

Decision No. 30790

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SANTA FE TRANSPORTATION COMPANY, a corporation, for a certificate of public convenience and necessity to operate an auto stage service as a common carrier between Los Angeles and San Francisco, via Bakersfield.

Application No. 20170

ORIGINAL

In the Matter of the Application of SANTA FE TRANSPORTATION COMPANY, a corporation, for a certificate of public convenience and necessity to operate an auto passenger service as a common carrier between Los Angeles, California, and the California-Arizona state line, via Needles, California, and intermediate points.

Application No. 20171

In the Matter of the Application of SANTA FE TRANSPORTATION COMPANY, a corporation, for a certificate of public convenience and necessity to operate an auto passenger service for passengers, baggage and express between Los Angeles and San Diego.

Application No. 20172

In the Matter of the Application of SANTA FE TRANSPORTATION COMPANY, a corporation, for a certificate of public convenience and necessity to operate an auto passenger service as a common carrier between Bakersfield and Barstow, California, and intermediate points.

Application No. 20173

In the Matter of the Application of PACIFIC GREYHOUND LINES, INC., a corporation, for a certificate of public convenience and necessity for an automotive stage service for the transportation of passengers, baggage and express between Bakersfield and Barstow and to consolidate same with remainder of applicant's system.

Application No. 20237

A P P E A R A N C E S

CHAS. H. WOODS; ROBERT BRENNAN; JONATHAN C. GIBSON; GERALD E. DUFFY; WM. P. BROOKS; CHAS. D. SWANNER; W. B. BEALZLEY; J. OGDEN REAVIS; SAMUEL F. HOLLINS; SIDNEY J. W. SEARP; FRANK M. OSTRANDER; WARREN H. AHERTON; FREDERICK J. HEID, JR.; McCUTCHEEN, OLNEY, MANNON and GREENE, by ALLAN P. MATTHEW; STEARNS, LUCE, FORWARD and SWING, by EDGAR A. LUCE and FRED KUNZEL; EZRA W. DECOTO, HEARTLEY PEART, CHICKERING and GREGORY, by DONALD M. GREGORY and GEO. W. LUPTON, JR.;

for Santa Fe Transportation Company.

H. C. LUCAS and EARL A. BAGBY, for Pacific Greyhound Lines, Inc.

E. J. FOULDS and H. W. HOBBS, for Southern Pacific Company.

FRANK KARR, R. E. WEDEKIND, and EDWARD BISSINGER for Pacific Electric Railway Company and Motor Transit Company.

WOODWARD M. TAYLOR, for Los Angeles Railway Corporation.

DOUGLAS BROOKMAN and WARREN E. LIBBY, for Tom Morgan, doing business as Pickwick Bus Company.

HERBERT W. KIDD, for Motor Coach Company, Lang Transportation Company, Moyer's Stages, Westside Stage Company, Bass Lake and Norfolk Stages, Cook Stages, Orange Belt Stages, Kern County Transit Company, Arvin Stage Line, Inland Stages, Peerless Stages and Motor Carriers Association.

MCCARTHY, RICHARDS and CARLSON, by T. K. MCCARTHY, for East Bay Street Railways and Key System.

LOUTTIT, MARCEAU and LOUTTIT, by THOMAS H. LOUTTIT and DANIEL V. MARCEAU, for Stockton Chamber of Commerce and WM. C. COLBERG and HENRY J. COLBERG doing business under the name and style of Central Transit Company.

HARRY SEE, E. A. McMILLAN and PRESTON W. DAVIS, for Railroad Brotherhoods Cooperative Legislative Committee, American Train Dispatchers Association, Auto Mechanic's Union No. 1305, Brotherhood of Maintenance of Way Employees, Brotherhood of Railroad Trainmen, Brotherhood of Railroad Signalmen of America, Dining Car Employees Local 456-582, System Federation No. 114, System Federation No. 115, and System Federation No. 117, et al

REX S. SAWYER and R. E. CRANDALL, for the Associated Jobbers and
Manufacturers of Los Angeles.

RAY L. CHESEBRO, City Attorney and CARL I. WHEAT, Public Utilities
Counsel for City of Los Angeles.

AMOS MEININGER, for Pacific Greyhound Drivers' Association.

JOSEPE MILLER, by NORMAN H. ROBOTHEAM.

MORRIS, JAFFA and SUMSKI, by LEON E. MORRIS, for Civic League of
Improvement Clubs and Associations.

GILBERT FERRELL, District Attorney for County of San Mateo.

D. W. AULT, City Attorney, C. F. REYNOLDS, Traffic Manager of
Harbor Department and H. D. DANIELS, for the City of
San Diego.

EDWIN G. WILCOX, for San Francisco Chamber of Commerce.

T. G. DIFFERDING, for Oakland Chamber of Commerce.

JOHN J. O'TOOLE, City Attorney and DION R. HOLM, Assistant City
Attorney for City and County of San Francisco.

C. F. REYNOLDS, for San Diego Chamber of Commerce and San Diego
County Board of Supervisors.

FREDERICK W. WELSH, for Bakersfield Chamber of Commerce.

J. B. WOLF, for the Bay District Property Owners' Association.

WARE, COMMISSIONER:

O P I N I O N

Applications Nos. 20170, 20171, 20172, and 20173⁽¹⁾ of Santa Fe Transportation Company are inseparably joined by interest, plan, and object, and comprise what is generally called the Santa Fe case.

Application No. 20237⁽²⁾ of Pacific Greyhound Lines, Inc., (hereinafter in this decision referred to as Greyhound), and Application No. 20281⁽³⁾ of Tom Morgan, doing business as Pickwick Bus Company, due to the contiguity of territory through which operating rights are sought, were consolidated for hearing with the applications of Santa Fe Transportation Company. The Greyhound application, being defensive in character, is hereby consolidated with the latter for decision. The Tom Morgan application, being dissimilar in theory and purpose, now is disassociated from the five applications comprising the subject of this decision, and will be adjudicated by separate order.

(1) Applications Nos. 20170, 20171, 20172, and 20173 were filed on October 8, 1935; all were amended on October 26, 1935, November 21, 1935, and March 25, 1936. Further tariff and schedule amendments were made on March 4, 1936, April 16, 1936, June 23, 1936, May 4, 1937, and May 26, 1937.

(2) Filed November 5, 1935, and amended October 27, 1936. Corporate name changed to Pacific Greyhound Lines subsequent to said date of filing.

(3) Filed December 2, 1935, and amended January 8, 1936, March 24, 1936, and October 17, 1936.

STATUS OF CARRIERS INVOLVED

The applicant, Santa Fe Transportation Company, is a California corporation wholly owned and controlled by The Atchison, Topeka and Santa Fe Railway Company, a Kansas corporation (hereinafter in this decision referred to as Santa Fe Railway), and is a part of the Santa Fe Railway system. Said applicant was organized for highway transportation purposes, and is now engaged in bus and truck operation in California pursuant to certificates of public convenience and necessity granted by this Commission and by the Interstate Commerce Commission.

Santa Fe Railway owns controlling interest in the Santa Fe Trail System, now operating a passenger stage line in interstate commerce between Chicago, Illinois, and San Francisco, Los Angeles, and San Diego, California, serving the states of Illinois, Missouri, Kansas, Oklahoma, Colorado, New Mexico, Arizona, and California. Santa Fe Trail System is one of the largest trans-continental passenger stage operations in the United States, and between Chicago and the three last named California cities, its line closely parallels the rails of Santa Fe Railway. The applicant, Santa Fe Transportation Company, is one of the companies composing the Santa Fe Trail System, and applicant's operations are and will be an integral part of the said trans-continental System.

Santa Fe Trail System, of which applicant is a part, is a member of the National Trailways System, an association of passenger stage companies, having for its purpose the establishment of a unified and coordinated passenger stage system; it is one of the largest passenger stage organizations in the United States. Similar to the nation-wide Greyhound system, the National Trailways System has adopted a uniform and distinctive color scheme, unification of

operations, coordination of schedules, joint use of facilities and a cooperative scheme of traffic interchange at junction points.

Santa Fe Trail System is the only member of this nationwide passenger stage transportation system serving California, with the exception of the Burlington Transportation Company, which has contracted, subject to the approval of the Interstate Commerce Commission, to sell its properties to the Interstate Transit Lines, a Union Pacific subsidiary.

Said Santa Fe Trail System is a trade name and not a corporate name. It is composed of the following operating companies:

1. The parent company, The Santa Fe Trail Transportation Company, formerly the Southern Kansas Stage Lines Company, which operates in Kansas, Oklahoma, Arkansas, Missouri, and Colorado, and which holds the stock of the other companies in the System, except that of applicant, Santa Fe Transportation Company. Santa Fe Railway owns a controlling interest in the erstwhile Southern Kansas Stage Lines Company, now The Santa Fe Trail Transportation Company. The latter company has been authorized to issue 90,500 shares of capital stock of which a controlling interest of 46,000 shares was acquired by Santa Fe Railway in September, 1935, through a holding company, General Improvement Company, all of the stock of which is owned by Santa Fe Railway. As of May 5, 1937, Santa Fe Railway had not exercised an existing option to purchase the balance of approximately 45 per cent of the stock of Southern Kansas Stage Lines Company.
2. Santa Fe Trail Stages, Inc., which operates from San Francisco and San Diego to Los Angeles, and thence to Albuquerque, with two lines east from that point to Wichita, Kansas, one by way of Trinidad, and the other by way of Texhoma, Oklahoma-Texas.
3. The Central Arizona Transportation Company, with a line extending from Phoenix, Arizona, to Salt Lake City, Utah.
4. Rio Grande Stages, Inc., which operates between Albuquerque, New Mexico, and El Paso, Texas.
5. The Cardinal Stage Lines Company, which operates generally through central and northern Kansas to central Colorado and in Nebraska.

6. The Santa Fe Trail Stages of Illinois, Inc., which operates between Chicago, Illinois, and Kansas City and St. Joseph, Missouri, and between Chicago, Illinois, and St. Louis, Missouri, via two routes, one through Peoria, Illinois, and the other via Decatur, Illinois.

Steps are under way to simplify the corporate structure of Santa Fe Railway bus operations. On July 7, 1937, application was filed with the Interstate Commerce Commission for authority to consolidate The Santa Fe Trail Transportation Company, Santa Fe Trail Stages, Inc., Central Arizona Transportation Lines, Inc., The Cardinal Stage Lines Company, and Rio Grande Stages, Inc. Also pending before that body is an application for authority to transfer the holdings of General Improvement Company in the stock of The Santa Fe Trail Transportation Company directly to Santa Fe Railway.

Applicant, Santa Fe Transportation Company, is not a party to the consolidation. For the present, the plan is to have intrastate operations in California conducted by the applicant, and the interstate operations conducted by the Santa Fe Trail Stages, Inc., or The Santa Fe Trail Transportation Company, under the same arrangement now in effect on the Los Angeles-Needles route whereby the two stage companies use the same offices, stations, buses, and other facilities, and jointly employ the necessary personnel; and whereby all expenses, including capital costs, are borne in accordance with the proportion that the revenue of each company bears to the total revenues. The ultimate purpose is to have all of the operations in California, both interstate and intrastate, conducted by one company, either by Santa Fe Transportation Company or The Santa Fe Trail Transportation Company. During the progress of these hearings both Santa Fe Railway and applicant, Santa Fe Transportation Company, indicated the likelihood that they may come hereafter to the Commission for its approval of such modifications in the corporate

plan of operation as may be indicated by subsequent experience to be desirable in the interest of greater simplicity and more efficient and economical service.

Main line intrastate passenger transportation operations in California, as distinguished from local and interurban passenger service, are provided by four major railway systems and one major bus system. The rail lines consist of Southern Pacific Company (hereinafter in this decision referred to as Southern Pacific), Santa Fe Railway, The Western Pacific Railroad Company, and Union Pacific Railroad Company. The major bus carrier is Greyhound. All of these operators, in addition to providing intrastate passenger service in California, also conduct interstate operations.

Santa Fe Railway is under a single ownership and management; it comprises 13,350 main line miles extending from Chicago and spreading extensively through the middlewest and southwest, penetrating Los Angeles, San Diego, and San Francisco in California. Its rails have served southern California for more than 50 years and northern California approximately 37 years, and at the present time Santa Fe Railway is operating 1,521 miles of rails in this State.

In California, the lines of Santa Fe Railway are routed from San Diego, on the south, along the coast of southern California to Los Angeles, with a rather extensive intermediate network in the vicinity south and east of Los Angeles. From Los Angeles, its lines extend eastward through San Bernardino, Victorville, Barstow, and thence trans-continentially through Needles. Northern and central California are served by Santa Fe Railway lines branching off from the main line at Barstow and proceeding northerly through Mojave, Bakersfield, Fresno, and Stockton, and terminating in Oakland as the northern terminus with ferry boat and Bay Bridge connections to San Francisco.

This route traverses the San Joaquin Valley, the most extensive, productive, and populous agricultural section of the State. Between Fresno and Bakersfield, there is an intermediate network of rail lines connecting the various agricultural communities in that territory with the main line through the valley. Santa Fe Railway conducts both freight and passenger service over its lines in the State, both in intrastate and interstate business.

Due to the extremely circuitous routing of Santa Fe rails between Oakland and Los Angeles, via Barstow, it is definitely handicapped in so far as effective competition in the intrastate passenger field is concerned. The valley routes of both Southern Pacific and Greyhound are more favorably located than Santa Fe rails between Los Angeles and Bakersfield. By highway the distance is 112 miles, by Southern Pacific rails it is 172 miles, and by Santa Fe rails it is 282 miles, 110 miles greater than the longer of the two other routes.

The annual report of Santa Fe Railway and affiliated companies to this Commission for the year ending December 31, 1936, (being a part of this record by reference), discloses total assets as of December 31, 1936, aggregating \$1,284,177,735, of which \$1,133,645,513 represents investment in road and equipment; said report further discloses total liabilities in amount of \$898,472,589, and surplus in amount of \$385,705,146. Said report further discloses net income for 1936 aggregating \$9,998,126. The witness Eledsoe testified that Santa Fe Railway's investment in California, including terminals and other operative properties, exceeds \$140,000,000. The conclusion is inescapable that Santa Fe Transportation Company, backed to the full extent of the ability and resources of Santa Fe Railway, stands in a secure financial position to undertake and render the service it proposes.

Through more than fifty years of operation in California, Santa Fe Railway has been a dominant factor in the development of this State. During this period it has been one of the important agencies of passenger transportation between California and the East, and at the time hearings in this case were concluded said Railway ran six well appointed passenger trains each way daily between California and the East, and in addition offered a weekly round trip by a fast, modern, streamline train. Formerly it rendered an extensive service locally within the State, but the World War, Federal control of railroads, and unprecedented improvement of highways combined with the development of modern automobiles and buses, resulted in the precipitous decline of its intrastate passenger operations in California.

For Santa Fe Railway as a whole, rail passenger revenues declined from the high point of \$82,745,512 in 1920 to \$58,323,798 in 1929 at the height of national prosperity, and to a low of \$20,000,188 at the depth of the depression in 1933. A relatively slight improvement followed, the revenues rising to \$25,626,827 in 1936. Net income figures show an even darker picture. The net railway operating income from passenger service was \$21,508,071 in 1920, but only \$4,447,201 in 1929, which was the last year in which a profit was shown. Then began an era of ever growing deficits, which reached the all-time depth of \$13,470,020 in 1936.

The intrastate passenger business of Santa Fe Railway in California reached its peak in 1913, when it totalled \$3,695,608. From this point it went steadily downward, until it reached \$1,323,167 in 1929, and \$330,927 in 1933. In 1936 it was \$515,582, or only 13.95 per cent of the 1913 figure.

Santa Fe Railway, in an attempt to eliminate or to reduce the size of these deficits from passenger operation and the con-

sequent inevitable burden upon its treasury and upon the freight and of the business, sought for some remedy. After unsuccessfully experimenting with rail motor cars and other possible solutions, it embarked upon a program of improving its train service through the inauguration of streamline trains, reductions of fares for short hauls, and establishing bus lines in coordination with its railroad operations.

Everything that is sought in this case by Santa Fe Transportation Company is the delineation of the plan and purpose of its parent and owner, Santa Fe Railway, to rehabilitate its passenger transportation services. These four applications, Nos. 20170, 20171, 20172, and 20173, are designed to effectuate the coordination of the bus and rail operations, schedules, depots, and facilities of these respective carriers. Their avowed purpose is to offer service and rates which will be superior and preferable to any now available. Thus their aim is to preserve to Santa Fe Railway system its present diminished traffic, recoup at least a portion of that which has been lost, and induce and develop new traffic now traveling in privately owned automobiles.

The applicant, Santa Fe Transportation Company, proposes to perform, in conjunction with Santa Fe Railway, and with the unqualified concurrence of said Railway, a coordinated and integrated rail and stage service for the transportation of passengers, express, mail, and newspapers, in intrastate commerce in California, over the following routes:

1. Between San Francisco and Los Angeles, and intermediate points, via routes through Stockton and Tracy, merging at Manteca, and in connection therewith feeder and local service between Hanford and Porterville, and intermediate points;
2. Between Los Angeles and the California-Arizona state line, via Needles, and intermediate points;

3. Between Los Angeles and San Diego, via routes through Long Beach and Santa Ana, and intermediate points;
4. Between Bakersfield and Barstow, and intermediate points.

Said applicant now holds a limited certificate to operate passenger stages in intrastate commerce between Los Angeles and the California-Arizona state line, via Needles, granted on March 2, 1936, in Application No. 19485, Decision No. 28606, and, under the pending application, covering that particular route, seeks only:

1. To serve locally between Los Angeles and San Bernardino;
2. The removal of the restrictions against handling passengers on other than interstate schedules.

This applicant also seeks leave to consolidate the services contemplated by the four pending applications with each other and with the certificate granted by Decision No. 28606.

The proposed service is to be restricted so as not to include the transportation locally of passengers, express, mail, and newspapers, between the following points:

1. San Francisco and Richmond, and intermediate points;
2. San Francisco and Hayward, and intermediate points;
3. Borden Junction and Stockton, and intermediate points, in accordance with stipulation entered into between applicant and Central Transit Company, dated March 13, 1937;
4. Within that part of the San Francisco Bay district designated as "local territory" on map attached to stipulation entered into between applicant and East Bay Street Railways, Ltd., a corporation, and Key System, a corporation, dated May 15, 1936;
5. Los Angeles and San Fernando, and intermediate points, provided, however, that such restrictions will not apply to the right to carry local passengers from points between Los Angeles and San Fernando, on the one hand, to points north of San Fernando or south of Los Angeles, on the other hand;

6. Los Angeles and the intersection of Highland Avenue and Cabuenga Avenue or the intersection of Atlantic Boulevard and Anaheim-Telegraph Road, or the west city boundary of the City of Alhambra, or Long Beach, or between any point intermediate to aforesaid four points, or between said four points, and points intermediate thereto, in accordance with stipulation between applicant and Los Angeles Railway Corporation dated March 3, 1936;
7. Los Angeles and Long Beach, and intermediate points;
8. San Diego and La Jolla, and intermediate points.

