhibits in support of it constitute the principal showing of the company. The City of Los Angeles, on the other hand, challenged this exhibit and, through cross-examination of company witnesses and direct testimony of its own witnesses, endeavored to break down the figures shown therein. It is the City's contention that:

- (a) Based upon conclusions derived from other motor coach operations by Pacific Electric Railway Company, Los Angeles Railway Corporation, and Los Angeles Motor Coach Company, the results of the proposed motor coach operations shown on sheet 23 of Exhibit No. 37 are far too optimistic as to the possible revenue to be derived, as well as the costs for providing the service.
- (b) Although the present rail operations are possibly being conducted at a loss, the loss so incurred is far less than would be the case if motor coach service were substituted as proposed. On the other hand, a rail service can be established which can be operated at a profit.
- (c) Passenger rail service cannot be economically justified beyond Van Owen Street (the end of the double track) in Van Nuys, and the present rail operation beyond this point should be replaced with motor coach operation to Canoga Park and San Fernando, except for two rail trips inbound to Los Angeles in the morning and two outbound trips in the evening.
- (d) Passenger rail service to Van Nuys, conducted as an extension of the present local Santa Monica Boulevard rail service which now terminates at Highland and Caluenga Boulevards in Hollywood, can be provided much more economically to the company than the proposed motor coach service, and the rail service would be far more satisfactory to the riding public. Checks show that 75% of the inbound rail passengers board the cars between the intersection of North Sherman Way in Van Nuys and Universal City.
- (e) To provide this service, however, certain betterments should be made, particularly to the single-track line between Wilcox Avenue in North Hollywood and Circle Drive in Van Nuys, as this single track will not accommodate the proposed increased rail traffic without undue delays.

(e) (Cont'd)

As a temporary expedient, it is suggested that the capacity of this track could be increased through the installation of automatic signals.

(f) Consideration should be given to the possibility of using the Southern Pacific Company's single track, which is parallel and adjacent to that of the Pacific Electric Company on Chandler Boulevard, between North Hollywood and Ethel Avenue, and adding a second track from that point to Circle Drive in Van Nuys.

(g) The present Hollywood-North Hollywood motor coach line should have its southerly terminus at Pacific Electric Railway Company's station in North Hollywood; thence it should operate northerly on Lankershim Boulevard to Van Owen Street; thence over Van Owen Street to Van Nuys Boulevard; thence on Van Nuys Boulevard to North Sherman Way, where the service would divide, every other coach going to Canoga Park and alternate coaches going to San Fernando. This would require that passengers on this coach line, destined to Hollywood or Los Angeles, would be required to transfer to the Pacific Electric rail line at the North Hollywood station.

(h) The Ventura Boulevard motor coach line be terminated at Universal City and passengers destined for Hollywood or Los Angeles transfer to the rail line at that point.

As to the proposed extension of the Santa Monica Boulevard local rail service, a suggestion along this line was contained in the report by the Commission's engineers entitled "Public Transportation Requirements of the San Fernando Valley," introduced as Exhibit No. 14 at the hearing held in San Fernando on November 5, 1936. It is apparent that the elimination of rail service between Van Nuys and Canoga Park and Van Nuys and San Fernando, a distance of 9.21 miles and 7.58 miles, respectively, out of a total of 36.69 miles on the San Fernando line, would result in material operating savings to the company. The plan suggested to terminate the Hollywood-North Hollywood motor coach line at the North Hollywood station, and also to terminate the Ventura Boulevard motor coach line at Universal City would result in the elimination of duplicate operations by these two coach lines and the rail line over Cahuenga Pass between Universal City and Hollywood, a distance of 3.26 miles. While this plan of

operation would involve a transfer between the motor coach and rail lines for through passengers, this would not appear to present an undue hardship under prevailing conditions, provided rail service is operated on fairly short headways, with the understanding that if additional traffic develops, further consideration will be given the matter of restoring the through motor coach service to Hollywood.

