

Decision No. 34026 .

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Investigation and Suspension)
by the Commission on its own motion of reduced)
rates published by SOUTHERN PACIFIC GOLDEN GATE) Case No. 4204
FERRIES, LTD., for the transportation of vehicles)
between San Francisco on the one hand and Alameda,)
Berkeley, Oakland, and Richmond on the other hand.)

In the Matter of the Investigation and Suspension)
by the Commission on its own motion of reduced)
rates for the transportation by SOUTHERN PACIFIC) Case No. 4225
GOLDEN GATE FERRIES, LTD., of vehicles and passen-)
gers in vehicles between San Francisco on the one)
hand and Sausalito and Tiburon on the other hand.)

ORIGINAL

GEORGE H. HARLAN, and the firm of SLOSS, TURNER AND FINNEY,
for the Golden Gate Bridge and Highway District.

GEORGE W. GERHARD, for the Civic League of Improvement
Clubs and Associations.

F. M. McAULIFFE and LLOYD W. DINKELSPIEL and RICHARD E.
GUGGENHEIM: RALPH O. MARRON, for U. S. WEBB, Attorney
General, for the California Toll Bridge Authority.

GEORGE HERRINGTON, for San Francisco Bay Toll Bridge Company.

GUY V. SHOUP, HARRY S. YOUNG and E. J. FOULDS, for the
Southern Pacific Golden Gate Ferries, Ltd.

HARRY S. YOUNG and JORDAN L. MARTINELLI, for the Anglo
California National Bank.

JORDAN L. MARTINELLI, for the City Council of the City
of Sausalito, etc.

GEORGE FOURATT, for the Master Mates and Pilots.

C. R. SCHWANENBERG, City Manager, for the City of Alameda.

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

H. H. SANBORN, for himself as a stockholder.

HARRY EASON, as an individual.

FRED E. REED, S. VICTOR WAGLER, and JOHN C. STIRRAT, for
certain East Bay organizations.

FRED C. HUTCHINSON, City Attorney, by JOHN D. PHILLIPS,
for the City of Berkeley.

WARE, COMMISSIONER:

OPINION AFTER FURTHER HEARING

The Commission, by its Order in Decision No. 29999, dated August 9, 1937,⁽¹⁾ among other things authorized Southern Pacific Golden Gate Ferries, Ltd., to reduce its rate for the transportation of an automobile and its passengers up to and including five, between San Francisco and both Sausalito and Oakland Pier, from 50 cents per single one-way trip to 30 cents one-way and 50 cents round trip. This rate became effective August 11, 1937, while the rate on both the San Francisco-Oakland Bay Bridge and the Golden Gate Bridge remained at 50 cents per single one-way trip, with no reduction for round trip. The Golden Gate Bridge and Highway District, on August 28, 1937, and the Toll Bridge Authority, on August 30, 1937, filed petitions with the Commission for a further hearing and reconsideration of such a rate differential between the bridges and ferry routes. Further

(1) Decision No. 29999 involves the following proceedings:

Application No. 21237 - Southern Pacific Golden Gate Ferries, Ltd., to abandon operations on its San Francisco-Richmond and San Francisco (Foot of Broadway)-Oakland routes.

Application No. 21297 - Southern Pacific Golden Gate Ferries, Ltd., to abandon or to suspend operations on its San Francisco-Berkeley route.

Case No. 4201 - Investigation on the Commission's own motion into the rates, fares, rules, regulations, service, etc., of Southern Pacific Golden Gate Ferries, Ltd.

Case No. 4204 - Investigation and suspension by the Commission on its own motion of reduced rates, published by Southern Pacific Golden Gate Ferries, Ltd., for the transportation of vehicles between San Francisco and East Bay cities.