The said applicant proposes to establish daily schedules in each direction as follows:

1. San Francisco-Los Angeles Route:

San Francisco-Los Angeles--(through)	4
San Francisco-Bakersfield	1
Los Angeles-Merced	1
San Francisco-Martinez-Manteca	2
Hanford-Porterville	3
 2. Los Angeles-San Diego Route:

Via Long Beach	4
Via Santa Ana	2
- Note: Of these six schedules, four will be operated via Rose Canyon and two via La Jolla.
3. Los Angeles-Needles Route 2
 4. Bakersfield-Barstow Route 1

Santa Fe Railway proposes as part of the improved coordinated service to establish streamline train service between Oakland and Bakersfield. Bus connections will be provided at each end, one from Oakland over the Bay Bridge to the new Santa Fe passenger terminal at 4th and Jessie Streets, San Francisco, involving an outlay of over \$600,000, and the other from Bakersfield over the Ridge Route to Los Angeles. Light weight, high speed, Diesel drawn, air conditioned trains of the latest type will be used in this service, with two schedules each way a day. The running time of the train will be 5 hours and 50 minutes between Oakland and Bakersfield.

For the coordinated rail and bus service the trip between San Francisco and Los Angeles will require only 9 hours and 35 minutes, or 9 hours and 45 minutes, depending on the particular schedule, as compared with the fastest all-rail schedule on the San Joaquin Valley route appearing of record of 14 hours and 45 minutes, and as further compared with the present fastest Greyhound schedule on the San Joaquin Valley route appearing of record of 13 hours and 5 minutes. Thus the proposed service via San Joaquin Valley between San Francisco and Los Angeles is 3 hours and 30 minutes faster than the fastest Greyhound schedule and 5 hours and 10 minutes faster than the fastest Southern Pacific schedule. These streamline trains will not be in substitution for any of the present trains, but in addition to the present Santa Fe Railway service in the San Joaquin Valley.

Applicant, Santa Fe Transportation Company, will use in said proposed service 36-passenger buses of modern design, manufactured by the American Car and Foundry Motors Company, and commonly called the "ACF" bus, except between Hanford and Porterville where it will use 21-passenger equipment.

Applicant further proposes to establish, and its parent, Santa Fe Railway, concurs in such establishment, intrastate combination bus-rail fares at the rate of $1\frac{1}{2}$ cents per mile, for one-way trips, and 180 per cent of the one-way fares named for round trips; the mileage to be used in computing said fares is the short line mileage, rail or highway, or a combination of the two. Santa Fe Railway has pledged itself in this record to contemporaneously establish intrastate rail coach fares at the rate of $1\frac{1}{2}$ cents per mile.

between all points on its lines in California, provided that in all cases where such points are also to be served by said applicant's buses, the said Railway will compute said fares on the short line mileage, rail or bus.

The following illustrates the proposed coordinated and integrated rail and bus service: Both Santa Fe Railway and applicant, Santa Fe Transportation Company, propose to operate rail and bus services respectively between points A and D, and through intermediate points B and C. The miles by rail are: A to B, 30; B to C, 30; C to D, 50, a total of 160. The miles by bus are: A to B, 25; B to C, 50; C to D, 70, a total of 145. The short line mileage computed by a combination of both rail and bus mileages is: A to B, 25 (bus); B to C, 50 (bus); C to D, 50 (rail), a total short line mileage of 125. The passenger seeking one-way transportation from A to D will be sold by either Santa Fe Railway or Santa Fe Transportation Company, a ticket costing \$1.88 (short line mileage, 125 x 1½ cents = \$1.875). This ticket will entitle the passenger to ride by either rail or bus from A to B, at which place unlimited stopover privileges may be enjoyed; resume his journey, by either rail or bus, from B to C, at which place unlimited stopover privileges may be enjoyed; and thereupon conclude his journey, by either rail or bus, from C to D. The passenger seeking round trip transportation between A and D will be sold, by either Santa Fe Railway or Santa Fe Transportation Company, a ticket costing \$3.38 (180 per cent of one-way fare, \$1.88 = \$3.38). This round trip ticket will entitle the passenger to ride by either rail or bus between A and D, and intermediate points B and C, with any and all of the transfer and stopover privileges that said passenger may elect to take at B, C, and D.

Santa Fe Railway proposes, as a part of the improved, coordinated service, to establish streamline train service between

the San Francisco Bay area and Bakersfield, with direct bus connection between the latter point and Los Angeles. Two such schedules each way daily will be operated and the run between San Francisco and Los Angeles will be made in nine hours and thirty-five minutes, or nine hours and forty-five minutes, depending upon the schedule.

There will be complete coordination between rail and bus service, and tickets will be interchangeably good on rail coaches and buses. Joint use will be made of rail depots and other facilities and unlimited stopover privileges will be allowed.

The Santa Fe Trail Stages, Inc., a member company of Santa Fe Trail System, is now engaged in the operation of a line of passenger stages in interstate commerce in California over the following routes:

1. Between Los Angeles and San Francisco, via Tracy, and intermediate points;
2. Between Los Angeles and the California-Arizona state line, via Needles, and intermediate points;
3. Between Los Angeles and San Diego, via Long Beach, and intermediate points;
4. Between Bakersfield and Barstow, and intermediate points.

This case is the prosecution of the plan of Santa Fe Railway to improve its passenger service by establishing and rounding out a coordinated rail and auto bus service in the territory in which said Railway operates. The first witness in the case, Samuel T. Bledsoe, President of said Railway, testified that the financial ability and integrity of Santa Fe Railway are behind these applications of Santa Fe Transportation Company, and that said Railway will be fully responsible for the operations contemplated by said applicant. Through-

out this entire proceeding said Railway has stressed with force and frequency, through its officers, employees, and attorneys, the fact that Santa Fe Railway stands actually and solidly behind its wholly owned subsidiary, Santa Fe Transportation Company, both in the prosecution of these applications, and also in the performance of the full measure of service contemplated by said applicant.

Santa Fe Transportation Company and its parent, Santa Fe Railway, contend that the proposed service as hereinabove described is in the public interest because it will:

1. Substantially lower the cost of travel;
2. Supply needed additional service;
3. Reduce the time in transit between important communities;
4. Afford the convenience of optional travel by rail and bus;
5. Stimulate transportation by common carrier facilities;
6. Provide a connecting link between the railway mileage of Santa Fe Railway in southern California and in northern California;
7. Afford effective competition in place of a virtual monopoly.

Protestants.

Granting of the applications sought by Santa Fe Transportation Company is strenuously protested by Greyhound, Southern Pacific, and its wholly owned and controlled subsidiaries, Pacific Electric Railway Company (hereinafter in this decision referred to as Pacific Electric), and Motor Transit Company (hereinafter in this decision referred to as Motor Transit). Motor Carriers' Association (an

organization principally supported by Greyhound), and various railroad Brotherhoods, (4) have also vigorously protested said applications.

Greyhound.

Greyhound conducts extensive passenger stage operations in California, Oregon, Nevada, Utah, Arizona, New Mexico, and Texas. It is only one unit of the nation-wide Greyhound system, whose operations embrace 38,000 miles of passenger stage routes extending from the Pacific to the Atlantic, and from the Mexican Border and the Gulf of Mexico to and into Canada.

In California, Greyhound traverses almost all of the main highways of the State, upon which, with comparatively few exceptions, it enjoys exclusive operating rights. Greyhound parallels practically the entire Southern Pacific trackage in California, thereby serving virtually every point served by Southern Pacific in this State. It also traverses all of the highways which applicant, Santa Fe Transportation Company, seeks to use with the exception of the highway between Bakersfield and Barstow, and as to this highway Greyhound, in its defensive Application No. 20237, is seeking the right to operate over said highway and serve Bakersfield and Barstow and intermediate points. Therefore, the service proposed by Santa Fe Transportation

(4) Protesting Brotherhoods are: Railroad Brotherhoods Cooperative Legislative Committee; American Train Dispatchers Association; Auto Mechanic's Union No. 1305; Brotherhood of Maintenance of Way Employees; Brotherhood of Railroad Trainmen; Brotherhood of Railroad Signalmen of America; Dining Car Employees Local 456-582; System Federation No. 114; System Federation No. 115; System Federation No. 117.

Company is substantially competitive throughout with the existing and proposed service of Greyhound.

Greyhound was organized as a result of a merger in 1929 of seven bus lines, including Southern Pacific Motor Transport Company, Pickwick Stages System, and California Transit Company, serving in California and adjacent states. At about that same time, the properties of seven other lines were acquired as shown on Exhibit No. 339. Its lines extend from San Francisco, Los Angeles, and San Diego, to Portland on the north, Salt Lake City, Albuquerque, and El Paso on the east, there being three east and west lines through Arizona, one on the Santa Fe Trail from the Colorado River to Ashfork, Flagstaff, and Holbrook, thence to Gallup, New Mexico; the second from the Colorado River near Blythe to Phoenix, Globe, and Lordsburg, New Mexico; and the third from Yuma to Gila Bend, Tucson, Douglas, and Lordsburg.

In Oregon there are two main north and south lines, one leading along the coast to Marshfield and Newport and thence inland to Portland, and the other from Klamath Falls and Medford along the central valley to Portland by way of Roseburg, Eugene, and Salem.

Service is provided between San Francisco and Los Angeles over two routes, one along the coast via Santa Barbara, known as the Coast Route, and the other through the San Joaquin Valley, via Fresno and Bakersfield, known as the Valley Route. Los Angeles and San Diego are connected by another main line route.

Greyhound has four main routes to the east, one from San Francisco to Salt Lake City; another from Los Angeles to San Bernardino, Barstow, and Needles on the Albuquerque route; and another from Los Angeles to Riverside, Coachella, and Blythe, on the Phoenix and El Paso route; and the fourth from San Diego to El Centro and the Colorado River on the route to El Paso, via Yuma, Gila Bend, Tucson,

Douglas, and Lordsburg. In general, its routes parallel the rails of both Southern Pacific and Santa Fe Railway throughout the State and its service is rendered to every city and town of any appreciable population.

Interstate and intrastate business is conducted over the network of Greyhound in California, subject to certain restrictions attached to its intrastate certificates of public convenience and necessity. Greyhound conducts interstate commerce in common with other carriers, principally the Santa Fe Trail System and the Burlington Transportation Company, over some of the important routes in California. With the exception of the Santa Fe Trail System route, between Los Angeles and Needles, and the Union Pacific Stages subsidiary route, between Los Angeles and Barstow, whereon those companies are authorized to conduct an intrastate business, Greyhound possesses exclusive intrastate operating rights over the far-flung system traversing the length and breadth of the State.

For intrastate travel, it is the only certificated carrier between metropolitan San Francisco bay area and metropolitan Los Angeles; between San Francisco and Sacramento; San Francisco and Stockton, Merced, Fresno, Bakersfield, and other large cities and towns in the San Joaquin Valley; as well as between Los Angeles and the same points. It is the only certificated interstate carrier on the Coast Route between San Francisco and Los Angeles, and conducts the only authorized intrastate bus service on the direct highways between Los Angeles and San Diego. It enjoys a virtual monopoly of the intrastate stage business between the major centers of population and over the principal highways of the State.

Immediately after the Greyhound merger, in 1929, it embarked upon a program of acquiring and suppressing competing lines operating over the same highways.

Golden Eagle Western Lines, which commenced operation in competition with Greyhound about February, 1934, from Los Angeles to El Paso, was purchased in February, 1935, and continued in operation until about October 1st of the same year, when operations were discontinued by the new owner. Subsequently Greyhound acquired two other companies operating between Los Angeles and El Paso; one, Lincoln Stage Lines, whose route was by way of Blythe and Phoenix; and the other, De Luxe Stages, Inc., whose route was apparently by way of San Diego, El Centro, and Phoenix. Both lines were operated for a while but were discontinued about October 1, 1935.

The United Stages, operating in interstate commerce between San Diego, Los Angeles, San Francisco, and Portland, via the Sacramento and Willamette Valleys, in competition with Greyhound, was purchased by it in the spring of 1934. These small operations were discontinued by Greyhound in 1935.

The Dollar Stage Lines commenced operations about January 25, 1935, between San Francisco and Portland. About August 1st of that year Greyhound acquired 40 per cent of the stock of the competing company. The remaining 60 per cent of the stock was purchased by interests friendly to Greyhound, which placed the management virtually in the hands of that company. The Dollar Stage Lines is still being operated.

The Greyhound program of acquisition was admittedly for the purpose of suppressing competition of the lines acquired. In addition to that, the elimination of individual bus service over the routes in question, deprived other bus lines not affiliated with Greyhound system, such as Santa Fe Trail System, of connecting lines into the territory affected and throttled Santa Fe's opportunities for the interchange of traffic.

Greyhound is only one segment of the nation-wide operations of Greyhound system whose network of 38,000 miles of bus routes extends from the Pacific to the Atlantic, and from the Mexican border and the Gulf of Mexico to the Canadian Line, at places reaching into Canada. The lines of the system traverse all but a few of the states of the Union and even these few are served by affiliated companies. At the head of this system is The Greyhound Corporation with offices in Chicago. That corporation, through its stock interests, controls the ten principal operating companies of the system, including Greyhound.

Several of Greyhound companies are jointly controlled with railroad systems operating in the same territory. One half of the voting stock of Pennsylvania Greyhound Lines is owned by The Greyhound Corporation, and the other half by Pennsylvania Railroad. Central Greyhound Lines is jointly controlled in the same way, one half of the stock being owned by New York Central Railroad. The Greyhound Corporation and Great Northern Railway each owns 45 per cent of the voting stock of Northland Greyhound Lines. The Richmond, Fredericksburg and Potomac owns 45 per cent of Richmond Greyhound Lines. Southern Pacific owns 33-1/3 per cent of Southwestern Greyhound Lines operating between Denver, Albuquerque, and El Paso on the west to Kansas City, St. Louis, Memphis, and St. Charles on the east. Southern Pacific owns 39.05 per cent of the common stock of Greyhound.

In addition to the close binding between the companies within this system through stock holdings, there are certain traffic routing agreements between those companies. One of these contracts was made in 1933 between some twenty-one Greyhound lines operating in various parts of the country as the first party, Southwestern Greyhound Lines as the second party, and Greyhound as the third party. The three parties, the first collectively, and the second and third

individually, have bound themselves by this contract to maintain joint through routes and rates between all points reached by the lines of the respective parties and their connections; to maintain coordinated connecting schedules; to solicit preferentially for each other; to route over the lines of the parties all possible traffic, with certain exceptions, such as traffic which cannot be moved via the lines of the parties without undue circuitry or delay; to make no change in the original routing so as to divert traffic from a party to the agreement, except upon the consent of such party, or upon written request of a passenger; to refuse to pay a reclaim to any other carrier upon any ticket routed over the joint through routes of the parties, except in accordance with the original routing as such routing may be changed with the consent of all parties affected, but to pay the amounts accruing on account of any such ticket to the party over whose line the ticket or coupon was originally routed, even though it does not actually perform the service; and not to invade the territory of any other party to the agreement by acquiring, purchasing, applying for, or operating directly or indirectly any new operating right, franchise, permit, or motor bus schedule.

A close relationship exists between Greyhound and Southern Pacific by reason of stock ownership, interlocking directorates, and formal written agreements between the parties. Southern Pacific owns 164,000 of the 420,000 shares of Greyhound's common stock or 39.05 per cent, while the 60.95 per cent remaining shares are owned by The Greyhound Corporation.

The Board of Directors of Greyhound is composed of nine members, three of them being officials of Southern Pacific, and two of these three are among the five members of Greyhound's Executive Committee.

The link binding Greyhound with Southern Pacific is completed by a number of agreements between them, which grew out of the

deal by which Southern Pacific Motor Transport Company, and its subsidiaries, entered the Greyhound merger of 1929; and Southern Pacific not only received stock in the new company in return for its stock in Southern Pacific Motor Transport Company, but also made further investments in the new company in cash, receiving additional stock in return.

In a contract dated April 2, 1929, between Southern Pacific Company and Greyhound, it was agreed, among other things, that Southern Pacific would transfer to Greyhound all of the outstanding stock of Southern Pacific Motor Transport Company and its interest in Oregon Stages, Inc., Coast Auto Lines, and Pacific Stages, Inc., other bus subsidiaries, in return for Greyhound stock; that Greyhound would give to Southern Pacific the right to purchase one-third of any future issue of its stock; that Greyhound would operate, whenever requested by Southern Pacific, passenger stage lines which would parallel or feed the railroad in the general territory west of a line from Portland, Oregon, through Ogden and Salt Lake City, Utah, to El Paso, Texas, in return for a guarantee by Southern Pacific to Greyhound of a net profit of two cents a bus mile on each run so operated; thus providing for bus service to meet Southern Pacific requirements on routes where Greyhound had no regular service and deemed operations unlikely to be entirely self-supporting; and that Southern Pacific would not directly or indirectly engage in the business of transporting passengers by motor bus within the territory served by Greyhound or any of its subsidiaries.

A supplemental agreement was entered into between the same parties on March 17, 1931, to the effect that employees of Greyhound, below the rank of superintendent, when engaged in driving coaches, collecting tickets, and accepting cash fares on guaranteed

schedules, or assigning or dispatching guaranteed schedules, or who directly supervise any service operating under the guarantee, who do not maintain strict neutrality as between Southern Pacific and Greyhound, or render service satisfactory to Southern Pacific while engaged in guaranteed service, shall be subject to removal from such service upon request of Southern Pacific; and in case any such employee of Greyhound, engaged in both guaranteed and non-guaranteed services, is not satisfactory to Southern Pacific, and Southern Pacific and Greyhound are unable to agree upon an employee satisfactory to both parties, then Greyhound shall employ a separate or additional employee, satisfactory to Southern Pacific, to render the service for the guaranteed operations formerly rendered by an employee engaged in both services.

Another agreement was entered into on April 2, 1929, between Southern Pacific Land Company and The Greyhound Corporation to the effect that The Greyhound Corporation would transfer to Southern Pacific Land Company 60,000 shares of common stock of Greyhound, 4,000 shares of the participating preference stock, and 12,000 shares of the common stock of The Greyhound Corporation; that neither party would make any sale of its Greyhound stock to any competitor of either Southern Pacific or Greyhound, or of any of their respective subsidiaries, without previous written consent of the other; that neither party would directly or indirectly engage in the business of transporting passengers by motor bus within the territory served by Greyhound or its subsidiaries except through the medium of that company.

A close relationship between Greyhound and Northwestern Pacific Railroad Company, a wholly owned subsidiary of Southern Pacific, is disclosed by four contracts. The first two agreements dated January 31, 1933, and January 29, 1934, provide for the operation

of guaranteed bus runs by Greyhound in Northwestern Pacific territory. The third, dated January 29, 1934, was an agreement whereby Greyhound was to honor tickets of the Northwestern Pacific on its buses between Sausalito and Tiburon and Belvedere in Marin County. The fourth was an agreement dated January 30, 1935, effectuating a partnership of the two companies in the business of passenger transportation, thereby providing for the pooling of service, revenues, and expenses, wherever practicable, in the territory between San Francisco and Ukiah, and between Ignacio and Kenwood with certain designated exceptions.