In order that the best results, from the standpoint of both the public and the company, might be obtained from an operation such as is proposed, it is necessary that Pacific Electric Railway Company improve its equipment to permit a faster operation of its 600-750 class of cars which are proposed for this line. The record shows that this result can be achieved through the expenditure of approximately \$1,250 per car. Assuming that it would require fifteen cars to provide the service, this would entail an expenditure of \$18,750. This would provide a much more comfortable riding type of equipment and also permit a free running speed of approximately 42 miles per hour. It appears that these cars could be operated by one man, particularly during the off-peak hours, thereby effecting an additional operating saving to the company. In addition to the betterments from the standpoint of equipment, consideration should also be given to the installation of additional passing tracks between Wilcox Avenue in North Hollywood and Circle Drive in Van Nuys, and also to the possibility of installing automatic signals on this section of single track. The objections, for the most part, to the present service are directed to the poor equipment, as well as to the delays occasioned by the single-track operation. The substitution of the 600-750 class of equipment would eliminate, to a large extent, the complaints with respect to equipment, and the installation of signals on the single-track line should materially decrease the objectionable delays.

It is apparent that if this carrier will operate improved equipment, as suggested above, under a reasonable headway plan, thereby providing transportation service to this fairly well developed portion of San Fernando Valley, which is experiencing a substantial growth in population at this time, it can expect to materially increase passenger revenue on this line on a car-mile basis and thereby enjoy a profitable operation.

A careful consideration of the record, coupled with personal inspection trips through the territory involved, leads us to the conclusion that there is merit to the proposed plan of revised operation, particularly that portion which proposes that more adequate and modern rail service shall be provided between downtown Los Angeles and Van Nuys. We also subscribe to the theory that duplicate operation over the Caluenga Pass by two motor coach lines and a rail line is not justified under prevailing conditions and makes for unnecessary additional operating expenses.

With reference to the Hollywood-North Hollywood motor coach line, however, it is our opinion that this line should operate as at present, except that its southerly terminus should be at Universal City. This will enable those patrons who desire to travel between North Hollywood and the studios at Universal City and vicinity to ride the coaches without the necessity of a transfer. As for the operation proposed over Van Owen Street, between Whitsett Street and Van Nuys Boulevard, we are not convinced that such an operation could be economically justified. Reference to Exhibit No. 71 will show that comparatively few residences or buildings are located in this area and it appears that the transportation revenue derived in this section would fail to pay the costs of operation and, as a result, would be a drain upon the balance of the system. Further than this, in order that such a proposed line might be of value to Van Nuys residents, it would be necessary that a circuitous operation be conducted in order to reach the business district of Van Nuys, which would result in

one-half mile of unnecessary travel, i.e., in the outbound direction west on Van Owen Street, south on Hazeltine Avenue, west on Victory Boulevard, and north on Van Nuys Boulevard. As a substitute for this plan of operation, it is our opinion that a motor coach service, separate and distinct, should be established in lieu of the rail service to be abandoned between Van Nuys and Canoga Park, and Van Nuys and San Fernando, to operate over the following routes:

- (a) From Canoga Park over Sherman Way to Van Nuys Boulevard; thence over Van Nuys Boulevard to Calvert Street, in Van Nuys.
- (b) From San Fernando the route would be the identical one now operated over by the Pacific Electric rail line, terminating at Calvert Street in Van Nuys.

Such a service would enable patrons bound for Hollywood or Los Angeles to transfer to the rail service at Van Nuys, schedules being arranged, in so far as practicable, so that direct connections could be made between the motor coach and rail lines. At some future time consideration should be given to the possibility of extending this motor coach operation to a connection with the Ventura Boulevard motor coach line at the intersection of Van Nuys Boulevard and Ventura Boulevard. We do not believe, however, that justification for the extension of this coach line southerly from Calvert Street exists at the present time.

We are convinced that if the building development in the San Fernando Valley continues as at present, in the comparatively near future some service will of necessity have to be provided along Riverside Drive between Vineland Avenue and Van Nuys Boulevard. We cannot at this time, however, and upon this record, consistently recommend the establishment of such a service.

APPLICATION NO. 20567:

No additional evidence was offered relative to this application, and we are therefore of the opinion that Decision No. 29633, which

denied the application, should remain in full force and effect, and the Order accompanying this Opinion will so provide.

Pacific Electric Railway Company is hereby placed upon notice that "operative rights" do not constitute a class of property which should be capitalized or used as an element of value in determining reasonable rates. Aside from their purely permissive aspect, they extend to the holder a full or partial monopoly of a class of business over a particular route. This monopoly feature may be changed or destroyed at any time by the State, which is not in any respect limited as to the number of rights which may be given.