Case No. 4225 - Investigation and suspension by the Commission on its own motion of reduced rates for the transportation by Southern Pacific Golden Gate Ferries, Ltd., of vehicles and passengers in vehicles between San Francisco and Marin County.

hearings were held on the above-described proceedings at San Francisco. (2) For the convenience of the parties, the testimony dealing particularly with the San Francisco-Sausalito operations was received at the hearings between November 12, 1937, and February 3, 1938, inclusive, and the San Francisco-Oakland Pier operations between March 4, 1938, and April 30, 1938, inclusive. All briefs have been filed and the matter is now ready for decision.

GOLDEN GATE BRIDGE AND FERRY OPERATIONS:

The testimony offered by the Golden Gate Bridge and Highway District centers largely around the contention that the lower automobile rates on the San Francisco-Sausalito ferry route (which for convenience in this chapter will be referred to as the ferry line), (3) effective August 11, 1937, were responsible for a substantial

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- (2) Dates of further hearings before either or both Commissioner Ware and Examiner Hunter:
Nov. 12, Dec. 7, 23, 1937; Jan. 4, 5, 6, 25, 26, 27, 28,
Feb. 1, 2, 3, Mar. 4, Apr. 5, 19, 22, 23, 29, and 30, 1938.

NOTE: With respect to the filing of briefs on the San Francisco-Sausalito run, the time allowed was February 23, 1938, for concurrent opening briefs, and February 28, 1938, for concurrent reply briefs.

NOTE: Time allowed for the filing of briefs with respect to the San Francisco-Oakland Pier operation was May 10, 1938, for concurrent opening briefs, and May 14, 1938, for concurrent reply briefs.

- (3) Following is a brief resume of changes in rates and service on both the Bridge and Ferry route subsequent to the opening of the Golden Gate Bridge (May 28, 1937).

Effective Aug. 11, 1937 - Ferry Auto rate reduced to 30¢ one way and 50¢ round trip (15-Min. service).

Effective Aug. 26, 1937 - Bridge Truck rates reduced to 50¢.

Effective Sept. 10, 1937, - Service reduced from 15-Min. to 20-Min. headway.

Effective 11:00 P.M. Dec. 23, 1937, to 11:00 P.M., Jan. 3, 1938 - Bridge Auto. rates reduced to 30¢ and 50¢.

Effective 11:00 P.M., Jan. 3, 1938 - Bridge rates restored.

Effective Midnight Mar. 31, 1938 - Night service on ferry route discontinued.

diversion of traffic from the Golden Gate Bridge (which will be referred to in this chapter as the bridge), to the ferry line, which was working an undue financial hardship on the bridge operations, and that if this differential were removed, the diverted bridge traffic would return to the bridge, with the result that the earnings of the bridge would be sufficient to meet its present financial requirements.⁽⁴⁾ On the other hand, the ferry company contends that it is entitled to a differential due to the inferior type of service and that the lower automobile rates have been the

(4) The position of the Golden Gate Bridge and Highway District, as expressed in its brief, is to be summed up as follows:

1. That the Commission has no jurisdiction or authority to fix ferry automobile rates which divert traffic from the bridge, for to do so is an attempt to control indirectly the tolls to be charged on the bridge over which it has no jurisdiction.
2. That the Commission has no jurisdiction or authority to make automobile ferry rates conditional upon the Bridge directors raising truck tolls, for to do so is an attempt to control bridge truck tolls and a delegation of the Commission's regulatory powers over ferry rates to the Bridge District.
3. That the Commission must, in conformity with its own previous rules and the law, fix reasonable, compensatory, and non-discriminatory rates for passenger vehicles on the ferry.
4. That the Commission must, in conformity with the evidence on the rehearing, raise the ferry automobile rates to at least 40 cents per one-way trip and 70 cents per round trip, and fix a properly related commute rate for this ferry traffic.