Interstate Bus Operations.

Four major interstate passenger stage systems now serve California, linking it with other parts of the country. They are:

1. Pacific Greyhound Lines;
2. Union Pacific Stage System;
3. Burlington Transportation Company;
4. Santa Fe Trail System.

As already noted, Union Pacific Stage System has purchased the properties of Burlington Transportation Company, subject to the approval of the Interstate Commerce Commission. Burlington now operates a bus line from San Francisco and Los Angeles to Chicago. The line from San Francisco goes via Reno, and the line from Los Angeles via Barstow and Las Vegas, the two meeting at Salt Lake City. Burlington and Union Pacific Stages operate for the most part over the same highways on their main lines from Los Angeles to Salt Lake City, Cheyenne, Omaha, and Chicago. Between San Francisco and Salt Lake City, Burlington operates over the same highways as Greyhound.

Under the purchase agreement the present Burlington line from San Francisco to Salt Lake City will be discontinued, and the business turned over to Greyhound, while its other operations will be absorbed by Union Pacific Stages; and thereby, in practical effect,

the present Burlington Line will be suppressed. If this transaction is consummated, the number of major carriers connecting California with the East will be reduced to three, and the combined Greyhound and Union Pacific Stage Lines will have virtually the only stage service via the central gateways between California and the middle west and east.

In this event, however, there will not be three competitive agencies, because Greyhound and Union Pacific are in close affiliation, and have been since 1932, when the two companies came to an understanding and made arrangements which transformed their prior sharply competitive relationship into a virtual alliance. W. E. Travis, President of Greyhound, testified: "We did have competition with the Union Pacific and in the final analysis of it there was a merger."

Before 1932 Greyhound was operating in competition with Union Pacific from Los Angeles to Chicago via Salt Lake City, Cheyenne, and Omaha, and likewise from Salt Lake City to Portland. In that year an arrangement was entered into between Union Pacific and Greyhound, under which the latter's service on those routes was discontinued, its operating rights and other properties being transferred to Union Pacific.

As a part of the same arrangement, an agreement was entered into between the two interests on January 30, 1932, undertaking, through division of territory and preferential interchange of passengers, to divide transcontinental bus traffic exclusively between themselves, as far as possible. The parties to the contract are Union Pacific Stages, Inc., Union Pacific Stages of California, Interstate Transit Lines, and Interstate Transit Lines, Inc., (subsidiaries of the Union Pacific) on the one hand, and various Greyhound Lines (including Pacific Greyhound Lines) on the other. The objects and purposes of the agreement are to solidify the supremacy of the respective carriers signatory thereto and to effectively throttle any competition from outside agencies.

Southern Pacific and Subsidiaries.

The Southern Pacific was incorporated in 1884, and in 1885 it took over the operations of Central Pacific and Southern Pacific Lines, including the Ogden Route, and steamships of the Morgan Line operating out of New Orleans. In December, 1887, the line to Portland was completed. In March, 1901, the coast line was completed, and the Valley Route was placed in operation in 1876 by its predecessor. Fifty-four branch lines have been built or acquired, and nine extended into California. Southern Pacific's line to Santa Ana was built in 1877, prior to the time that the Santa Fe Railway was extended to that point. The Southern Pacific line between Los Angeles and Colton was built in 1874, and service into San Bernardino was commenced in 1888. Within recent years, Southern Pacific has built the Cascade Route through northern California and Oregon, the Phoenix line from Phoenix to Wellton, a complete double tracking over the Sierra Mountains, and other improvements of importance.

Southern Pacific, solely or jointly, exercises control over various affiliated companies. Southern Pacific, and its solely controlled subsidiaries, wholly own and operate more than 5,470 miles of railroad in California; and operates a system of rail lines over 13,000 miles in length extending from Portland, Oregon, and Ogden, Utah, to San Francisco, with lines over the Coast and Valley Routes between San Francisco and Los Angeles; through El Paso, Texas, to Tucumcari, New Mexico; and from El Paso, San Antonio, Dallas, and Houston, Texas, to New Orleans, Louisiana; and in addition, a line of railroad from Nogales to Guadalajara, Mexico. In addition to the rail lines, it operates 5,943 miles of steamship lines, from Galveston and Houston, Texas, and New Orleans, Louisiana, to New York City, Baltimore, Maryland, and Boston, Massachusetts.

The operations of Pacific Electric comprise 1,094 miles of rail lines and 200 route miles of motor coach auxiliary service, extending over a radius of 75 miles from Los Angeles. The territory served embraces four southern California counties.

Motor Transit conducts numerous passenger stage operations over 800 miles of improved highways in approximately the same territory served by Pacific Electric.

ANALYSIS OF EVIDENCE AFFECTING PUBLIC CONVENIENCE AND NECESSITY.

These proceedings comprise the most laborious and thoroughly contested struggle ever waged by opposing transportation agencies in the history of California regulation. Hearings were commenced March 3, 1936, and were ended June 25, 1937. The itinerary included San Francisco, Stockton, Merced, Fresno, Visalia, Bakersfield, Los Angeles, Long Beach, Santa Ana, and San Diego. One hundred and forty-six days were consumed in these hearings, during which time 584 witnesses were examined, 855 exhibits were received, and 17,205 pages of testimony adduced.

Every theory and principle of regulation, affecting passenger transportation by rail and bus, and multitudinous elements of management and operation known to such carriers, have been expounded in exhaustive minutiae in the testimony of transportation experts assembled from widely scattered points in America. This labyrinth of testimony, this maze of exhibits, and the thousands of pages of briefs favoring and opposing the applications of Santa Fe Transportation Company (the last of which briefs the Commission received on December 31, 1937), have completely exploited every phase and detail that could be gleaned from law, regulative experience, and

the history of rail and bus transportation; but, stripped of all unnecessary verbiage, one question stands in colossal relief against this myriad medley of claims and counter claims: Will the greater measure of public benefit result from the proposed Santa Fe service, even though it be competitive with the service of existing carriers, or from the preservation of the present status of the existing services, which are largely monopolistic in nature?

Viewed from the standpoint of the contestants, Santa Fe Transportation Company, with its parent, Santa Fe Railway, on the one hand, and Greyhound and its close relative, Southern Pacific, on the other hand, this case is a struggle wherein the first of these gigantic forces is striving to inaugurate a coordinated, integrated, far-flung rail-bus service extensively competitive with Greyhound and Southern Pacific, and the latter forces are grimly resisting any such competitive intrusion into the field of intrastate California passenger transportation which they now dominate in large measure by monopoly.

Public Witnesses and Public Interest.

The fact that Greyhound has produced 335 public witnesses, for the most part satisfied patrons, is not sufficient to disprove the testimony of the witnesses produced by Santa Fe Transportation Company. Through this latter group, many of whom are transportation experts, substantial commercial and civic bodies have stressed the need for the proposed Santa Fe⁽⁵⁾ coordinated service.

(5) Whenever the term "Santa Fe" is used in this decision, this term will denote both Santa Fe Railway and Santa Fe Transportation Company.

Santa Fe Transportation Company produced for the record 130 resolutions adopted by as many different public bodies and organizations, all of which favored said applicant's proposals. Each of these public bodies presented their respective resolution through the medium of a witness whose testimony favored in varying degrees the granting of the certificates sought by said applicant.

In addition to this showing, Santa Fe Transportation Company presented 193 public witnesses who were representative of all sections sought to be served, and who were identified with many civic organizations, industries, and activities throughout said territory. All sections, however divergent their interests and vocations appear, are united in expressing their demand for this contemplated service.

From this mass of testimony and evidence may be gleaned the following abstract, which succinctly epitomizes the views and conclusions of these public witnesses:

The coordinated rail and bus service offered by Santa Fe is in the public interest for the following reasons:

1. It will afford an improved transportation service, with modern and attractive equipment, throughout the entire territory proposed to be served.
 - a. The increased service represented by the additional schedules will add substantially to the convenience of the traveling public.
 - b. The streamline trains to be operated between the San Francisco Bay district and Bakersfield will provide a more expeditious, convenient, and comfortable passenger train service than has heretofore been furnished to the communities within that area.
 - c. The joint rail and bus service, between northern California and southern California by way of Bakersfield, will afford a saving of at least four hours in travel time under existing rail schedules by way of the San Joaquin Valley; and a saving of at least three hours and thirty minutes in travel time under the fastest limited bus schedules now operated between these territories.
 - d. The proposed service between Hanford and Porterville, and between Bakersfield and Barstow will be of advantage to these particular territories, which are now without adequate and convenient service.

- e. The equalization of rail and bus fares and the interchangeable tickets, together with the unlimited stopover privilege, will insure a flexibility and convenience which will be of particular advantage to the travelling public.
2. It will afford reasonable and effective competition in the furnishing of passenger service between the points proposed to be served, whereas no such effective competition now exists.
 - a. Competition on the part of strong and well managed transportation companies is a valuable public asset, because it affords assurance of reasonable rates and adequate and constantly improving service, fully responding to the needs and desires of the public.
 - b. No substantial and growing community is willing to be dependent upon a single transportation concern for either freight or passenger service. Every community finds it desirable and advantageous to publicize the character and extent of its transportation facilities.
 - c. The assurance of active competition in passenger traffic will promote further improvements in service on the part of the applicant and the existing carriers alike.
 - d. The existing and potential passenger travel between northern and southern California, and likewise between the communities proposed to be served in the San Joaquin Valley and in Southern California, is too large to permit or justify a virtual monopoly in either rail or highway transportation.
3. The reduction in the rates of fare to a basis of $1\frac{1}{2}$ cents per mile, based upon shortest mileage by rail or highway, or a combination of the two, representing a reduction of at least 25 per cent below the fares generally maintained by existing bus carriers as of the time when the applications were filed and substantially below those now in effect, will produce a material reduction in the cost of transportation and will promote the return of passenger travel from privately owned automobiles to common carrier service.
4. Adequate and satisfactory common carrier service for the transportation of passengers is in the public interest. The point of saturation has not been reached in the transportation of passengers by common carriers in this State. The provision of additional service, effectively coordinated and integrated between the railroad and the highway, will result in a general increase of all travel to all of the common carriers.
5. It will stimulate passenger travel generally, to the benefit of trade and industry in the several communities to be served.

6. The provision of a superior and economical transportation service into and through the San Joaquin Valley will promote travel, particularly on the part of visitors or tourists, into or through that area, and will thereby foster the growth and prosperity of San Joaquin Valley communities. The existing service between northern and southern California via the San Joaquin Valley is generally inferior to the service via the Coast Route.
7. It will permit a major carrier who has been in the field for many years to establish under single control and operation an improved and augmented passenger service.
8. It will connect two divided segments of the main line of Santa Fe Railway between Bakersfield and Los Angeles by eliminating the circuitous route via Barstow in so far as passenger traffic is concerned.
9. It will insure the direct and continuing interest of a strong transportation company in the welfare and growth of the communities to be served.
10. The deficits heretofore incurred by Santa Fe Railway in the conduct of its intrastate passenger service will be curtailed and may ultimately be replaced by operating profits, thereby removing a part of the burden of transportation costs now resting upon the freight service.
11. It will facilitate an improvement in the interstate bus service of Santa Fe Trail System, and will thereby bring more travelers into California.

It is noteworthy that six briefs were filed herein, following the submission of these matters, in support of the granting of the four applications of Santa Fe Transportation Company. We list them in geographical order:

1. Brief for intervener, City and County of San Francisco, amplifying the position of this City's Board of Supervisors. (6.)

(6) We quote from brief of the City and County of San Francisco:

"The San Joaquin Valley is California's largest and most important area for the production of agricultural products, live stock and oil. The Valley is already highly developed and contains such important centers for its various industries as Stockton, Manteca, Modesto, Turlock, Merced, Madera, Fresno, Hanford, Visalia, Tulare, Porterville and Bakersfield. Beyond the Valley lies Los Angeles and the most heavily populated area on the Pacific Coast. San Francisco is the financial, industrial and commercial center for the San Joaquin Valley and its cities. The importance of adequate facilities for the transportation of passengers from San Francisco to the business centers of the Valley and to Los Angeles cannot be exaggerated. The volume of traffic now carried between these communities is already large. Undoubtedly it will be much larger when cheaper, faster and more convenient transportation is provided. Cheaper, faster and more convenient transportation is not to be anticipated except through the compelling force of competition. Regulation can never be a complete substitute for competition of this kind. Only the stimulus of competition between carriers will induce them to use their own efforts to furnish to the public the best facilities and the best service at the lowest cost. What is here involved is California's largest and most important stream of intrastate passenger traffic. The public is entitled to have the facilities for this traffic developed to the fullest extent.

With the growth of highway transportation in recent years a supplementary stage service has become a necessary adjunct to a great rail carrier in order that it may maintain a strong position in the field of passenger transportation. The Santa Fe will never be in a position to compete effectively for California's intrastate passenger traffic until it can offer a combined rail and bus service similar to that supplied by the Southern Pacific in conjunction with the Pacific Greyhound. Granting of the applications will enable the Santa Fe to establish itself as a strong competitor for this traffic and by so doing benefit the City of San Francisco, the cities of the San Joaquin Valley and the California public in general."

2. Brief for intervener, San Francisco Chamber of Commerce. (7)
3. Brief for intervener, Oakland Chamber of Commerce. (8)

(7) We quote from the brief of the San Francisco Chamber of Commerce:

"According to the 1930 census the population of the City and County of San Francisco was 634,394. This was an increase of 124,603 over the census figures for 1920. The population of the San Francisco metropolitan area as it is commonly termed, was 1,578,000 in 1930 and is estimated today at 1,898,093.

San Francisco is the leading port of the Pacific Coast, ranking second only to New York in the tonnage and value of its waterborne commerce.

San Francisco is the financial center of the Pacific Coast. There is located there the Federal Reserve Bank of San Francisco, the headquarters of the Twelfth Federal Reserve District, ranking third in the volume of business done in 1935, as measured by bank debits.

San Francisco has 22 banks, 6 of which rank among the first 50 banks of the nation. The fourth largest bank in the United States has its headquarters here. Four of these banks are engaged in branch banking, operating a total of 516 branches throughout the state."

(8) We quote from the brief of Oakland Chamber of Commerce:

"The Oakland Chamber of Commerce, representing a complete cross-section of all civic, industrial, and commercial interests in the city of Oakland and the adjacent communities, including the cities of Alameda, Albany, Berkeley, Emeryville, Piedmont, and San Leandro, maintains a special department whose function it is to carefully study what the public interest requires in connection with transportation problems and to endeavor to bring about solutions in accordance therewith. Its Board of Directors, after giving the applicant's proposal the most careful and thorough consideration, formally acted thereon by means of an appropriate resolution authorizing and directing the support of the proposed service by intervening in these proceedings, the appearance at the hearing and the introduction of testimony. . . .

This intervener believes and urges that the welfare of the state of California, its several communities and citizens will be greatly benefited by the granting of the applications herein. It will be our purpose to present the facts and the arguments which support that conclusion, particularly from the standpoint of Metropolitan Oakland's interest, and to that end will our brief be directed

In the Metropolitan Oakland area live approximately 471,000 people."

4. Brief for intervener, Stockton Chamber of Commerce. (9)
5. Brief for intervener, Bakersfield Chamber of Commerce. (10)
6. Brief for intervener, City of San Diego, County of San Diego, and San Diego Chamber of Commerce. (11)

(9) We quote from brief of Stockton Chamber of Commerce:

"The railroads have practically driven their potential passengers away, and the Santa Fe has been as much at fault as its competitors.

But the position taken by the Stockton Chamber of Commerce is this: That the light has finally dawned on the Santa Fe, and it should be encouraged to augment its service to the end that it could lure back a large number of people who had been practically forced to use their own automobiles, with a resultant improvement of service to the people living in the various communities served by it. And with improved service, increased profits would necessarily follow, rendering probable still further improved service which would more directly benefit the people of the City of Stockton."

(10) We quote from brief of Bakersfield Chamber of Commerce:

"It is the belief of the Bakersfield Chamber of Commerce that the present passenger train service into and through the San Joaquin Valley is inadequate, and that an enlarged and improved service will be in the public interest. This improvement apparently can only be obtained by effective competition, and the granting of the Santa Fe applications is necessary to bring about such effective competition.

... Kern County stands as the fourth richest county in the State of California, being exceeded only in assessed valuation by the metropolitan areas of Los Angeles, San Francisco and Alameda Counties. The population of Kern County, which stood at 82,000 in 1930, probably is in excess of 120,000 at the present time. These figures are self-evident when it is considered that in 1936 there were 45,434 registered voters in Kern County, whereas in 1930 there were but 31,861. The United States census of 1930 indicated that Bakersfield had a population of 26,000 people, while in this year the California Water Service Company serving Bakersfield area, reported that they are supplying water to more than 50,000 people.

Kern County ranks with Los Angeles County as the largest producer of petroleum products in the state. It leads California in the production of potatoes and gold."

(11) We glean the following facts from said brief: San Diego township now has a population of 240,000; a Naval Base is located opposite San Diego Harbor; this community will afford an improved transportation service to northerly and easterly points; two complete and well rounded competitive services are needed to provide the traveling public with an adequate and sufficiently improving transportation service; present Santa Fe Railway service without an auxiliary bus service, competitive with Greyhound, remains insufficient, and will lack the necessary frequency and flexibility to place the Santa Fe service on a competitive parity with Greyhound; proposed interchangeability of Santa Fe tickets is in the public interest; there is pressing need for Santa Fe bus service linking Santa Fe rails at Los Angeles and Bakersfield and thereby shortening the travel time between San Diego and San Francisco by 4 hours and 20 minutes; the proposed lower fares will afford a needed stimulation to travel.

In addition to the foregoing Cities, other communities urged the granting of Santa Fe's applications.

The testimony of Mr. H. G. Butler, engineer and transportation expert called by Santa Fe, may be thus summarized:

1. The service proposed by Santa Fe offers the frequency and flexibility which are required by the modern traveler and which other railroads are meeting in somewhat the same manner.
2. In order to divert traffic from the private cars, high speed trains are required for through service between the principal cities, while for local service there is required a frequency and elasticity which can best be furnished by the bus.
3. The fastest practicable travel between northern California and southern California via the San Joaquin Valley Route is by streamline train from San Francisco to Bakersfield and by bus from Bakersfield to Los Angeles.
4. It would not be practicable for the Santa Fe to furnish a satisfactory, well-rounded, and thoroughly competitive passenger service by means of trains alone. The excessive cost of operating the trains would preclude reliance upon train service alone. If a bus has sufficient capacity to care for traffic available for a particular schedule, it would be an economic waste to resort to train service; the record presents evidence that indicates that the main bus service proposed in these applications can be rendered at one-fifth the cost of rendering a parallel service by a steam passenger train of three cars.
5. Conversely, the program of increased and improved passenger service would not be entirely satisfactory if the expedited train schedules were eliminated and the additional service were to be provided by means of motor buses only. The high-speed trains are necessary in order to carry out the complete plan and to offer to all types of travelers the particular service which they desire.