O R D E R

Public hearings having been held in the above-entitled applications, briefs having been filed, and the matters now being under submission;

The Railroad Commission of the State of California Hereby Finds as a Fact that the record in these proceedings justifies the granting of a portion of Pacific Electric Railway Company's Application No. 20590, so as to permit the abandonment of passenger rail service on its San Fernando Valley rail line from the intersection of Van Owen Street and Van Nuys Boulevard in Van Nuys, to Canoga Park, and from the same intersection to San Fernando, provided, however, that coincident therewith motor coach service is established over routes as hereinafter provided for.

IT IS HEREBY ORDERED that:

I. Pacific Electric Railway Company is hereby authorized to abandon passenger rail service on that portion of its San Fernando Valley rail line:

- (a) Between the intersection of Van Owen Street and Van Nuys Boulevard, in Van Nuys, and the westerly end of the line at Topanga Canyon Avenue in Canoga Park.

- (b) Between the intersection of Van Owen Street and Van Nuys Boulevard in Van Nuys, and the northerly end of the line at San Fernando Road, in the City of San Fernando;

provided, however, that rail service on these two branches of the line shall not be discontinued until the revised rail and motor coach service shall have been established as authorized in the following divisions of this Order.

II. Pacific Electric Railway Company may suspend operations on:

- (a) That portion of its Hollywood-North Hollywood motor coach line between Universal City and Hollywood.
- (b) That portion of its Ventura Boulevard motor coach line between Universal City and Hollywood.

III. The certificate of public convenience and necessity granted Pacific Electric Railway Company by Decision No. 29633, for an extension of its Hollywood-North Hollywood motor coach line over Van Owen Street and southerly on Van Nuys Boulevard to Ventura Boulevard, is hereby revoked.

IV. Pacific Electric Railway Company shall extend the present Santa Monica Boulevard local rail service, now terminating at Highland and Calmenga Boulevards in Hollywood, through North Hollywood and to the intersection of Van Nuys Boulevard and Van Owen Street in the City of Van Nuys. This service shall be established within ninety (90) days from the date hereof.

V. Pacific Electric Railway Company is hereby granted a certificate of public convenience and necessity to operate motor coach service, to be known as the Van Nuys-Canoga Park-San Fernando Motor Coach Line, over the following route:

Commencing at the intersection of Calvert Street and Van Nuys Boulevard, in Van Nuys, north on Van Nuys Boulevard, west on North Sherman Way to Topanga Canyon Avenue in Canoga Park; also, commencing at Calvert Street and Van Nuys Boulevard, in Van Nuys, north on Van Nuys Boulevard to Parthenia Street, west on Parthenia Street to Sepulveda Boulevard, north on Sepulveda Boulevard to Brand Boulevard, thence over Brand Boulevard to San Fernando Road in the City of San Fernando.

to be considered as part of the in lieu certificate granted by this Commission's Decision No. 24254, dated June 13, 1932, on Application No. 17984.

VI. This entire Order is subject to the following conditions:

- (1) The service herein authorized shall be in accordance with time schedules to be filed with the Commission and motor coach schedules shall be supplementary to and coordinated with the new passenger rail service.
- (2) Applicant shall file its written acceptance of the certificate herein granted within a period of not to exceed fifteen (15) days from the date hereof.
- (3) Applicant shall file, in triplicate, and make effective within a period of not to exceed thirty (30) days after the effective date of this Order, on not less than ten (10) days' notice to the Commission and the public, a tariff or tariffs constructed in accordance with the requirements of the Commission's General Orders and containing rates and rules which, in volume and effect, shall be identical with the rates and rules now in effect, in so far as they pertain to the certificate herein granted, or rates and rules satisfactory to the Commission.
- (4) Applicant shall file, in duplicate, and make effective, within a period of not to exceed ninety (90) days after the effective date of this order, on not less than five (5) days' notice to the Commission and the public, time schedules covering the service herein authorized in a form satisfactory to the Commission.
- (5) Applicant is authorized to turn its motor vehicles at termini, either in the intersection of the street or by operating around a block contiguous to such intersection, in either direction, and to carry passengers as traffic regulations of the municipalities may require.
- (6) The rights and privileges herein authorized may not be discontinued, sold, leased, transferred or assigned, unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has first been secured.
- (7) No vehicles may be operated by applicant herein unless such vehicles are owned by such applicant or leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

In all other respects Decision No. 29633 shall remain in full force and effect.

For all other purposes 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 7th day of February, 1938.

Malcolm MacFarlane
Leon Whittell
Frank Bennett

A. J. Riley
Commissioners