primary cause of attracting a substantial volume of new traffic.⁽⁵⁾

The question as to the percentage of the traffic attracted to the ferry line following the rate reduction in auto fares (August 11, 1937) which could be classified as new, or developed traffic, as contrasted with the traffic which was diverted from the bridge, is a very controversial subject in this record. The bridge witnesses testified that 85% of the new traffic carried by the ferry line was diverted from the bridge, and, on the other hand, witnesses for the ferry company contended that about 75% of the new traffic was induced or attracted by the lower rates. The determination of the question of induced and diverted traffic is complicated by the difficulty of ascertaining what part of the bridge's losses in vehicular traffic is chargeable to seasonal factors, to the decline of the initial novelty traffic, and to ferry diversion. The answer undoubtedly lies somewhere between the two extreme positions of the parties.

It appears appropriate to summarize the testimony and exhibits of this rather voluminous record dealing with the results of operation following the various changes in the rate structure of the bridge and ferry, by means of the following tables:

(5) A witness for the ferry company offered three alternative plans of procedure to meet the rate situation with respect to the Golden Gate Bridge and Southern Pacific Golden Gate Ferries' San Francisco-Sausalito operations, as follows:

1. The Commission might call into conference representatives of both the Bridge District and the Ferry company for the purpose of considering a rate structure for each facility, which would be acceptable to both interests.
2. The Commission might prescribe an increase in passenger automobile ferry rates of 40 cents one way and 65 cents round trip, but only on condition that the bridge retain a 50-cent single automobile fare and adopt a truck rate substantially equivalent to that in effect on the ferries before the bridge opened.
3. That the Commission authorize the ferry company to adopt such rate and service experiments as may seem appropriate to demonstrate its ability to compete with present bridge tolls for at least one full year's operation with Bridge competition.

TABLE NO. 1.
AUTOMOBILES AND TRUCK TRAFFIC ON
GOLDEN GATE BRIDGE
AND
SAN FRANCISCO (HYDE STREET) - SAUSALITO FERRY ROUTE ⁽¹⁾

| P e r i o d s | MONTHLY BASIS | | | | | | | | | |
|--|----------------------------|----------|------------|----------|----------|-------------|----------|------------|----------|----------|
| | Passenger Vehicles - Autos | | | | | T r u c k s | | | | |
| | Per Cent | Golden | Per Cent | | | Per Cent | Golden | Per Cent | | |
| | of | Gate | of | | | Ferry | of | Gate | of | |
| | Ferry | Combined | Bridge | Combined | Combined | (Exhs. 64 | Combined | Bridge | Combined | Combined |
| | (Exh. 64) | Total | (Exh. 145) | Total | Total | and 108) | Total | (Exh. 145) | Total | Total |
| <u>PRE-BRIDGE PERIOD</u> | | | | | | | | | | |
| April, 1937 | | 156,261 | - | - | - | 13,433 | - | - | - | - |
| <u>GOLDEN GATE BRIDGE OPENED FOR TRAFFIC MAY 28, 1937</u> | | | | | | | | | | |
| June, 1937 | | 16,200 | 3.68 | 423,762 | 96.32 | 439,962 | 9,069 | 60.10 | 6,022 | 39.90 |
| July, 1937 | | 17,733 | 3.83 | 445,837 | 96.17 | 463,570 | 9,190 | 61.53 | 5,745 | 38.47 |
| <u>FERRY AUTOMOBILE RATE REDUCED TO 30¢ ONE WAY AND 50¢ ROUND TRIP - EFFECTIVE AUG. 11, 1937</u> | | | | | | | | | | |
| August, 1937 | | 78,820 | 17.61 | 368,862 | 82.39 | 447,682 | 10,326 | 60.81 | 6,656 | 39.19 |
| <u>BRIDGE TRUCK RATES REDUCED TO 50¢ EFFECTIVE AUG. 26, 1937</u> | | | | | | | | | | |
| September, 1937 | | 96,456 | 27.36 | 256,067 | 72.64 | 352,523 | 3,759 | 22.35 | 13,054 | 77.65 |
| October, 1937 | | 82,194 | 27.47 | 217,062 | 72.53 | 299,256 | 2,916 | 16.18 | 15,097 | 83.82 |
| November, 1937 | | 68,974 | 27.84 | 178,817 | 72.16 | 247,791 | 2,242 | 14.81 | 12,900 | 85.19 |
| December, 1937(2) | | 51,255 | 20.03 | 204,574 | 79.97 | 255,829 | 1,495 | 10.26 | 13,074 | 89.74 |