A. D. McDonald, President of Southern Pacific, testified that the rail carrier must offer an auxiliary bus service if it is to hold its proper place in the travel field. He also said:

"As a practical matter the rail carriers cannot provide passenger train service of sufficient frequency to overcome the advantages which the bus carriers have with their greater frequency."

Mr. Bledsoe has summarized the reasons which satisfy him as to the practicability of the proposed coordinated rail and bus service as follows:

"Some of the reasons are as follows: Because of the convenience in picking up and discharging passengers at numerous points other than established depots; second, because of their flexibility in operation, responsive to flexibility of different highway routes; third, because of the economy of operation, and this is particularly marked with respect to the smaller units of traffic. Groups of 40 passengers or less can be handled most conveniently and economically in one or two buses. When a larger group is to be carried as, for example, 200 passengers, the service by rail is probably the more economical. Thus, the train and stage each has its proper field. The train excels for mass transportation, while the stage service can be employed more profitably where the traffic on a given route or at a given hour is too light to justify train service. Fourth, because of better frequency of service. Fifth, because of preference for highway transportation on the part of a substantial proportion of the traveling public. Sixth, because of the complementary character of rail and stage operations when both are being conducted under common management and control."(12)

Engineers have testified in behalf of Santa Fe Transportation Company that the aggregate investment required to inaugurate the proposed bus service will be \$650,111. In addition to pledging all money that is necessary to fully implement said bus service, Santa Fe Railway has pledged in this record the expenditure for a coordinated streamline train equipment exceeding in cost \$1,000,000.

(12) This record shows that railroads have found the wisdom and profit in maintaining attractive and satisfactory passenger services. Recent years have demonstrated that the lifeblood of railroad operations has generally been supplied from freight revenue. Railroads throughout the country are cognizant of the fact that the success of their freight operations is directly affected by the attractiveness of their passenger operations. Railroad executives recognize the importance to any great railway system to keep, in the most vital and attractive manner possible, its passenger service. Said railways have found that the operation of a satisfactory passenger service engenders the appreciation, good will, good public relations, and the patronage of the shippers of freight residing in the communities served. This vital stimulation enhances the flow of freight traffic to such an extent as to make frequently the entire railway operation profitable.

The system costs of operation of Greyhound in both 1935 and 1936 are a little below 20.5 cents per bus mile. The Santa Fe Trail Stages, Inc. operated at a cost of 19.21 cents per bus mile in 1935, and 20.97 cents in 1936.

From all the testimony that was adduced on the question of operating costs per bus mile we may reasonably conclude that 20.5 cents per bus mile is a figure sufficiently high as to afford reasonable safety factors in calculating the outcome of the proposed bus operation of Santa Fe Transportation Company.

The most convincing testimony that was offered would indicate that said operations would experience a weighted average load factor of 51 per cent, and similarly indicates the likelihood of an average yield rate of 1.3 cents per passenger mile. These figures would justify the conclusion that said operations would realize an average passenger revenue of 23.6 cents per bus mile. This is a weighted average figure, and when applied to the aggregate operation proposed by Santa Fe Transportation Company amounting to 2,963,070 bus miles per annum, the resultant annual revenue produced is \$701,559.

The actual result, however, in terms of profit or loss, will only be determined by experience. The figures hereinabove set forth appear to be the most reasonable prognostications offered during this case.

It is also worthy of note that this project is not in the nature of a public promotion. The applicant does not ask leave to sell stock or other securities to the investing public. The Commission is therefore not charged with the special protective responsibilities which are attached to orders authorizing financing operations. The resources and the credit of Santa Fe Railway, with its unquestioned financial responsibility, have been expressly pledged to the accomplishment of this enterprise. The applicant

will depend, as it has thus far depended, upon Santa Fe Railway for the moneys required to finance its bus undertaking and to insure the conduct of its operations.

This Commission and the Interstate Commerce Commission have granted certificates of public convenience and necessity in many instances where the public interest is best subserved and the carrier ready, able, and willing to sustain any losses resulting from the rendition of the contemplated service. Scores of cases could be cited, but one will suffice to illustrate this principle. We quote from: Construction of Lines by Wenatchee Southern Railway Company, 90 I.C.C. 237 (1924).

"Ability to earn is not the sole test of public convenience and necessity, although always a factor to be given consideration. . . . When it is established, however, that a project will render important public service, and its sponsors are willing to assume the risk of loss in the expectation of ultimate gain either directly through the property or indirectly through benefits to themselves and to the shipping community, the requirements as to the public interest may be fully satisfied, although losses to investors seem more probable than gains. . . . Where only the private aspect is involved, individuals are at liberty to take risks. . . . Our approval of a new enterprise neither constitutes nor requires a finding that such enterprise will prove successful. . . . Prospective earnings or losses may properly be considered as one of the factors evidencing the public interest, but, taken alone, do not determine whether a particular enterprise is or is not required by public convenience and necessity."

Connecting Link.

Witnesses for both of the major protesting carriers have taken occasion to emphasize the preference of travelers for the Coast Route and to disparage the desirability of the Valley Route. But these protesting carriers have conflicting interests and cannot be expected to put forth their best efforts in furtherance of a superior service by way of the San Joaquin Valley. Santa Fe will have a single interest in the San Joaquin Valley route, and for that reason can concentrate its efforts on developing the greatest possible volume of travel for its proposed service.

This record impels the conclusion that rail service into and through the San Joaquin Valley was, and still is, limited in volume and indifferent in quality. The Southern Pacific service through its Valley Route is admittedly inferior to the standard attained by Southern Pacific on its Coast Route. We think that it must be recognized that the existing train service within and through the San Joaquin Valley, including both that of Southern Pacific and Santa Fe Railway, falls short of meeting the requirements and desires of the public.

The program advanced by the applicant establishes a rail and bus service between northern and southern California by way of the San Joaquin Valley not only appreciably faster than any existing all-rail schedules, but likewise faster than any through train schedules possible in the future over the somewhat badly handicapped rail lines.

One of the best examples of the proposed Santa Fe service is in the use of buses over the Ridge Route as a cut-off between Los Angeles and Bakersfield. Between these two points, the Santa Fe Railway mileage is not only 282 miles, but involves the crossing of two mountain ranges, while that of Southern Pacific is 172 miles, and for a considerable portion of the way through a difficult terrain over the Tehachapi Mountains. By the Ridge Route, a modern, high-speed highway, the distance is 112 miles. The fastest train time between the two points, afforded by Southern Pacific, is 5 hours and 25 minutes. By bus it is 3 hours and 15 minutes, a saving of 2 hours and 10 minutes. Buses over the Ridge Route will connect with all Santa Fe Railway trains arriving at or departing from Bakersfield. One of these schedules will extend south through to San Diego, while the others will connect at Los Angeles with rail or bus schedules to that point.

Santa Fe Contention.

Santa Fe Railway and Santa Fe Transportation Company have rested their four applications primarily upon the public benefits which they claim to be inherent in their proposed program.

Secondarily, Santa Fe has contended that Greyhound has failed to discharge its duties to the public upon three counts, to wit:

1. Greyhound's service was inadequate on October 8, 1935; (13)
2. Greyhound's fares have been arbitrarily and unreasonably high;
3. Greyhound's earnings have been excessive, and have been based upon Greyhound's claim to earn a return upon an exaggerated rate base.

Inadequacy.

We will consider these three contentions in the order above outlined. As to the inadequacy of the Greyhound service, many transportation experts and public witnesses have testified in behalf of Santa Fe, criticizing the existing Greyhound service from the standpoint of schedules and fares. It is reasonable to conclude from this record that the practical bus monopoly that has been enjoyed by Greyhound has deprived the public of an accurate and sufficient appreciation and knowledge of the full measure of advantages that should really characterize an altogether satisfactory and adequate bus service. Protests and complaints against existing conditions are minimized where they are confined to a field which remains free from all the comparatively better conditions that are wrought through the stimulation of competition. More than 3½ million people, who reside in the territory served by Greyhound, and proposed to be served by Santa Fe, have only the single standard of advantages inherent in Greyhound bus service

(13) Santa Fe Applications 20170-3 were filed with this Commission, October 8, 1935.

with which to measure their approval. We believe the exigencies of this territory both warrant and deserve effective bus competition. Likewise, we believe this territory is sufficient to support effective bus competition. Accepting these premises, the conclusion is inescapable that the existing Greyhound bus monopoly discloses a condition in passenger transportation which is neither satisfactory nor adequate.

We must judge the Greyhound service as of the day Santa Fe Transportation Company knocked on the door, October 8, 1935. We are impressed with the marked rejuvenation in the Greyhound service that was inaugurated shortly after this date. The following tabulation is illustrative:

<u>From</u>	<u>To</u>	<u>Daily Schedule Oct. 8, 1935.</u>	<u>Daily Schedule June 21, 1937.</u>
San Francisco	San Joaquin Valley Points	11	18
Oakland	San Joaquin Valley Points	9	18
San Francisco	Stockton (via Tracy)	4	8
San Francisco	Stockton (via Martinez)	1	2
San Francisco	Los Angeles (via San Joaquin Valley)	6	8
Stockton	San Joaquin Valley Points	8	12
Fresno	Los Angeles	10	14
Los Angeles	Fresno (via Visalia)	1	3
San Diego	Los Angeles (via La Jolla)	3	5
Los Angeles	San Diego (via La Jolla)	3	5

Before October 8, 1935, most of Greyhound schedules between San Francisco and Los Angeles via San Joaquin Valley required more than 14 hours in transit. The fastest schedule required 13 hours and 20 minutes. The first limited Greyhound parlor car schedule between San Francisco and Los Angeles was established on August 21, 1936, or more than 10 months after the filing of the pending applications. This schedule maintains a running time of 13 hours and 5 minutes, which is 3 hours and 30 minutes longer than the proposed Santa Fe service by streamline train and bus.

Further illustrating the stimulating effect which these applications have had upon Greyhound service, a statement reflecting the bus miles of the respective carriers involved becomes appropriate. Santa Fe Transportation Company propose herein schedules which aggregate 2,972,706 bus miles a year. Greyhound operated 30,550,742 bus miles in 1936. This immense operation was 4,500,000 more bus miles than Greyhound operated in 1935. Most of this increase was confined to California operations. It is further significant that the number of passengers handled by Greyhound service from San Francisco to Stockton via Martinez increased from 6,816 in the first half of 1936 to 16,917 in the second half of 1936.

Southern Pacific, likewise, increased and improved its rail coach service between San Francisco and Los Angeles not long after October 8, 1935, by adding a new fast train between San Francisco and Fresno, designed for expeditious service between the Bay region and points in the upper San Joaquin Valley between Lathrop and Fresno, and by substantially shortening the running time of several of its Valley trains. These improvements in Greyhound and Southern Pacific services justify the conclusion that there was room and need for more satisfactory and adequate schedules into and throughout San Joaquin Valley on October 8, 1935.

At no time have Greyhound and Southern Pacific offered a parity of fares and interchangeability of tickets, one with the other, between points served by each and within the territory sought to be served by Santa Fe Transportation Company. At no time have Greyhound and Southern Pacific been willing to coordinate and integrate their services in this territory so as to afford the public the advantages that are offered in the Santa Fe applications. The great preponderance of the testimony of traffic experts and public witnesses impels the conclusion that public interest would be best subserved by a coordinated and integrated rail-bus service, based upon parity of fares and interchangeability of tickets. Such a service is proposed by Santa Fe. To the full extent that Greyhound and Southern Pacific have failed to render such a service they have failed in the discharge of their duties to the public, and their operations have been to that extent unsatisfactory and inadequate.

Fares.

Santa Fe contend that, prior to October 8, 1935, Greyhound maintained arbitrary and unreasonable fares along the heavily traveled route proposed to be served by Santa Fe between San Francisco and Los Angeles. Conspicuous among the illustrations cited is the one-way fare of \$3.40 previously maintained by Greyhound between Bakersfield and Los Angeles, a distance of 112 miles. The record reveals a large volume of testimony which is severely critical of this admittedly high and arbitrary fare. (14) Mr. W. C. Travis, Greyhound's President, made two attempts to justify this fare. He first explained that road conditions and topography of the country were responsible. When he

(14) Mr. L. D. Jones, General Manager and Acting Traffic Manager of Greyhound, testified: ". . . let me state this, that is an arbitrary rate in there between Bakersfield and Los Angeles, there is no question about that."

later appeared upon the stand, he stated that he feared reprisals by Southern Pacific through the medium of a "rate war," and, therefore, maintained this high rate to preserve harmony with said railway. The Southern Pacific fare between Bakersfield and Los Angeles over its comparatively circuitous route was \$3.44. This is further evidence of the fact that Southern Pacific and Greyhound have failed in the discharge of their duties.

The maintenance of this high fare between Bakersfield and Los Angeles commanded a strategic force in maintaining a relatively high fare structure between Los Angeles, and points south, on the one hand, and Bakersfield, and points north, on the other hand.

Greyhound filed tariffs, effective July 1, 1936, naming lower fares in accordance with a sliding scale as follows to wit:

Up to and including 50 miles	2.0¢ per mile
Over 50 but not over 100 miles	1.9¢ per mile
Over 100 but not over 200 miles	1.8¢ per mile
Over 200 but not over 300 miles	1.7¢ per mile
Over 300 but not over 400 miles	1.6¢ per mile
Over 400 miles	1.5¢ per mile

Later provision was made for a mileage book to sell for \$10, good for 700 miles, giving Greyhound a yield of 1.42¢ a mile.

The following tabulation presents graphic advantages of fares proposed by Santa Fe, affords adequate illustration of their effect upon recent Greyhound reductions, and reflects the comparatively high rate structure originally maintained by Greyhound.

COMPARISON OF ONE-WAY FARES

	1. Santa Fe Pro- posed	2. Greyhound as of June 30, '36.	3. Greyhound as of July 1, '36.
From: San Francisco	\$	\$	\$
To:			
Pittsburg74	1.10	1.10
Stockton	1.26	1.70	1.70
Modesto	1.38	2.00	1.85
Merced	1.95	2.75	2.45
Fresno	2.79	3.80	3.45
Tulare	3.39	4.50	4.05
Bakersfield	4.32	5.70	5.05
Los Angeles	6.00	8.00	6.25
Oceanside	7.25	9.50	7.50
San Diego	7.80	10.25	8.05
From: Los Angeles	\$	\$	\$
To:			
Bakersfield	1.68	3.40	2.05
Tulare	2.61	4.65	3.15
Fresno	3.21	5.00	3.75
Merced	4.05	5.75	4.70
Manteca	4.88	6.50	5.30
Oakland	5.93	8.00	6.05
Oceanside	1.25	1.70	1.70
San Diego	1.80	2.50	2.25

Beyond all question, the reduction by Santa Fe Transportation Company of more than 50 per cent in the previously existing fare between Los Angeles and Bakersfield, of some 36 per cent in the fare between Los Angeles and Fresno, of over 24 per cent in the fare between San Francisco and Bakersfield, and of 25 per cent in the fare between San Francisco and Los Angeles, must be recognized as of sufficient moment to be of positive value to those who seek common carrier service.

Greyhound earnings in the Los Angeles-San Diego zone amount to 30.98 cents per bus mile. This revenue exceeded the system average revenue from regular operations by nearly 4 cents per bus mile.

That these earnings were highly satisfactory can hardly be questioned. The yield per passenger mile is recorded as 1.38 cents, appreciably below the system average from regular operations reported as 1.56 cents per passenger mile. It is obvious that at a yield rate of 1.25 cents per passenger mile the earnings would still be impressive.

The conclusion is indicated that the low round trip fare of \$2.50 forced by the action of Santa Fe Railway has been the occasion of no appreciable detriment to Greyhound in this zone as far as earnings per bus mile are concerned.

Greyhound and Southern Pacific have defended against the position taken by Santa Fe on the question of fares by asserting: Greyhound and Southern Pacific fares have been and are reasonable. To the extent that the fares of common carriers are unjust, discriminatory, and unreasonable, the remedy lies through the medium of corrective regulation to be invoked by this Commission.

As a defensive measure against these four applications of ~~the~~ Santa Fe Transportation Company, and with the specific intention of meeting the question of rates, Greyhound, as complainant, filed with this Commission, on February 28, 1936, Case No. 4112, under Section 32 (c) of the Public Utilities Act, and joined as parties defendant thereto all rail, bus, and steamship common carriers directly or remotely concerned with the outcome of these proceedings. Greyhound therein alleged:

" . . . there is a lack of uniformity between the rates and charges of complainant as established by its tariffs on file with the Commission and the rates and charges of defendants or proposed by defendants for comparable service between the same points in said territory where complainant and one or more of the defendants are furnishing service or proposing to furnish service in competition with each other, and the preservation of adequate public service requires and the public interest demands that the Commission fix and determine just, reasonable, and sufficient rates or fares for all such carriers, including

complainant and defendants for comparable services in said territory and to prescribe uniform rates, fares, and charges in such cases as the Commission may find such uniformity necessary for the preservation of adequate service and the public interest so demands,"

On March 18, 1936, Greyhound filed its supplemental complaint in Case No. 4112, under Section 32 (b), 32 (c), and 33 of the Public Utilities Act, and therein alleged:

". . . . that satisfactory through routes or joint rates and fares for transportation of passengers and their baggage do not exist between Complainant and rail carriers parties defendant hereto, particularly as to operations of defendants, Atchison, Topeka & Santa Fe Railway Company, and Southern Pacific Company, and that the public convenience and necessity may demand the establishment of through routes and joint rates and fares between points served by Complainant and said defendant rail carriers respectively."

It is significant that Greyhound has supplicated this Commission to require "satisfactory, through routes or joint rates and fares for transportation of passengers" as a regulatory means of correcting an unsatisfactory condition which, it alleges, now exists between common carriers.

Greyhound and Southern Pacific further contend that the program of coordinated rail and bus service at reduced fares as proposed by Santa Fe Transportation Company will result in large inroads into their revenues with a consequent impairment of their ability to render satisfactory service in California.

It appears that protestants' apprehensions in regards to the severity of revenue losses concomitant with institution of the proposed fares at $1\frac{1}{2}$ cents per mile are, to a great extent, unfounded. There undoubtedly will be some diversion from the existing carriers to the facilities of Santa Fe under the proposed plan. However, that diversion should not be amplified unduly without giving consideration to the stimulation of existing traffic to a greater degree of movement by reason of the increased service and more attractive fares,

as well as the creation of traffic which has heretofore not been enjoyed by any common carrier.

Before the automobile came into general usage, railroads enjoyed practically a monopoly of passenger transportation. It should not be taken for granted that the rapidly increasing number of private automobiles in recent years has resulted in a proportionate rapid diversion of rail and bus passengers. The automobile has provided a means of travel to many persons who did not travel at all prior to its introduction. It has broken down the barriers of distance, and developed to a high degree the general riding habit.

As a consequence of the rapid development of the automobile, some diversion of patrons from mass transportation facilities has occurred. However, considering total passenger miles travelled including rail, bus, and private car, the increase in the latter was by far greater than the decrease in the two former.

Exhibit No. 36 entitled "Hale's Chart of Passenger Miles" sets forth the trend of passenger miles travelled by means of the various modes of transportation from the year 1890 up to 1934, including steam railroads, electric railways, pullman cars, common carrier buses, and private automobiles. The tremendous growth in private automobile passenger miles, as shown by that chart during the decade 1920 to 1930, dwarfs into insignificance the total passenger mileage handled by all other means during that period. Inasmuch as that chart applies to the United States as a whole, undoubtedly if a similar chart were drawn to show the same information for the State of California, the phenomenal growth of private automobile passenger miles would be greatly accentuated.

The chart shows conclusively that the private automobile opened a source of passenger miles not previously touched by mass transportation facilities, thereby developing a tremendous potential field for mass transportation agencies, if those agencies can find a

way to provide comfort, convenience, and appeal, through the medium of their facilities, comparable to that provided by the private automobile. It would be beyond the realms of reason to expect all of these automobile passenger miles to be susceptible of diversion to mass transportation facilities.

The witness Butler testified that if 7 or 8 per cent of the travellers now using private vehicles could be diverted to buses, the volume of bus business would be increased by 100 per cent.

Indicative of the possibilities of expanding transportation in California are the revenues earned by Greyhound itself during the years 1934, 1935, and 1936, for the system, and for California alone, as shown by the following table:

<u>GREYHOUND REVENUES</u>			
<u>Entire System</u>	<u>Revenue</u>	<u>Amount</u>	<u>Increase</u> <u>Per cent</u>
1934	\$6,056,053.39	\$	
1935	7,172,429.34 . . .	1,116,375.95 . . .	18.4
1936	8,249,125.05 . . .	1,076,695.71 . . .	15.0
<u>California</u>			
1934	4,101,541.20		
1935	4,904,955.65 . . .	803,414.45 . . .	19.6
1936	5,690,752.69 . . .	785,797.04 . . .	16.0

In its zone between San Francisco and Los Angeles via the San Joaquin Valley, Greyhound operated in excess of 56 million seat miles in the second six months of 1936, as compared with 38 million seat miles operated in the second half of 1935, an increase of nearly 50 per cent, and in spite of the general reduction of fares made by Greyhound on July 1, 1936, its passenger revenue in this zone grew from approximately \$380,000 in the second half of 1935, to approximately \$500,000 in the second half of 1936, an increase of approximately 32 per cent. Despite the reduction in fares in this zone,

which were more substantial than generally throughout the system, the revenue per bus mile suffered only a slight decline from 32.57 cents in the second half of 1935 to 31.14 cents in the second half of 1936.

Greyhound estimates that the proposed Santa Fe operation will produce \$359,525 annually in revenue. It further contends that the entire amount will be composed of diverted Greyhound business. At a parity of fares as between bus and rail, in accordance with the Santa Fe proposal, Greyhound contends that its lines will lose, through diversion of patronage to Southern Pacific, an annual amount far in excess of the total estimated Santa Fe revenue of \$359,525. Southern Pacific estimated the annual revenue of Santa Fe's proposed operation to be \$319,900 of which \$169,900 would be diverted from Greyhound, \$100,000 from Southern Pacific, and \$50,000 would be realized from new business. These two major protestants are at great variance in their estimates of Greyhound diversions to Santa Fe. Southern Pacific estimates it to be \$169,900 and Greyhound estimates \$359,525.

In addition to the loss of Southern Pacific revenue through diversion, in amount of \$100,000, Mr. McGinnis estimated a further loss of \$746,000 annually from the proposed rate reductions, thus reducing Southern Pacific earnings by a total amount of \$846,000.

The reasoning upon which Southern Pacific bases its estimate of the \$746,000 loss due to fare reductions, is not persuasive. It seems to proceed upon the assumption that the reduction in passenger coach revenue will be directly proportionate to the reduction in the basic rate of fare.

It should be borne in mind that while rail coach fares in California are constructed nominally at a basic rate of 2 cents per mile, the exceptions are so numerous as to constitute a material qualification. Southern Pacific has followed the practice of publishing severely reduced fares for round trips, party travel, and other

special service. The cumulative effect of all these special fares has become manifest in the average yield rate. Mr. McGinnis presents the facts which show that in 1935 the average yield per passenger mile in the southeast, with a basic coach fare of $1\frac{1}{2}$ cents per mile, was 1.73 cents. For the same year, the average yield to Southern Pacific in California, including intrastate and interstate traffic, was 1.49 cents, and for intrastate traffic alone 1.56 cents. Mr. McGinnis sets forth the reasons for this seeming paradox as follows:

"We have in round-trip fares and party fares many more in California than they have in the southeastern territory, and for that reason their average yield per mile is higher than it is in the west, in California."

The lesson would seem to be clear that by reasonable adherence to a relatively low basic rate in constructing fares the average yield per passenger mile may be higher than the yield obtained with a higher basic rate but with more extensive exceptions.

There appears to be no evidence of record that would indicate the jeopardizing of Greyhound's ability to earn a reasonable return upon its investment as a result of the institution of the Santa Fe program. Greyhound appears to have proceeded upon the fallacious assumption that there is a more or less static volume of passenger traffic moving by the facilities of common carriers which will not be increased by enlarged and improved service, reductions in fares, more intensive solicitation of traffic, continued improvement in general economic conditions, and increases in population; and that, hence, any

business enjoyed by the new Santa Fe service will be taken from the carriers now in the field.

Mr. Bledsoe in his testimony stated:

"There is too much ahead for California to assume that the pioneering era is gone, . . ."

Mr. Travis testified:

" . . . demand for transportation in California and the San Joaquin Valley is growing. New lands are being developed, new communities are being established, and the population will naturally increase. This means a greater demand for transportation."

Travel in California has by no means reached the point of saturation. The possibilities of the expansion of travel are strikingly illustrated by the history of the development of the private automobile since 1920, as heretofore discussed. We quote at this point an excerpt from the report of the Section of Transportation Service of the Federal Coordinator of Transportation submitted in this proceeding as Exhibit No. 8, as follows:

"In 1920, the average travel of every inhabitant of our country was 500 miles per annum. In 1929, it was over 2000 miles; in 1933, about 1700 miles per year, only 130 of which were by rail. Within less than a decade, American travel desires and habits were quadrupled, and at the end of four years of depression, were still more than three times as great as they were prior to the automotive era. An assumption that the travel market is now fully explored is of the same caliber as a similar assumption would have been in 1920. Travel desire once aroused is rarely, if ever sated. If the carriers can design a still more attractive service, offer it at a still cheaper price, and promote its sale by modern methods, they should arouse a new carrier travel market in volume greater than that formerly handled by them without seriously affecting the volume of automobile travel." (Emphasis supplied).

The witness McDonald conceded that the present users of private automobiles can and will be attracted by the proposed service with its improvements of facilities and its reduction in fares.

Mr. L. D. Jones, General Manager of Greyhound, regarded reduction in fares as the chief factor in winning back millions of potential passengers now travelling by private automobile, and stressed that there is no question but that a reduction in rates is the most powerful influence toward bringing back the patronage that has gone to the private automobile.

We recognize the question of fares as being one of the very important issues in these proceedings. The general principle which is observed in fixing passenger fares by rail and bus involves three elements: (1) cost of service; (2) value of service; (3) competitive conditions.

The cost per seat mile as disclosed by the record is 5.5 mills in the bus, as against 3.01 mills on an out-of-pocket basis, and 4.01 mills per seat mile on a full cost basis in the rail coach.

The preponderance of the testimony of public witnesses establishes the conclusion that at equal fares for rail coach and bus transportation, most passengers would prefer to give their patronage to the bus carrier.

The intense competition by the private automobile is most severe in short distances, such as the intrastate services involved herein; and in the Passenger Traffic Report contained in Exhibit 8, the conclusion is indicated that rail and bus fares should be made uniform.

In actual experience, California presents competitive conditions which have produced such uniformity of rates. One is the case of Pacific Electric and Motor Transit. A second is disclosed by the regular weekday round trip fares of Santa Fe Railway and Greyhound between Los Angeles and San Diego. A third is disclosed in the operation of the Northwestern Pacific rail and Greyhound bus service over a course of 228 miles from San Francisco to Eureka. A fourth illustration is the parity of rail and bus

fares between the Sacramento Northern Railroad and its bus operation between Sacramento, Oroville, and Chico.

The record discloses that a substantial percentage of common carrier patrons claim for bus service the following advantages over rail service: buses operate at more frequent intervals; they possess greater flexibility in receiving and discharging passengers at points of greater convenience; they operate profitably with smaller units of passengers; and the highways traversed by buses, combined with the increasing attractiveness and comforts inherent in automotive travel, afford a controlling appeal. Correspondingly the record has clearly established the fact that a great majority of common carrier patrons desire and demand both rail and bus facilities, and recognize in rail coach service the following advantages over bus service: rail transportation can handle large units of passengers with greater efficiency to the carrier and with greater convenience and ease to those carried; rail coaches afford greater freedom of movement and opportunities for personal comforts in transit. Each mode of carriage possesses its unique advantages over the other. Each affords a necessary supplement to the other. The preservation of both is in the public interest.

The ultimate in fare construction will accomplish two results:

1. The cheapest possible transportation to the public;
2. The highest possible net revenue to the carrier.

The excellent standard of highways, their all-year-round favorable climatic conditions, and the enormous proportion of private automobiles to population, throughout the entire territory sought to be served by Santa Fe Transportation Company, are sufficient justification to warrant the adoption by the common carriers of California of a low standard of fare structure, and thereby demonstrate whether its inducement will accomplish the ultimate in fare construction.

The inauguration of the proposed coordinated and integrated rail-bus service by Santa Fe, upon the basis of these reduced fares, will likely afford the competitive force which will bring the fares of existing common carriers to the same relatively low basis of parity. Such a result affords a commanding reason, in the public interest, to warrant the granting of the certificates sought herein.

The future operation of these competing carriers will demonstrate the full measure of the success and wisdom of the proposed fare structure. If this operation results in higher net revenues to the carriers, then great public benefits will be realized through the money saved in the cost of transportation. If this operation demonstrates results that are adverse to the carriers, the trial of the same will have accomplished permanent and far-reaching benefits to both the public and the carriers, because the competing carriers, spurred by salutary competition, thereafter will conduct their services in harmony with the pattern of the proposed offer, to wit, furnishing the cheapest possible transportation consistent with the highest obtainable net revenue. These beneficent results will be accomplished irrespective of any future tendency in operative costs and economic conditions. The $1\frac{1}{2}$ cents per mile fare may not endure. Nevertheless its trial will redound to public interest. If it is found remunerative and successful, it will endure to the enhancement of public interest. If it is found insufficient and unsuccessful, its competitive influence should endure to safeguard the public against excessive rates, which will also work to the enhancement of public interest.

Rate Base.

A vast amount of evidence and argument is before us addressed to the question of Greyhound's alleged exaggerated rate base. Essentially these proceedings do not involve a case wherein the Commission is called upon to determine a lawful rate base, and to fix, thereupon, just and reasonable fares. It is sufficient to indicate that the Commission is seriously impressed with the accuracy of Santa Fe's contention relative to Greyhound's bloated rate base. There is sufficient evidence in the record to indicate to the satisfaction of the Commission that the earnings of Greyhound would not be reduced below a reasonable return on a reasonable rate base if Greyhound should adopt a parity of fares with the Santa Fe proposal.

Southern Pacific's Contentions.

Protestant, Southern Pacific, contends:

1. Santa Fe's program is inherently wasteful in that it attempts to duplicate and parallel adequate existing lines, and will thereby reduce the already inadequate earning capacity of Southern Pacific and Pacific Electric, by breaking down their existing and reasonable passenger fare structure.
2. The proposed streamline train service, of Santa Fe Railway, is not financially justified, and under the proposed reduced rate structure is doomed to failure and abandonment.

3. Santa Fe's proposal to reduce rail fares to $1\frac{1}{2}$ cents per mile, and on a parity with bus fares, is inconsistent with the present upward trend of transportation costs and will destroy the present rate structure throughout California and the western states.
4. Santa Fe's proposed reduced rail fares are unreasonable because they will impose a burden on other rail carriers and other classes of traffic.
5. Santa Fe's proposed reduced rail fares are inconsistent with the economic trend and with the nationwide demand for higher rail fares. ✓
6. Santa Fe's proposed competition is destructive of the present day trend toward unification of transportation agencies as affording the panacea for wasteful, unnecessary duplication.

We feel that in the preceding pages of this decision, all phases of the foregoing propositions have been considered and concluded to a degree of sufficiency, with two exceptions. First, there remains for consideration the present distressed and chaotic status of rail passenger revenues throughout California and the nation. Secondly, we have reserved our final conclusion upon the conflict that is created by the proposed Santa Fe competitive plan with the widely recognized advantages of coordination and monopoly.

Regarding the former, it is noteworthy that these proceedings were reopened on the 7th day of December, 1937, pursuant to motion by protestants, concurred in by stipulation and consent of Santa Fe Transportation Company, for the purpose of receiving Exhibits 847 to 855 inclusively. The purpose of these exhibits was to disclose to this Commission the pending petition of the railroads of America before the Interstate Commerce Commission, bearing date of November 5, 1937, under Ex Parte No. 123, and Application No. 21603, filed with this Commission November 24, 1937, in behalf of fifty-two railways operating in the State of California, including Santa Fe Railway, both of which petitions have sought from the said regulatory Commissions increases in rates, fares, and charges, affecting freight and

passengers. These nine exhibits prove conclusively that the railways of California and of America are in critical need of increased net revenue.

The protestants have charged Santa Fe Railway with inconsistency in offering, on the one hand, the proposed coordinated rail-bus service on a $1\frac{1}{2}$ cents per mile basis, and, on the other hand, in joining, apparently, the other railways in Application No. 21603 for increased rail fares throughout California, which, if granted, would elevate the Santa Fe rail coach fare structure to a position substantially higher than the $1\frac{1}{2}$ cents per mile base.

It is sufficient to say that Santa Fe Railway has repudiated and disclaimed its official sanction to the request in said Application No. 21603, in so far as the same relates to any passenger fare structure affecting intrastate California Santa Fe service, which is inconsistent with all of the propositions outlined in Applications 20170-20173 inclusive.

The Commission is mindful that all of the railways involved in these proceedings are in critical need of increased net revenue. The protesting railways have argued that their greater relief will flow from an increased passenger fare structure. Standing squarely opposed to this principle is Santa Fe Railway. It has predicated and pressed these four applications upon the cornerstone of net revenue rehabilitation resulting from reduced fares.

Santa Fe has justified this position by stressing throughout this proceeding these facts that California leads the nation in the per capita ownership and operation of private automobiles, and possesses a highway system and climatic conditions that are ideal for an all-year-round heavy bus patronage. Santa Fe depends upon these facts to supply a vast reservoir of potential passenger traffic which is likely to be attracted to a coordinated rail-bus service characterized by low fares

and appealing frequency and character of service.

California is a field, as we have heretofore shown, overwhelmingly occupied by those who travel in privately owned automobiles. These travelers comprise the millions from whom increased net revenue is sought by Santa Fe. We believe that it is in the public interest that Santa Fe should be given the opportunity to demonstrate the success of their dedication. We likewise believe that California is a field uniquely susceptible to the greatest measure of response to the inducements which Santa Fe offers. The proposed 1½ cents per mile basic rail-bus fare, optional routing, unlimited stopover privileges, greater frequency and speed through coordination of streamline trains and modern buses, and the ultimate measure of attractiveness of Santa Fe equipment and services, are concomitants of a transportation design which is likely to supply this State the pattern by means of which common carriers may experience substantial increased patronage and rehabilitation of their net revenues. We believe the Santa Fe offer is an experiment in the public interest and worthy of trial.

Regulated Competition vs Regulated Monopoly.

We now come to a consideration of the apparent conflict between Santa Fe's competitive plan, and the generally recognized advantages and economies that frequently flow from regulated monopoly. The Commission recognizes the:

"guiding principle . . . that the pioneer in the field of common carrier transportation, of whatsoever type and kind this carrier may be, always deserves consideration, and may even deserve the protection of our regulation, so long as this pioneer supplies a service that is satisfactory and adequate to meet all phases of the public interest." (15)

(15) From C.R.C. Decision No. 30086, September 7, 1937, in Re Abandonment San Francisco-Vallejo Ferry by Southern Pacific Golden Gate Ferries, Ltd.

Transportation of passengers presents a public service that is generally regarded as being outside the category of natural monopoly. The movement of persons is a function that immediately and of necessity implies a wide variety of methods and an equally wide range of flexibility. This range is limited only by the number of people who are involved. Their will to travel and their determination as to how this travel shall be accomplished comprise controlling factors. The person, who contemplates a journey, exercises thought and preference. He is concerned with fares, schedules, time, and elements of comfort, safety, and convenience, and he has within his power the potential ability to supply his own transportation. With the advent of the automobile and high speed highways this power is unlimited.

Contrasted with the utility of transportation, such services as telephone, electricity, and gas, are fixed, immobile, unchanging, identical, and impersonal. The use of these latter services may more rationally present pictures of natural monopoly. The advantages that are enjoyed in communicating messages by telephone, the value and convenience of electrical energy, and the utility of gas are three services which we recognize as vital to the public convenience and necessity. So long as these three services are supplied to the people in the most satisfactory and efficient manner that can be expected, within reasonable bounds, and at the lowest possible rates, public interest is fully met; hence we often pursue and reach these results by means of regulated monopoly.

In the case of transportation, the passenger may naturally exercise a choice. This selection ceases to be of significance in the cases of telephone, electric, and gas services. Therefore it is patent that the conclusions which the Commission has reached in this decision will do no violence to the doctrines and precepts which the Commission has followed since its origin. We have always recognized that both law and public comity have commended to our selection two theories of regulation, one, regulated monopoly, the other,

regulated competition. There are times when this Commission has regulated pursuant to one of these theories; and there are other times when this Commission has regulated pursuant to the other theory. The determination is not left to chance or whim. In every instance the public interest is the one and only criterion. In this case public interest is preponderant in favor of regulated competition.

The term "regulated competition" as it has been used throughout this decision, does not mean ruthless competition, unlimited competition, or unnecessary competition. The term "regulated competition," as it is used throughout this decision, means a reasonable and just amount of competition, sufficient to best subserve public interest, said competition being not destructive and being always under regulation.

Over three and a quarter million people are potential patrons of this improved and proffered service. The Commission considers this multitude as affording ample traffic to sustain the carriers that are in the field as well as the proposed service. These millions, through their representatives, have spoken throughout the pages of this record in demand of effective competition. The Commission believes that anything less than substantial supplience of the entire service which is offered in these Santa Fe applications and hereinafter authorized is tantamount to an existing inadequacy of service.

In reaching the conclusions expressed in this decision, the Commission is attempting no violence against the time-honored precepts that remain safely embedded in sound regulation. There are instances where regulated competition would prove ruinous to the existing carrier, and inimical to the public interest; as, for instance, where the territory involved affords limited traffic, and the services being rendered are satisfactory, adequate, vital, and necessary. On the other hand there are instances where the regulatory body is warranted in welcoming regulated competition. Public interest will

tip the beam as between these two conditions in the field of transportation.