(1) The endeavor is made, as far as possible, to make data fully comparable, although this is not always possible because of varying practices concerning the inclusion or non-inclusion of trailers.

(2) Bridge one-way and round-trip Auto rates reduced to a parity with Ferry operations December 23, 1937, to January 3, 1938, inclusive.

= Exh. 135

TABLE NO. 2

Sheet 1 of 2

FINANCIAL RESULTS FROM AUGUST 11, 1937, TO APRIL 11, 1938, incl., ON
SAN FRANCISCO (HYDE STREET) - SAUSALITO FERRY ROUTE

| P e r i o d s | ON A DAILY BASIS | | | | | |
|--|--|--|---|---|---|---|
| | Total Revenue Including all Vehicles, Passengers, eto. | Out-of-Pocket: Operating Exps. excl. Overheads Taxes & Rents | Total Out-of-Pocket: Costs, plus Direct Taxes and Rentals | Net Earnings after Out-of- pocket Costs, but before Overheads | Full Operating Costs, incl. head directly assignable to route (1) | Net Earnings after full Operating Costs |
| FERRY AUTO RATE REDUCED TO 30¢ ONE WAY & 50¢ ROUND TRIP - EFFECTIVE AUG. 11, 1937 (15-MIN. SERVICE) | | | | | | |
| Aug. 11 - 25, 1937, incl., (Exh. 67) | \$1,736.94 | \$1,658.10 | \$1,678.48 | \$ 58.46 | - | - |
| BRIDGE TRUCK RATES REDUCED TO 50¢, EFFECTIVE AUG. 26, 1937. | | | | | | |
| Aug. 26 - Sept. 9, 1937, incl. (Exh. 67) | 1,410.62 | 1,615.33 | 1,636.70 | 226.18* | - | - |
| FERRY SERVICE REDUCED FROM 15-MIN. TO 20-MIN. HEADWAY - EFFECTIVE SEPT. 10, 1937. | | | | | | |
| Sept. 10 - 30, 1937, incl., (Exh. 67) | 1,078.85 | 1,142.41 | 1,163.81 | 84.96* | (2) | (Sept) \$528.03*(3) |
| Oct. 1 - 31, 1937, incl., (Exh. 67) | 943.23 | 1,334.36 | 1,354.84 | 411.61* | (2) | 657.37*(3) |
| Nov. 1 - 30, 1937, incl., (Exh. 68) | 815.49 | 1,177.98 | 1,198.69 | 383.20* | (2) | 589.26*(3) |
| Dec. 1 - 23, 1937, incl., (Exh. 138) | 727.46 | 1,210.04 | 1,229.67 | 502.21* | (2) | (Dec.) 744.98*(3) |
| EFFECTIVE 11:00 P.M. Dec. 23, 1937, to 11:00 P.M., JAN. 3, 1938 - BRIDGE AUTO RATE REDUCED TO 30 CENTS and 50 CENTS. | | | | | | |
| Dec. 24 - 31, 1937, incl., (Exh. 138) | 326.93 | 1,020.09 | 1,039.19 | 721.26* | - | - |
| BRIDGE RATES RESTORED 11:00 P.M. JAN 3, 1938. | | | | | | |
| Jan. 1 - 31, 1938, incl., (Tr. p. 2809) | 612.81 | - | - | - | \$1,240.70 | 627.89* |
| Feb. 1 - 28, 1938, incl., (Tr. p. 2809) | 649.34 | - | - | - | 1,442.23 | 792.89* |
| Mar. 1 - 31, 1938, incl., (Tr. p. 2809) | 584.44 | - | - | - | 1,391.26 | 806.82* |
| FERRY NIGHT SERVICE DISCONTINUED AS OF MIDNIGHT MARCH 31, 1938. | | | | | | |
| Apr. 1 - 11, 1938 (4) (Tr. p. 2808) | 758.38 | - | - | - | 1,219.79 | 461.41* |

* Denotes Red Figures

FOOTNOTES FOR TABLE:

- (1) Full cost as used herein does not include any allowance for Dismissal Wages, Interest requirements, or Depreciation. The physical property, other than land, is fully depreciated on the company's books.
- (2) The Accounting exhibits do not directly show full cost during this period. However, a witness for the ferry company testified that this item amounted to approximately \$1,331 per day previous to the discontinuance of night service. The discontinuance of night service was expected to reduce this by about \$115. (Exh. 105, Tr. p. 2396).
- (3) Includes full month. (From Exh. 154)
- (4) Includes two week-end periods within the eleven days, thus improving the showing.

Table No. 1 shows:

- (1) That under a parity of rates, about 96 per cent of the auto traffic moved over the bridge and about 4 per cent used the ferry. Following the reduction of the ferry rates from 50 cents one way and \$1.00 round trip to 30 cents and 50 cents, respectively, about 73 per cent of the auto traffic used the bridge and 27 per cent used the ferry.(6)
- (2) That under an approximate parity of rates, about 40 per cent of the truck traffic moved over the bridge, and about 60 per cent used the ferry. Following the substantial reduction in bridge rates to a flat 50 cents per truck and load, the bridge attracted from 80 to 90 per cent of the total truck traffic, with the ferry retaining the remainder.
- (3) That the auto traffic between San Francisco and Marin County showed a tremendous increase following the opening of the bridge. This traffic, as is the case with the ferry operation, is highly seasonal. On the other hand, the table shows that the volume of the truck traffic has not been materially affected by the opening of the bridge or changes in the rate structure.

Table No. 2 shows:

- (1) That between August 11th and 25th, during which time the ferry company operated with a differential in auto rates and at approximate parity of truck rates, it earned a small amount in excess of out-of-pocket costs.
 - (2) With the reduction in the bridge truck rate to 50 cents, effective August 26, 1937, the ferry thereafter experienced a continuing out-of-pocket loss.
 - (3) The change in service from 15 to 20-minute headway, effective September 10, 1937, decreased the ferry company's operating expenses by some \$300 or \$400 per day. This saving in operating expenses, however, was not sufficient to offset the losses in truck revenue, together with the seasonal decline in auto traffic. The net result was that the ferry company's out-of-pocket losses varied from some \$100 to \$500 per day.
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- (6) The relative percentages for the month of December, 1937, were affected by the results of operation during the Christmas holidays, when the bridge and ferry operated on a parity of auto rates. During this time the distribution of traffic returned approximately to that which obtained during the previous period when a parity of rates existed.

- (4) That the experimental reduction in auto rates by the bridge during the Christmas holidays to a parity with the ferry rates increased the ferry's out-of-pocket losses to over \$700 per day.
- (5) That the ferry company has failed to earn its full cost of operation by amounts varying from about \$600 to \$800 per day between September, 1937, and March, 1938. From September, 1937, to February, 1938, these losses averaged \$655 per day.
- (6) The elimination of night service by the ferry, effective April 1, 1938, reduced operating costs by an amount in excess of \$100 per day.