In the conclusions which we reach in this decision, we apply both principles of regulation: the principle of regulated competition, and the principle of regulated monopoly. There are certain existing carriers whose rights and whose operations will be protected against the full force of the proposed Santa Fe competition. Public interest is the determining factor. This group of carriers is negligible viewed from the standpoint of competitive territory involved. There is another group of existing carriers, to wit, Greyhound and Southern Pacific, to which public interest requires that we apply the doctrine of regulated competition. This latter group presents by far the greater proportion of the competitive traffic that is involved.

California has reached a development that demands the proposed service. The millions of people that are already available as potential patrons, combined with millions more that future development portends, require and deserve the advantages and conveniences that are inherent in the proposed coordinated rail-bus dedication. Nowhere in the nation is there a field comparable to that which is involved in the territory that Santa Fe seeks to serve, where the

trend of increasing population in recent years has been so great, where there is equal promise for continued growth, where agricultural and industrial development has been so marked, and promises for increased development are so bright, where such favorable highway and climatic conditions exist, and where passenger transportation by common carriers is limited to a single bus operation and railway system, commonly owned.

We believe, in this field, the public interest requires the kind of regulated competition proposed by Santa Fe. The service proposed is not alone in the public interest, but is likely, as well, to result in a salutary and much needed rejuvenation of all common carriers involved herein. It is reasonable to believe that the invocation of effective competition will so rejuvenate all affected common carriers as to increase and improve the entire structure of their operations, both from the standpoint of value and economy of service, as well as from the standpoint of net resultant revenues.

SECTION 50½, PUBLIC UTILITIES ACT

Before any testimony was taken, motions to dismiss and abate were filed by Greyhound on February 24, 1936, and by Pacific Electric and Motor Transit on February 29, 1936; and after two days (March 3, and 4, 1936) of oral argument thereon, said motions were denied by the Commission March 16, 1936.

After the close of applicant's case, and on October 3, 1936, Greyhound filed a second motion to dismiss which required four days of argument (October 20, 21, 22, and 23, 1936). The Commission denied this motion October 26, 1936. A third motion to dismiss was filed by the same company at the conclusion of the hearings on June 25, 1937, was taken under advisement by the Commission, and is now ready for final determination.

All of these motions have been predicated upon Section 50½ of the Public Utilities Act and in every instance they have been pressed for the avowed purpose of stripping the Commission of jurisdiction and right to grant the certificates sought by Santa Fe Transportation Company.

The persistence with which these motions have been pursued and twice renewed necessitates our thorough consideration at this point. We quote that portion of Section 50½ which is germane to Greyhound's contention, stressing the proviso adopted by the Legislature of 1931, and which, protestants claim, qualify the Commission's authority to grant certificates to passenger stage corporations when the proposed operation is in a territory already being served by a certificate holder:

"Every applicant for a certificate shall file in the office of the commission an application therefor in such form as shall be required by the commission, and the railroad commission shall have power, with or without hearing, to issue said certificate as prayed for, or to refuse to issue the same, or to

issue it for the partial exercise only of said privilege sought, and may attach to the exercise of the rights granted by said certificate such terms and conditions as, in its judgment, the public convenience and necessity may require; provided that the railroad commission shall have power, after hearing, to issue said certificate when an applicant requests a certificate to operate in a territory, already served by a certificate holder under this act only when the existing passenger stage corporation or corporations serving such territory will not provide the same to the satisfaction of the railroad commission." (Emphasis supplied.)

The construction given by the Commission to this proviso has been plainly declared in the Commission's opinion on rehearing In Re Fialer's case, (38 C.R.C. 880, 1933). In this proceeding the Commission granted the applicant the certificates sought and disallowed the protestant, The Gray Line, Inc., the protection it claimed under the proviso above quoted. We reproduce the relevant portions contained in said decision:

"The main question here presented, then, is whether the Commission is prohibited by section 50⁺, as amended, to grant to a new applicant a certificate for a passenger stage service when an existing operator is authorized to render a like service. If the proviso added in 1931 is to be so construed, then all existing passenger stage corporations have obtained certificates or rights which are virtually exclusive. Regardless of the accepted policy of this State prohibiting the grant of exclusive franchises or privileges, this proviso, if so construed, would, in the field of motor bus transportation, abrogate such policy and in effect grant to existing carriers of this class virtual monopolies in their respective fields. It is evident that such a construction of the statute should not be accepted unless the language used compels that conclusion. But it is as clearly evident from the enactment itself that such was not the intention underlying the legislative action.

Before considering the application of this proviso to the facts presented in this particular proceeding, it is proper that the Commission express its views clearly on the general application of this new declaration of principle governing the granting of certificates of public convenience and necessity. Since it purports to limit the Commission's jurisdiction in the granting of new operative rights and serves as a further grant or protection to existing certificate holders, the construction to be given the proviso must be such as to reserve to the public body the utmost authority consistent with the reasonably implied legislative intent.

It must be presumed that in the enactment of this proviso the Legislature had in mind the precedents theretofore established in cases arising under section 50 $\frac{1}{2}$ and other sections empowering the Commission to grant certificates of public convenience and necessity. If it was intended that any of those precedents be overthrown, it may be presumed that the language employed would have clearly indicated such intention. The Legislature must have borne in mind that the Commission has repeatedly held that a grant of a certificate is not exclusive, and that it is free to grant, when public convenience and necessity requires, another certificate competitive wholly or in part with the first. But the Legislature has not said that this may not hereafter be done. Nor has it declared that hereafter the Commission shall not find that public convenience and necessity require the granting of a new certificate, regardless of the past conduct of the existing operator so long as he promises to adequately perform his public obligation in the future. On the contrary, it is clear from the proviso itself that the legislative intent was to leave the Commission free to determine in each case whether the public will be best served by the existing operator or operators only, or by the institution of an additional service.

It must be held, therefore, that the Commission is still free to follow the principle first announced in the Great Western Power Company case (1 C.R.C. 203), and when called upon to determine the ability of the existing utility to satisfactorily serve the public in the future, may judge it as of the day the newcomer knocks at the door. When public convenience and necessity require that there be more than one carrier in the field, the Commission has in the past permitted competition, and must in the future be unlimited in its power so to do. The abandonment of this fundamental principle of utility regulation would be inimical to the public interest.

To hold that the Commission has not been thus circumscribed by the amendment to section 50 $\frac{1}{2}$ in the granting of competing operative rights when the public convenience and necessity demand, is not to hold that the amendment is without any effect whatever, or that it may not reasonably be construed as a declaration of policy beneficial both to existing passenger stage companies and to the public.

It should be noted that the amendment does not expressly relate to applications for certificates where the proposed service is competitive with an existing operation. For the reasons above developed, a construction which implies such element of competition should, then, be avoided. The language employed indicates, rather, that the proviso was intended to relate to applications for a new and different service from that presently rendered or which the existing operator or operators are entitled to render. The words employed clearly indicate that reference was intended to a new service not now certificated. Certificates granted to passenger stage corporations prescribe the routes to be followed and points to be served. But the Legislature in this proviso has referred only to applications to operate in 'a territory' already served. A territory may be served in whole or in part by various operators and in various ways, yet the services rendered by each may be only in part or not at all competitive.

With this approach, the true meaning of the proviso may, we believe, be more easily discovered. It is proper that when public convenience and necessity require the inauguration of a new stage service, any existing operator within the territory should be first in right to undertake such a service. The applicant first in time should not necessarily be first in right. An applicant for a certificate frequently proposes to undertake a service in a territory already served, but which differs from that presently rendered, and of a kind which the existing certificate holder has no authority to render without himself applying for and obtaining an enlargement or extension of his operative right. In such a case the existing operator in a territory should be, and is under this proviso, permitted to undertake the same service as that proposed by the new applicant if public convenience and necessity require that the new service be established. If no operator already serving in the territory affected desires thus to become in effect an applicant for the right to render such a service, OR IS FOUND UNABLE TO RENDER THE SERVICE SATISFACTORILY, then only, if public convenience and necessity require, may the first application be granted.

Such a construction of the above quoted amendment does not violate the fixed policy of this State against the grant of exclusive privileges, yet expresses a salutary principle of utility regulation in respect to the granting of new operative rights. It is a construction reasonably found in the language of the statute itself, and one not contrary to the public interest. The procedural problems involved in carrying out the legislative intention expressed in this amendment need not here be discussed." (Emphasis supplied.)

It is preliminarily significant to note the fact that upon three occasions since 1931, the attorney who now presents the protesting cause of Greyhound, expounded to this Commission three variant asseverations anent the true meaning and effect of the proviso of Section 50 $\frac{1}{2}$ which we have just emphasized, and the doctrine of the Commission declared In Re Fialer's case.

On September 5, 1933, in the course of the proceedings upon an application of California Charter Car Company for a certificate of public convenience and necessity (Application 18973), the present counsel for the Greyhound (then appearing for the California Charter Car Company), heartily defended the doctrine just outlined in the Fialer's case, against the attack by Greyhound which was then

predicated upon the same proviso in Section 50 $\frac{1}{2}$. In placing full reliance upon the Fialer's case, said counsel reasoned that the Commission was justified in sustaining the principles of regulated competition; that, notwithstanding said proviso in Section 50 $\frac{1}{2}$, the Commission was still unlimited in its power to permit competition; and thereupon succinctly crystallized his views in the following terms:

"In any event the last expression of this Commission is to us the law in this regard, and unless and until the Supreme Court frowns upon the policies expressed in the Fialer case, which we do not anticipate, we shall rely on the Fialer case, and its predecessors cited in our opening brief, as determinative of this motion to dismiss." (Emphasis supplied).

By way of further emphasis said counsel contended that said 1931 amendment to Section 50 $\frac{1}{2}$ had not changed the principles enunciated in those early and controlling cases Pacific Gas and Electric Company vs Great Western Power Company, decided June 18, 1912, (1 C.R.C. 203), and In re Oro Electric Corporation, decided July 3, 1912, (1 C.R.C. 253). Counsel stressed that the policy of the Commission, as outlined in these ruling cases, and which opens the door to regulated competition whenever such competitive service is in the public interest, had continuously remained, and was on September 5, 1933, the policy of the Commission, and that the Legislature had done nothing to change or disapprove said policy.

We quote from said decisions language which we have always respected and which we now reaffirm as fundamental:

" It certainly is true that where a territory is served by a utility which has pioneered in the field, and is rendering efficient and cheap service and is fulfilling adequately the duty which, as a public utility, it owes to the public, and the territory is so generally served that it may be said to have reached the point of saturation as regards the particular commodity in which such utility deals, then certainly the design of the law is that the utility shall be protected within such field; but when any one of these conditions is lacking, the public convenience may often be served by allowing competition to come in."

" only until the time of threatened competition shall the existing utility be allowed to put itself in such a position with reference to its patrons, that this Commission may find that such patrons are adequately served at reasonable rates. By announcing this principle, we hope we shall hold out to the existing utilities an incentive which will induce them voluntarily, without burdening this Commission, or other governmental authorities, to accord to the communities of this State those rates and that service to which they are in justice entitled, and to the new utilities we shall likewise hold out the incentive that on the discovery by them of territory which is not accorded reasonable service and just rates, they may have the privilege of entering therein if they are willing to accord fair treatment to such territory." (16)

A position diametrically opposite was taken by the same counsel when he urged his motions to dismiss and abate in these proceedings during the course of oral argument, March 3, and 4, 1936. Upon that occasion said counsel, then appearing for Greyhound, severely disapproved the doctrine contained in the Fialer's case; vehemently contended that the proviso of Section 50 $\frac{1}{2}$ was tantamount to a legislative mandate that would effectively protect existing passenger stage corporations from competitive intrusion by newcomers; reasoned that the Legislature of 1931 had intended by said proviso to prescribe for this Commission regulation protective of monopoly and sharply restrictive of competition; strenuously argued that the 1931 Legislature had expressed, through its amendment to Section 50 $\frac{1}{2}$, dissatisfaction with the principles hereinabove discussed, and attempted through said amending proviso to definitely change our policy; and interpreted in these words the true legislative intent:

" that the rule will now be set aside which says that it is too late for the existing utility to mend the errors of its ways when competition knocks at the door, ' and we now, the Legislature, insist that hereafter the question of whether or not competition shall be granted will depend upon whether or not the existing utility will render service to the satisfaction of the Commission. ' "

(16) This language appeared first in Pacific Gas and Electric Company vs Great Western Power Company, 1 C.R.C. at pages 209 and 211; and again in In Re Oro Electric Corporation, 1 C.R.C. at pages 256, 257.

At this time counsel further epitomized his views with this declaration:

"Referring to the Fialer and East Bay cases, I would not have the Commission think for one moment that I personally am in harmony with the decisions. I can't agree with the reasoning or conclusions of the decisions; neither do we accept it that such decisions are binding on the Commission."

Finally the same counsel during the extended argument of October 20, 1936, shifted to a third view:

". . . . So far as the facts of this case are concerned the amendment of 1931 did not change in a single, minute instance anything, did not change the policy, the unwritten law, but only it was said by the Legislature that, 'We like your policy and now you have to stick to it and you can't change it.' And this motion is based on your own policies with the only other condition that the Legislature in 1931 stepped in and said, 'You shall not have the jurisdiction, you shall not have the power, to issue a certificate contrary to these policies that you have previously established.' The Commission is changed from time to time but its policies must remain and endure."

Contra to such irreconcilable and variable constructions, we believe the Commission correctly construed Section 50½ In Re Fialer's case, and, as we shall presently develop, the Commission has followed consistently the doctrine outlined therein.

In Application of East Bay Street Railways, Ltd., etc., (39 C.R.C. 252), the Commission granted said applicant authority to abandon certain parts of its street railway lines, and simultaneously granted said applicant a certificate of public convenience and necessity to operate buses as a substitute for its electric street cars, and in competition with existing passenger stage corporations. The application was opposed by two existing competitors, Peerless Stages, and Greyhound, and also by Motor Carriers Association, who

contended, under said proviso of Section 50¹, that the Commission was without jurisdiction to permit the applicant to establish motor coach service in a territory already adequately served.

The Commission granted the certificate, saying at page 258:

"Applicant and Peerless have been operating in competition between Oakland and Hayward along East 14th Street for many years, applicant employing street cars and Peerless employing motor coaches. Applicant in this proceeding seeks authority to discontinue its street car service and substitute motor coach service, over which route Peerless has the right to operate motor coaches. Applicant is seeking to continue this competition and not to inaugurate a new service. Furthermore, Section 50¹ of the Public Utilities Act applies particularly to 'passenger stage corporation,' which is defined in Section 2¹ (b) of the Public Utilities Act, while applicant is a 'street railroad corporation,' as defined in Section 1 (h) of said Act, although it operates motor coaches as well as street cars. It is clear that Section 50¹ of the Public Utilities Act does not apply in the instant case. Reference is hereby made to the case of In Re Fialer's Inc., (30 C.R.C. 895)." (Emphasis supplied.)

It is additionally significant that protestants In Re Fialer's case sought judicial review in the Supreme Court of California and were denied the same; likewise the protestants In Re Application of East Bay Street Railways sought judicial review, but both the Supreme Court of California and the Supreme Court of the United States refused to interfere.

In so far as the doctrine expressed in these two cases is applicable to the instant proceeding, it now becomes the object of this decision to analyze. Directing our attention to the principles established in the Fialer's case, the fact remains that most of the service proposed to be rendered by Santa Fe Transportation Company falls within the category of a dedication to render competitively the same kind of service which Greyhound is either actually engaged in rendering, or theoretically could render. As to such service, the rule expressed in the Fialer's case, we believe to be determinative in the instant case.

We hold the Commission was justified, when it denied on March 16, 1936, and on October 26, 1936, said motions of Greyhound, et al, to dismiss the applications of Santa Fe Transportation Company. The denial of these motions was tantamount to the conclusion that it was the right and duty of the Commission to hear these applications on their merits, and grant or deny them, in toto or in part, upon the merits of this record.

In taking this action, the Commission has held that Greyhound and Santa Fe Railway would have, in theory, the legal right to engage in a coordinated, integrated rail-bus service, and that such operation upon the part of these two existing common carriers would not constitute a "new service not now certificated." (17) Likewise we believe that Greyhound and Southern Pacific have had, and now have, in theory, the legal right to engage in a coordinated, integrated rail-bus service, substantially identical to that which is proposed by Santa Fe. The rendition of this category of services by Greyhound and Santa Fe Railway, or by Greyhound and Southern Pacific, would require no additional certificate of public convenience and necessity.

When a certificated passenger stage corporation institutes parity of fares and interchangeability of tickets with a railway, the procedure required by law and this Commission is direct and simple. All that is required is the lawful filing of the proposed fares and time tables with this Commission by both carriers. Therefore, in theory Greyhound and Santa Fe Railway, and Greyhound and Southern Pacific, are faced with no physical or legal barriers which render impossible the rendition of most of the services proposed by Santa Fe Transportation Company herein. We reach the conclusion that theoretically Greyhound and Santa Fe Railway, and Greyhound and Southern Pacific, "are entitled to render," (17) by following

(17) Quoted from Fialer's case.

the simple procedure above outlined, practically all of the same service proposed by Santa Fe herein. The fact is that Greyhound, in recognition of this theory, has defensively offered to do this very thing.

We quote the entire text of said offer:

"We are willing to and offer to operate any additional schedules for service to Santa Fe rail passengers which may be found advisable in the public interest and to the satisfaction of the Commission, merely suggesting that the Commission give due consideration to the present schedules operated and justification of any additional service of low revenue possibilities, and to all conditions that enter into the practicability of such a suggestion.

Second, we are willing to, and offer to, operate through or stub schedules to and from Harvey Houses, though they may be closed, or not in operation, and though they may be far distant from the main route of highway and bus travel, or from centers of population, if such will be to the satisfaction of the Commission, merely suggesting that the Commission give due consideration to the comparative inconvenience to a great majority of those to be served, and to the ultimate public interest.

Third, we are willing to, and offer to, operate schedules to and from Santa Fe depots, though they may be distantly located from the main bus route and main arteries of travel, or from the centers of population, if such will be to the satisfaction of the Commission, merely suggesting that what is in the public interest in this regard be fully considered.

Fourth, we are willing to, and offer to, make such changes in present time schedules as to times of arrival and departure at terminals, or intermediate points, so far as the same are within the realm of possibility, if such will be to the satisfaction of the Commission, merely suggesting that due consideration be given to the operating conditions, requirements for frequency, legal requirements, and to the general public interest.

Fifth, we are willing to, and offer to, reduce or increase the number of schedules operated, or make changes in facilities, even though contrary to our better judgment of what is reasonable, proper, or necessary in the public interest, if such will be to the satisfaction of the Commission, merely suggesting that such an order, request or determination, be not reached until the efficiency of the present schedules is given due consideration.

Sixth, we are willing, and offer to, have any and all consideration that is lawful and within the jurisdiction of the California Railroad Commission given to interstate services and necessities, if such will be to the satisfaction of the Commission, merely suggesting that especially since the passage of Motor Carrier Act, 1935, matters of interstate convenience and necessity, or otherwise relating to interstate service, properly rests with the Interstate Commerce Commission.

Seventh, we are willing to, and offer to, establish joint tariffs, through routes and concurrencies in tariffs with Atchison, Topeka & Santa Fe Railway Company, accepting their tickets and they accepting ours, on such rates and divisions either as may be agreed upon, or as may be fixed by the Commission, if such will be to the satisfaction of the Commission, merely suggesting that in this matter due consideration be given to the possibilities and practicabilities of such action in the general public interest.

Eighth, we are willing to, and offer to, render the passenger service in the territory affected at fares constructed and applied either, one, as proposed by Santa Fe Transportation Company, or, two, on a properly modified and adjusted $1\frac{1}{2}$ cent rate base, or, three, on a rate base allowing reductions under the present tariff fares to be proposed either by us or the Commission, or, four, at present fares until after full consideration the question of whether or not any or all of our said present fares shall have been properly considered, depending upon what shall be to the satisfaction of the Commission, merely suggesting that, due to the many elements to be considered in arriving at what rates and fares are in the public interest, the jurisdiction of the Commission to regulate rates and fares in the public interest be not surrendered in favor of a policy of adjusting rates according to the lowest bid that may be made.

Nine, we are willing to, and offer to, transport express of the Railway Express Agency, Inc., in such a manner and under such tariffs, rates, divisions of rates, tariffs, rules and regulations as may be to the satisfaction of the Commission, merely suggesting that the mere fact that an offer is made by Santa Fe Transportation Company to transport the same does not ipso facto establish that such a proposal is in the public interest."

Greyhound's persistence in "merely suggesting" shows its complete lack of faith in the successful performance of these nine captious offers, and points the way to their accurate appraisal. Acceptance of these offers would prove inimical to the public interest, and would thwart the enjoyment by the public of the advantages that are apparent in the truly competitive, coordinated, and integrated services proposed by Santa Fe Transportation Company.

The two defenses urged by Greyhound are incompatible. Greyhound's first position is that the proposed Santa Fe parity of fares is unsound and unworkable; that said proposed coordinated and

integrated rail-bus service is neither feasible nor in the public interest; that the existing carriers are rendering a completely adequate service at reasonable rates; and that public interest would be best served by the denial of the Santa Fe applications. Greyhound's second defense is predicated upon Section 50 $\frac{1}{2}$, and in its endeavor to perfect the same, it has offered to perform the very services which it has first attacked as unworkable, unsound, and beyond the pale of public interest.

In reaching our appraisal of these Greyhound offers, and in determining whether they should be accepted or rejected, the first discouragement comes from Greyhound's counsel who says: "We do not recommend it."

W. E. Travis, President of protesting Greyhound, offered more discouraging testimony as follows:

"I regret the necessity of making offers that are so unbusinesslike, that, based upon years of experience in the bus business, are so impossible of attainment. Rather than permit ourselves to be destroyed, or even detrimentally affected by this proposed wasteful duplication of service, we are willing to go to these absurd lengths If you want me to express my own opinion, I think it almost reaches the height of absurdity We are, however, relying on the Commission's judgment that whatever we may be required to do under this offer will be with the understanding that it will ultimately return in revenue the cost of its operation, plus a reasonable profit. We would even be willing to demonstrate, if in the Commission's judgment they thought it wise, that there would result a loss, before demanding relief, and this for the sole purpose of demonstrating the fallacies contained in the applicant's proposals."

Mr. Felix McGinnis, Vice President in Charge of Traffic of protesting Southern Pacific, supplied the last measure of discouragement when he characterized the Santa Fe plan of rail and bus service as not only unnecessary to meet the demands of the travelling public but as being thoroughly impracticable and unworkable.

It is self-evident that coordination requires cooperation and a centralized administration with no conflict of interest between the integrated agencies. Greyhound's proposed offers of coordination would prove unworkable because of the hostility and conflict of interests of Greyhound and Santa Fe Railway. The close relationship between Greyhound and Southern Pacific, so clearly disclosed by their interlocking directorate and Executive Committee, by substantial common ownership, and by their written contracts requiring allegiance and reciprocity, one toward the other, are enough to justify the refusal of Santa Fe Railway, that is expressed in the record, and which categorically declines the acceptance of any part of Greyhound's incongruous offers.

In determining the merits of the applications of Santa Fe Transportation Company, as they are related to that category of service which falls within the classification of the same kind of service which Greyhound is either actually engaged in rendering, or theoretically could render, the Commission shall be governed by the same principles that justified its ruling In Re Fialer's case. In that case the Commission granted the applicant a certificate of public convenience and necessity to perform the same kind of service which the protestant was actually engaged in rendering, or theoretically could render. The simple application of the criterion of public interest was determinative in that case, and will likewise be determinative in this case, as regarding all proposed service that is distinguished as being the same kind of service which the existing carriers are actually engaged in rendering, or theoretically could render.

We now direct our attention to the second class of service referred to In Re Fialer's case as "new and different service from that presently rendered or which the existing operator or operators are entitled to render."⁽¹⁸⁾ Said second class of service comprehends the category as to which the proviso of Section 50 $\frac{1}{2}$ was intended to relate. We fail to recognize that all, or any part, of the services proposed by Santa Fe Transportation Company, fall within this category.

However, should all, or any part, of the services proposed by Santa Fe Transportation Company be defined, classified, and construed as belonging to this said second class of "new and different service,"⁽¹⁸⁾ we would still deny all of the protestants' motions for dismissals, predicated on Section 50 $\frac{1}{2}$, and we would base our denial upon the reasoning outlined In Re Fialer's case, and upon the evidence in this record which clearly establishes the following facts which we now categorically find:

1. Greyhound did not render on October 8, 1935, at no time prior to October 8, 1935 had Greyhound rendered, and at no time since October 8, 1935 has Greyhound rendered, either with Southern Pacific, or with Santa Fe Railway, or at all, the coordinated, integrated rail-bus service, predicated upon a $1\frac{1}{2}$ cents per mile fare base, with parity of fares, with unlimited stop-over privileges, with unlimited interchangeability of tickets and routes, as proposed by Santa Fe Transportation Company herein.
2. During all of the times referred to in the last preceding paragraph, Greyhound and Southern Pacific have been opposed to coordinating their respective services throughout the territory involved in these Santa Fe applications, upon a parity of fares, upon a fare base of $1\frac{1}{2}$ cents per mile, with unlimited stopover privileges, and with unlimited interchangeability of tickets and routes permitted.
3. Public convenience and necessity require the performance by Santa Fe Transportation Company of the coordinated, integrated, rail-bus service (with minor modifications and exceptions hereinafter outlined), throughout the territory and in the manner, set forth in the four applications of Santa Fe Transportation Company.

(18) Quoted from Fialer's case.

4. Greyhound cannot render, and Greyhound will not render, all or any part of the service proposed by Santa Fe Transportation Company, in its four applications, to the satisfaction of this Commission.

Orange Belt Stages, Inc.

There remains for determination the proposed Santa Fe service affecting the populous and productive territory and communities now served by Orange Belt Stages, Inc., another passenger stage corporation. Orange Belt Stages, Inc., operates a passenger stage line between Coalinga, Lemoore, Hanford, Visalia Airport, Visalia, Exeter, Lindsay, Porterville, Richgrove, and Delano. Visalia Airport and Delano are points on the main San Joaquin Valley highway connecting Fresno, Visalia Airport, Tulare, and Bakersfield.

Between Fresno and Bakersfield, Santa Fe Railway operates a network of rail lines serving many communities in the populous and productive counties of Fresno, Kings, Tulare, and Kern. Its main rail line traverses the westerly portion of this terrain and serves Hanford and Corcoran. Connecting Fresno and Bakersfield, its easterly rail line serves Cutler, Exeter, Lindsay, and Porterville. Approximately dividing the area bounded by these two rail lines into north and south portions, Santa Fe Railway operates a line from Cutler to Corcoran, serving thereby Visalia and Tulare.

With the avowed plan and purpose of augmenting its proposed bus service between San Francisco and Los Angeles, and more particularly between Fresno, Visalia Airport, Tulare, and Bakersfield, Santa Fe proposes to traverse this line and connect, by means of a supplemental bus service, the following points in said area which are now served by Santa Fe Railway, to wit: Hanford, Visalia, Exeter, Lindsay, and Porterville.

Greyhound now operates between San Francisco and Los Angeles, over the main San Joaquin Valley highway, which Santa Fe Transportation Company proposes to follow, and in traversing this route, Greyhound now serves the following points located upon said

main highway, to wit: Fresno, Visalia Airport, Tulare, and Bakersfield. In its Application No. 20237, Greyhound proposes to augment its present bus service, through the particular terrain which is now under discussion, by exactly paralleling the present route traversed by Orange Belt Stages, Inc., which is hereinabove described and outlined.

At the present time there is a close relationship between Greyhound and Orange Belt Stages, Inc., to the extent that effectively, ". . . . Pacific Greyhound is serving the territory.", according to witness Travis.

This record reveals strong and impelling public demand for the rendition of the proposed Santa Fe coordinated rail-bus service throughout this territory. We are convinced that the increasing population in this rich territory needs and deserves the advantages and improvements offered by this Santa Fe program. This bus service, proposed by Santa Fe Transportation Company, is best designed to connect, coordinate, and integrate this network of rail lines of Santa Fe Railway, and thereby render a very marked degree of improved service to these communities: Hanford, located upon the westerly Santa Fe rail line; Visalia, located upon the transverse Santa Fe rail line; and Exeter, Lindsay, and Porterville, located upon the easterly Santa Fe rail line. Without such a supplemental bus program, the plan of coordination and integration, adopted by Santa Fe, would be thwarted and rendered largely ineffective over an extensive portion of the San Joaquin Valley lying between Fresno and Bakersfield. This is true because of the fact that the main San Joaquin Valley highway, between Fresno and Bakersfield, a distance exceeding 100 miles, and being the main route which Santa Fe Transportation Company will use on its San Francisco-Los Angeles service, is so far removed from the westerly and easterly rail lines of Santa Fe Railway, as to render impracticable and untenable the advantages of a fully coordinated and integrated Santa Fe service for such communi-

ties as Hanford, Visalia, Exeter, Lindsay, and Porterville. The substantial population which demands this proposed service would be severely deprived of its enjoyment, and Santa Fe would be equally seriously handicapped in the full performance of its program, unless this augmented and supplemental bus service by Santa Fe Transportation Company, between Hanford and Porterville, is certificated. Hence we believe that there is a sufficient showing of public convenience and necessity to justify granting Santa Fe Transportation Company a certificate to render this augmented and supplemental bus service.

We believe that Orange Belt Stages, Inc., and Santa Fe Transportation Company can and will adequately furnish all the service required throughout this territory. A continuation of the service of Orange Belt Stages, Inc., is vital to the communities of Coalinga and Lemoore, which are west of any present Santa Fe Railway service. Were we to certificate Greyhound so as to permit it to parallel the present route traversed by Orange Belt Stages, Inc., we believe the combination of Santa Fe and Greyhound competition would divert so much traffic now enjoyed by Orange Belt Stages, Inc., as to result in the extinction of the latter carrier. We do not believe that this record justifies following such a course. Hence we shall hereinafter deny that portion of Greyhound's Application No. 20237 requesting a certificate of public convenience and necessity to operate an approximate duplication of the service now rendered by Orange Belt Stages, Inc.

Recurring to the motion to dismiss, concurred in by Orange Belt Stages, Inc., and predicated upon Section 50 $\frac{1}{2}$, we reaffirm all that we have hereinbefore set forth in our consideration and conclusion of Greyhound claims in this regard, and again, from the record in this case, we find as facts:

- I. Orange Belt Stages, Inc., did not render on October 8, 1935, at no time prior to October 8, 1935 had Orange Belt Stages, Inc., rendered, and at no time since October 8, 1935 has Orange Belt Stages, Inc., rendered, with any railway whatsoever, all or any part of the coordinated,

integrated rail-bus service, predicated upon a 1½ cents per mile fare base, with parity of fares, with unlimited stopover privileges, with unlimited interchangeability of tickets and routes, as proposed by Santa Fe Transportation Company herein.

2. Public convenience and necessity require the performance by Santa Fe Transportation Company of the coordinated, integrated rail-bus service proposed by it between Hanford, Visalia Airport, Visalia, Exeter, Lindsay, and Porterville, all as set forth in Application No. 20170.
3. Orange Belt Stages, Inc., cannot render, and will not render, all or any part of the said coordinated and integrated rail-bus service, specified in the last preceding paragraph, to the satisfaction of this Commission.

Other Passenger Stage Corporations.

Of negligible importance, from the standpoint of the proposed operation and service of Santa Fe, is the existence and relationship thereto of Motor Transit and Arvin Stage Lines, two other passenger stage corporations. What we have previously said, relative to the existing operations of Greyhound falling within the category of an existing service which, theoretically is legally and physically capable of rendering the kind of service which Santa Fe Transportation Company proposes herein, may, with equal force, be said of Motor Transit and Arvin Stage Lines. Hence no defense would be available to them, under Section 50½, even if the Commission, in granting the certificates hereinafter specified, imposed upon Santa Fe Transportation Company no competitive restrictions affecting said two passenger stage corporations.

Moreover, if either of said passenger stage corporations were to be defined, classified, and construed as falling within the second category of services discussed In Re Fialer's case as belonging to the category of "new and different service from that presently rendered or which the existing operator or operators are entitled to render,"⁽¹⁹⁾ and even though all or any part of the operations hereinafter certificated unto Santa Fe Transportation Company should be

(19) Quoted from Fialer's case.

classified or construed as affording any competition whatsoever with said passenger stage corporations, we find as a fact that Motor Transit and Arvin Stage Lines cannot, and will not, render all or any part of the coordinated, integrated rail-bus services offered by Santa Fe, and hereinafter certificated.

It is the intention and purpose of this decision to protect Motor Transit and Arvin Stage Lines from the competitive force of the proposed Santa Fe service in so far as local traffic is concerned. By local traffic we mean that which originates and terminates at terminal and intermediate points served by Motor Transit and Arvin Stage Lines.

Pacific Electric and Motor Transit.

Pacific Electric operates the largest electric interurban railway system in the world, throughout the Los Angeles metropolitan area, and connecting that area with various outlying communities in four counties of southern California. Its rail system consists of 1,094 miles of track, supplemented by 200 route miles of auxiliary motor coach routes. In addition, Motor Transit, a wholly owned subsidiary of Pacific Electric, operates about 500 route miles of motor coach service throughout the same general territory. Over all these routes, there are operated in excess of 7,200 trains and motor coaches daily, handling approximately 85 million passengers per year. In addition to the passenger service, Pacific Electric engages in extensive freight and express business. Their lines radiate from Los Angeles to the ocean at Santa Monica, thence southerly along the coast to Redondo Beach; from Los Angeles to San Pedro, Long Beach and Balboa; in the south coast area, from Los Angeles to Santa Ana, through the coast valley; from Los Angeles northerly to San Fernando, Pasadena, Glendale, and Burbank; and easterly from Los Angeles to Glendora, along the foothills; and to San Bernardino through the inland valley, thence from San Bernardino southwesterly to Corona.

In general, the bus routes of Motor Transit parallel the lines of Pacific Electric, particularly throughout the eastern and southern territory.

Between San Bernardino and Los Angeles; Long Beach and Los Angeles; Santa Ana and Los Angeles; and San Fernando and Los Angeles, the proposed routes of Santa Fe parallel the routes of Pacific Electric and Motor Transit.

Santa Fe Transportation Company seeks authority to perform local service between Los Angeles and the above named points with exception of the route between San Fernando and Los Angeles, in regard to which latter route stipulation was entered into by Pacific Electric and said applicant, wherein it was agreed to restrict service by Santa Fe Transportation Company along that particular route. Santa Fe Railway at the present time serves the territory between Los Angeles and San Bernardino, and Los Angeles and Santa Ana. It does not, however, serve Long Beach and the several other beaches southerly therefrom along the proposed bus route.

Pacific Electric has, for many years, provided local and interurban passenger transportation service throughout the territory in and adjacent to the City of Los Angeles. For many years, Pacific Electric has been unable to earn a sufficient revenue to pay its current obligations, there having never been a dividend paid on stock of that company. It has, almost since its inception, found it necessary to lean upon its parent, Southern Pacific, for financial support vital to its existence. It has been unable to set aside from earnings sufficient amounts to offset the ravages of depreciation. As the years have gone by, the plant of this company has aged accordingly, and eventually it will reach the point where general rehabilitation will be an absolute necessity, from the point of view of public convenience and safety.

The crisis in the life of Pacific Electric is at hand.

Southern Pacific has issued its ultimatum that henceforth it will furnish no more financial aid. There is pending before this Commission, at the present time, the request of Pacific Electric for immediate relief by means of general fare increases throughout its entire system. Unless this company experiences increased net revenues, its continuation may be short-lived.

As has already been pointed out elsewhere in this opinion, there are instances where regulated competition would prove ruinous to the existing carrier and inimical to the public interest. The precarious financial condition of Pacific Electric places it in a position such that the decreased revenues on those lines that would be affected by competition of Santa Fe Transportation Company might result in jeopardizing the public convenience and necessity throughout its entire operation. Such a condition would not be in the public interest.

Therefore, in so far as the applications of Santa Fe Transportation Company request operating rights in contiguous territory with Pacific Electric and Motor Transit, such operations should be subject to restriction prohibiting the transportation of passengers and baggage locally between Los Angeles and Long Beach, or intermediate points, all inclusive, or between Los Angeles, Newport Beach or Balboa, or intermediate points, all inclusive; between Los Angeles and Santa Ana or intermediate points, all inclusive; between Los Angeles and Redlands, or San Bernardino, or Riverside, or intermediate points, all inclusive; between Los Angeles and San Fernando, or intermediate points, all inclusive; between points in one restricted territory to points within another restricted territory.

Recurring to the motion to dismiss concurred in by Motor Transit, and predicated upon Section 50 $\frac{1}{2}$, we reaffirm all that we have hereinbefore set forth in our consideration and conclusion of Greyhound claims in this regard, and again, from the record in this case, we find as facts:

1. Public convenience and necessity require the performance by Santa Fe Transportation Company of the coordinated, integrated rail-bus service proposed by it in Applications Nos. 20170, 20171, and 20172, subject to the restrictions hereinafter set forth in the certificate of public convenience and necessity granted unto said Santa Fe Transportation Company.
2. Motor Transit cannot render, and will not render, all or any part of the said coordinated and integrated rail-bus service, specified in the last preceding paragraph and therein certificated unto Santa Fe Transportation Company, to the satisfaction of this Commission.

Arvin Stage Lines.

Arvin Stage Lines operates a combination passenger and freight service between Bakersfield and Mojave over the same route as that proposed to be traversed by Santa Fe Transportation Company.

The territory served is sparsely settled between the two termini of Arvin Stage Lines, and offers insufficient business on the whole to justify another carrier to conduct intrastate operations in the same area. Moreover, the service rendered by Arvin Stage Lines appears to be at once necessary and sufficient. Searching this record, we find a dearth of evidence that favors the rendition by Santa Fe Transportation Company of a local service, comparable to that which is rendered by Arvin Stage Lines, between Bakersfield and Mojave. However, there is impelling evidence that supports the rendition by Santa Fe Transportation Company of its proposed coordinated rail-bus service over this same route, between Bakersfield and Barstow, all of which is based upon the necessity and convenience which will be afforded the travelling public moving between points which are beyond the termini, Bakersfield and Mojave, of

Arvin Stage Lines, on the one hand, and points at and between said termini on the other hand, and the evidence is particularly strong in justifying the proposed coordinated rail-bus Santa Fe service between Bakersfield and Mojave as a means of affording the necessary and vital connecting link in its greater chain of service between San Francisco Bay points and San Joaquin Valley points, on the one hand, and Barstow and points beyond, on the other hand.

Therefore, in granting Santa Fe Transportation Company the operating rights sought over the route between Bakersfield and Barstow, and intermediate points, such service shall be restricted so as to prohibit the carriage by said applicant of passengers and baggage in intrastate business locally between Bakersfield and Mojave and intermediate points.

Recurring to the motion to dismiss, concurred in by Arvin Stage Lines, and predicated upon Section 50 $\frac{1}{2}$, we reaffirm all that we have hereinbefore set forth in our consideration and conclusion of Greyhound claims in this regard, and again, we find as facts:

1. Arvin Stage Lines did not render on October 8, 1935, at no time prior to October 8, 1935 had Arvin Stage Lines rendered, at no time since October 8, 1935 has Arvin Stage Lines rendered, with no railway whatsoever, all or any part of the coordinated, integrated rail-bus service, predicated upon a 1 $\frac{1}{2}$ cents per mile fare base, with parity of fares, with unlimited stopover privileges, with unlimited interchangeability of tickets and routes, as proposed by Santa Fe Transportation Company herein.
2. Public convenience and necessity require the performance by Santa Fe Transportation Company of the coordinated, integrated rail-bus service proposed by it, as a connecting link between Bakersfield and Mojave, subject to the restrictions hereinafter contained in the certificate of public convenience and necessity granted unto said Santa Fe Transportation Company.
3. Arvin Stage Lines cannot render, and will not render, all or any part of the said coordinated and integrated rail-bus service, specified in the last preceding paragraph and therein certificated unto Santa Fe Transportation Company, to the satisfaction of this Commission.

For all of the reasons stated, we hereby deny the motion to dismiss any or all of Applications Nos. 20170, 20171, 20172, and 20173.

Greyhound's Final Contention.

Another contention stressed by Greyhound is the inconsistency which it imputes to this Commission in having permitted the development of Greyhound's California operations, through devious acquisitions and mergers, into its present status of virtual monopoly, and now, in apparent derogation of this plan of regulation, in certificating the proposed widespread, effective competition.

The development of passenger transportation by automotive buses in California has occurred during the past 25 years. The struggles and vicissitudes of these operators present a history of development through many transitions, and in this history there is disclosed an ever-changing pattern of successes and failures. The regulatory course best designed for this new kind of common carrier was a regulation which would bring order out of chaos, which would coordinate these discordant and rival factions, and which would thereby create, from the experimental and dubious status of bus operations, an enduring passenger transportation system, possessing stability and public recognition.

In the early stages of California's bus history, the field was ineffectively occupied by a multitude of small, discordant, non-cooperative operators. The auto bus industry in California consisted of many unconnected links. The full realization of the ultimate benefits and advantages inherent in bus transportation could not be attained until we had forged from this multitude of links a strong, unified, coordinated, efficiently organized chain of service. In charting the course of bus regulation in California, the Commission has given this State precisely this. From a medley of hostile rivalries, following a plan of developing one strong system out of many weak ones, permitting and even encouraging numerous acquisitions and mergers, the ultimate realization of this policy of regulation was realized in 1929 when the Commission permitted the consolidation of the operations of Southern Pacific Motor Transport Company,

Pickwick Stages, and California Transit Company into the present existing, integrated, coordinated Greyhound operation.

This process and plan of regulation was justified then, and would be justified now, wholly apart from any reference to the elements contained herein which involve regulated competition. It is definitely in the public interest to aid in the creation of a vigorous, well managed bus operation, coextensive with the highway system of California. In consequence of this development, the citizenry of California have enjoyed all of the benefits and advantages that the coordinated bus facilities of California could afford, and Greyhound has been permitted to accomplish a powerful entrenchment, through the process of regulated monopoly. The conditions which have been brought to pass entirely justify the methods of regulation which this Commission has consistently pursued.

The time is now at hand, in the territory involved herein, when the public interest, with Greyhound thus firmly entrenched, needs and deserves the salutary influence, and the driving force of a solidly financed, widespread, coordinated, and integrated competitive rail-bus service. This the Santa Fe Transportation Company will supply. Fares, equipment, speed, headway, and all other elements of service thus will be energetically and aggressively maintained, and the millions of potential passengers throughout these heavily populated portions of California will feel the surge of a vibrant force that will lead the way to further developments in our transportation systems, and to the enhancement of the public interest.

The forging of the Greyhound chain was necessary. We believe the time has arrived when the public interest will be best subserved by permitting the reinforcement of the Santa Fe chain. By so doing, we endeavor to embrace that degree of reasonable and just competition, calculated to best subserve public interest, said competition always being under regulation.

Integration.

We reiterate that Santa Fe Transportation Company was created by Santa Fe Railway, and it is and will be entirely owned, financed, and operated by Santa Fe Railway. The certificates it seeks in these four applications provide for a bus service that will remain mortgaged into and integrated with the parent rail service. In fine, what has been actually offered to the public herein is an augmented passenger service, to-wit, a bus operation which promises to be improved, efficient, and attractive, and which will be coordinated with the long established pioneer common carrier, Santa Fe Railway passenger transportation system. Therefore, we look beyond Santa Fe Transportation Company, and recognize Santa Fe Railway as the most important factor in these proceedings.

These four applications, viewed individually or collectively, would be doomed to failure were they stripped of the impelling advantages which they possess by reason of their integration with the Santa Fe Railway, that stands squarely behind the applicant and says: "We offer this optional service on the basis of parity of fares predicated upon a 1½ cent per mile basis, with unlimited stop-over privileges, coextensive with our California dedication, as a vital and rehabilitated passenger service; we propose therewith to afford effective and salutary competition to Greyhound and Southern Pacific."

We stress again that the prime justification for granting the certificates as hereinafter in this order outlined, is to give the people within the territory sought to be served the advantages of an integrated, coordinated, rail-bus passenger service, which shall be wholly owned and operated by Santa Fe system, and which shall be effectively competitive with Greyhound and Southern Pacific.

These certificates are neither designed nor granted as franchises which may ever attain attractive sale status. Rather are they granted and intended as permanent auxiliaries to the long existing operations of a pioneer carrier. In so far as these certificates may afford the Santa Fe system future stimulation and health, they will demonstrate their only value to their possessor. Failing in this, they will become valueless.

FINDINGS OF FACT

Upon full and careful consideration of all the evidence contained in the consolidated record of Applications Nos. 20170, 20171, 20172, 20173, and 20237, which are determined in the within decision, and Application No. 20281, which has been heard and considered with all of the matters referred to in this paragraph, but which will be decided by another decision to be rendered by the Commission, we hereby make special reference to all of our conclusions which are hereinabove in this decision expressed, and we find as facts all of the said conclusions hereinabove expressed; in addition thereto we find as facts:

1. That public convenience and necessity require the operation by Santa Fe Transportation Company, in conjunction with The Atchison, Topeka and Santa Fe Railway Company, a coordinated and integrated rail and stage service for the transportation of passengers and their baggage in intrastate commerce in California, over the following routes and subject to the restrictions set forth in the following order:
 - a. Between San Francisco and Los Angeles, and intermediate points, via routes through Stockton and Tracy, merging at Manteca, and in connection therewith, feeder and local service between Hanford and Porterville, and intermediate points;

- b. Between Los Angeles and San Diego, via routes through Long Beach and Santa Ana, and intermediate points;
 - c. Between Bakersfield and Barstow and intermediate points;
 - d. Between Los Angeles and the California-Arizona state line, via Needles, and intermediate points.
2. That public convenience and necessity require the consolidation by Santa Fe Transportation Company of the services contemplated by its applications herein with each other and with the certificate granted by Decisions Nos. 28606 and 29029.
 3. That the routes proposed to be traversed by stages of applicant, Santa Fe Transportation Company, are suitable for the contemplated operations and they more nearly parallel the rails of The Atchison, Topeka and Santa Fe Railway Company than any other highways which might be adaptable to an expeditious and satisfactory service such as that proposed.
 4. That the establishment of streamline train service by The Atchison, Topeka and Santa Fe Railway Company, as a part of the improved coordinated service between the San Francisco Bay area and Bakersfield is in the public interest.
 5. That public convenience and necessity require the extension by Pacific Greyhound Lines of its stage service between Bakersfield and Barstow via Mojave, for the transportation of passengers and baggage in intrastate commerce in California subject to restrictions as set forth in the following order.
 6. That public convenience and necessity do not require that Pacific Greyhound Lines be certificated to institute passenger stage service over any of the routes as proposed in its Application No. 20237 herein, with exception of that route named under Item 5 above.
 7. That removal or modification of any or all of the restrictions heretofore imposed by order of this Commission upon the bus operations of Pacific Greyhound Lines, and as specifically set forth by that company in its Application No. 20237 herein, will not be in the public interest.
 8. That applicant, Santa Fe Transportation Company, failed to sustain the burden of proof warranting the issuance of a certificate for the transportation of express.

NOTICE

SANTA FE TRANSPORTATION COMPANY and PACIFIC GREYHOUND LINES are 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 by the State which is not, in any respect, limited as to the number of rights which may be given.

The following form of order is recommended:

O R D E R

Public hearings having been held in the above entitled applications, briefs having been filed in behalf of applicants, interveners, and protestants, and all of said matters having been duly submitted, and the Commission being fully advised, and all of said matters being now ready for decision,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the establishment and operation by Santa Fe Transportation Company, a corporation, of a common carrier automotive passenger stage service for the transportation of passengers and their baggage as a passenger stage corporation as that term is defined in Section 2½ of the Public Utilities Act, said passenger stage service to be coordinated and integrated with the rail service of The Atchison, Topeka and Santa Fe Railway Company; and the establishment by The Atchison, Topeka and Santa Fe

Railway Company of streamline train service through the San Joaquin Valley from Oakland to Bakersfield, said service to be fully coordinated and integrated with the stage service of Santa Fe Transportation Company in the same territory; said service in its entirety to be provided to the public at fares computed at a rate of $1\frac{1}{2}$ cents per mile, based upon the short line mileage, whether stage or rail, or a combination of the two; and with tickets interchangeable on both rail and stage facilities with unlimited stop-over privileges; as set forth in all of the offers contained in original and amended Applications Nos. 20170, 20171, 20172, and 20173; said rail coordinated passenger stage operation to serve;

1. Between San Francisco and Los Angeles, and intermediate points, via alternate routes through Stockton and Tracy, merging at Manteca, and in connection therewith, feeder and local service between Hanford and Porterville, and intermediate points;
2. Between Los Angeles and the California-Arizona state line, via Needles, and intermediate points;
3. Between Los Angeles and San Diego, via routes through Long Beach and Santa Ana, and intermediate points;
4. Between Bakersfield and Barstow, and intermediate points;

provided that said stage service is to be operated as a consolidated and unified operation and to be consolidated with the operative rights heretofore created by Decisions Nos. 28606 and 29029 and, further, provided that the above specified service over the routes named, shall be restricted so as not to include the transportation locally of passengers and their baggage between the following points:

1. San Francisco, and Richmond, and intermediate points;

2. San Francisco and Hayward and intermediate points;
3. Borden Junction and Stockton and intermediate points;
4. Los Angeles and San Fernando and intermediate points;
5. Los Angeles and Long Beach, Newport Beach and Balboa and intermediate points;
6. Los Angeles and Santa Ana and intermediate points;
7. Los Angeles and Riverside and San Bernardino and intermediate points;
8. Points in one restricted territory and points within another restricted territory, said restricted territories being specifically designated and described in restrictions numbers 4, 5, 6, and 7, immediately preceding this restriction number 8.
9. Bakersfield and Mojave and intermediate points;
10. Applicant's Los Angeles Terminal and the intersection of Highland Avenue and Cahuenga Avenue, or the intersection of Atlantic Boulevard and Anaheim-Telegraph Road, or the west city boundary of the city of Alhambra, or Long Beach, or between any point intermediate to aforesaid four points, or between said four points, and points intermediate thereto;
11. Applicant's San Diego Terminal and La Jolla and intermediate points.

The term "locally," as used in connection with above restrictions does not apply to the movement of passengers and their baggage from points inside a restricted area to points outside that restricted area, or to the movement of said passengers and their baggage from points outside a restricted area to points inside said restricted area.

The service herein authorized is to be provided over and along the following routes:

1. San Francisco to Los Angeles:

From the Santa Fe bus terminal on Fourth Street between Mission and Market Streets, in San Francisco, across the San Francisco-Oakland Bay Bridge, through Oakland, thence via U.S.Highway 50 to Manteca, thence via U.S.Highway 99 through Merced, Madera, Fresno, Bakersfield, Lemoore, Castaic Junction, and San Fernando, thence through North Hollywood, and Hollywood to the Santa Fe railway depot in Los Angeles.

An alternate route from San Francisco to Los Angeles will be from the San Francisco terminal over the San Francisco-Oakland Bay Bridge, thence via Oakland, Berkeley, Richmond, San Pablo, and Pinole, thence via Franklin Canyon Road to Martinez, thence via Shell Refinery, Avon, Port Chicago, Nichols, Pittsburg, Antioch, Oakley, Knightsen, Borden Junction, Holt Road, and Stockton to Manteca, thence along the same route described above from Manteca to Los Angeles.

2. Hanford to Porterville:

From Hanford through Plaza (Visalia Airport), Visalia, Farmersville, Exeter, Lindsay, and Strathmore to Porterville.

3. Los Angeles to California-Arizona state line:

From Los Angeles east on Seventh Street to San Pedro Street, thence north on San Pedro Street to Aliso Street, thence northeast on Aliso Street to Ramona Boulevard, thence along U.S.Highway 60 and 70 through Pomona and Ontario to Riverside, thence northeast on U.S.Highway 395 to San Bernardino, thence east on U.S.Highway 66 to the California-Arizona line east of Needles.

4. Los Angeles to San Diego:

- a. From Los Angeles east on 7th Street to Santa Fe Avenue, thence south on Santa Fe Avenue to Slauson Avenue, thence east on Slauson Avenue to Pacific Boulevard through Huntington Park to Long Beach Boulevard, thence south on Long Beach Boulevard to Long Beach, thence southeast on State Highway 3 to Serra, thence along U.S.Highway 101 through Oceanside to San Diego.

- b. From Los Angeles east on Ninth Street to Telegraph Road, thence southeast on State Highway 6 to Norwalk, thence along State Highway 10 to Buena Park, thence east on Commonwealth Avenue to Fullerton, thence south on U.S. Highway 101 through Anaheim, Santa Ana, Tustin, and Oceanside to San Diego.

Certain schedules are to be routed via Rose Canyon and others via La Jolla.

5. Bakersfield to Barstow:

From Bakersfield through Edison, Woodford, Tehachapi, Monolith, Mojave, and Kramer to Barstow.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and the same hereby is, granted to Santa Fe Transportation Company, a corporation, to perform the above described service, subject, however, to the following conditions:

1. Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed fifteen (15) days from date hereof.
2. Applicant shall commence the service herein authorized within a period of not to exceed one hundred and twenty (120) days after the date hereof, and shall file in triplicate and concurrently make effective on not less than ten (10) days' notice to the Railroad Commission and to the public, a tariff or tariffs constructed in accordance with the requirements of the Commission's General Orders and containing rates and rules as shown in the exhibits most recently amended and submitted in evidence herein, in so far as they conform to the certificates herein granted, or rates and rules satisfactory to the Railroad Commission.
3. Applicant shall file in duplicate, and make effective within a period of not to exceed one hundred and twenty (120) days after the date hereof, on not less than five (5) days' notice to the Railroad Commission and the public, time schedules identical with the time schedules shown in the exhibits most recently amended and submitted in evidence herein, covering the service herein authorized or time schedules satisfactory to the Railroad Commission.
4. The rights and privileges herein authorized may not be discontinued, sold, leased, transferred nor assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer, or assignment has first been obtained.
5. No vehicle may be operated by applicant herein unless such vehicle is owned by said applicant or is leased by applicant under a contract or agreement on a basis satisfactory to the Railroad Commission.

6. Applicant shall file with this Commission within a period not to exceed thirty (30) days after the date hereof, documentary proof that The Atchison, Topeka and Santa Fe Railway Company has taken immediate steps to provide the streamline train service proffered.
7. Applicant and The Atchison, Topeka and Santa Fe Railway Company shall simultaneously inaugurate their proposed coordinated and integrated rail and stage service, including the proposed streamline train service between Oakland and Bakersfield, and subject to all of the conditions herein contained.

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY FURTHER DECLARES that public convenience and necessity require the establishment and operation by Pacific Greyhound Lines of a service as a passenger stage corporation, as that term is defined in Section 2 $\frac{1}{2}$ of the Public Utilities Act, for the transportation of passengers and baggage between Bakersfield and Barstow and intermediate points, said service to be consolidated with the existing service of Pacific Greyhound Lines, heretofore created by Decision No. 23244, dated December 31, 1930, as amended, provided that the above specified service over the route named shall be restricted so as to prohibit the transportation locally of passengers and baggage between Bakersfield and Mojave and intermediate points, said restriction not to prohibit transportation of passengers and baggage from points outside the restricted area to points within the restricted area, or from points inside the restricted area to points outside the restricted area.

The service herein authorized shall be provided along the route from Bakersfield through Edison, Woodford, Tehachapi, Monolith, Mojave, and Kramer to Barstow.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and the same hereby is, granted to Pacific Greyhound Lines, a corporation, to perform the above described service, subject, however, to the following conditions:

1. Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed fifteen (15) days from date hereof.

2. Applicant shall commence the service herein authorized within a period of not to exceed ninety (90) days after the date hereof, and shall file in triplicate and concurrently make effective on not less than ten (10) days' notice to the Railroad Commission and to the public, a tariff or tariffs constructed in accordance with the requirements of the Commission's General Orders and containing rates and rules as shown by Exhibit "C" attached to original Application No. 20237 or rates and rules satisfactory to the Railroad Commission.
3. Applicant shall file in duplicate, and make effective within a period of not to exceed ninety (90) days after the date hereof, on not less than five (5) days' notice to the Railroad Commission and the public, time schedules identical with the time schedules shown as Exhibit "B" attached to original Application No. 20237 or time schedules satisfactory to the Railroad Commission.
4. The rights and privileges herein authorized may not be discontinued, sold, leased, transferred nor assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has first been obtained.
5. No vehicle may be operated by applicant herein unless such vehicle is owned by said applicant or is leased by applicant under a contract or agreement on a basis satisfactory to the Railroad Commission.

IT IS HEREBY FURTHER ORDERED that in all other respects Application No. 20237 be, and the same hereby is, denied.

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 18th day of April, 1938.

~~*Walter M. ...*~~
~~*John ...*~~
~~*Francis R. ...*~~
~~*Ray ...*~~
~~*Ray ...*~~