With respect to truck revenue alone, the record shows the following (Exh. 108):

| P e r i o d s | Ferry Revenue | Golden Gate Bridge |
|---|----------------------|------------------------------|
| | from Freight Traffic | Revenue from Freight Traffic |
| | Aver. per Day | Aver. per Day |
| <u>PRE-BRIDGE PERIOD</u> | | |
| January, 1937 | \$ 807.03 | - |
| February, " | 870.89 | - |
| March, " | 948.19 | - |
| April, " | 939.83 | - |
| May, " | 893.13 | - |
| <u>GOLDEN GATE BRIDGE OPENED FOR TRAFFIC MAY 28, 1937, WITH REDUCED TRUCK RATES WHICH FERRY, IN GENERAL, MET.</u> | | |
| June, 1937 | 524.66 | \$ 207.10 |
| July, " | 499.32 | 201.52 |
| August, " | 574.00 | 194.32 |
| <u>BRIDGE TRUCK RATES REDUCED TO 50 CENTS AUGUST 26, 1937.</u> | | |
| September, 1937 | 164.23 | 234.33 |
| October, " | 129.55 | 261.41 |
| November, " | 105.40 | 220.53 |

It may be observed from the above:

- (1) That the ferry revenue from truck traffic decreased nearly \$400 per day following the opening of the bridge, and the reduction in truck rates which were established by the ferry company to meet the new bridge rates.
- (2) That the ferry truck revenues were further reduced by nearly \$400 per day following the bridge rate reduction to 50 cents per truck, effective August 26, 1937.
- (3) That although the revenue from truck traffic has decreased from some \$900 per day on the ferry to something over \$100 per day with the changes in rate structure on both the bridge and ferry, the total truck revenue on the bridge has remained relatively constant at something over \$200 per day.

SAN FRANCISCO-OAKLAND BRIDGE AND FERRY OPERATIONS:

Turning now to that portion of the record dealing with the San Francisco-Oakland Bridge and ferry operations, ⁽⁷⁾ the testimony and exhibits offered by the bridge representatives center around their contention that it is not in public interest to permit the ferry line to operate at lower rates than the bridge. ⁽⁸⁾ On the

(7) In this chapter of the Opinion, the San Francisco-Oakland Bay Bridge will, for convenience, be referred to as the bridge, and the San Francisco-Oakland Pier route ferry operations will be referred to as the ferry, similar to the situation in the preceding chapter dealing with San Francisco-Marin bridge and ferry operations.

(8) Representatives of the bridge contend:

1. That following the reduction in auto rates from 50¢ per trip to 30¢ one way and 50¢ round trip by ferry (Aug. 11, 1937), there has been a substantial diversion of traffic from both the bridge and Southern Pacific and Key inter-urban lines to the ferry lines. This diversion has been greatly in excess of the estimates introduced in the record upon which said Decision No. 29999 was based.
2. This diversion is not in public interest in that it delays the time when the bridge can reduce tolls which will affect a larger group of the public than the one that is benefited by the reduced rates on the ferry.
3. It would be in public interest to force the discontinuance of the ferry operation by eliminating the differentials in the tolls, which would have the effect of diverting practically all the vehicular traffic, particularly the autos, from the ferry line to the bridge, thus leaving the field exclusively to the bridge, which would in turn permit of immediately reducing its rates.

other hand, the ferry representatives contend that the ferry offers a second rate service to the bridge and must enjoy lower rates to exist.⁽⁹⁾ Both parties agree that a parity of rates is tantamount to an abandonment of ferry service. Neither urges any intermediate rate level between the present differential and full parity.

Witness for the California Toll Bridge Authority indicated that the following Bay Bridge tolls must be maintained under the present proposed scheme of financing and with the ferries still operating:

| <u>Date</u> | <u>Base Toll</u> |
|--|------------------|
| 1938 to March, 1939 | 50 cents |
| March 1939, to Sept. 1940 | 45 " |
| Sept. 1940, to Sept. 1941 | 40 " |
| Sept. 1941, to Sept. 1942 | 35 " |
| Sept. 1942, to March 1943 | 30 " |
| March 1943, to end of bond amortization approximately 1960-61 (Tr.-p. 2752) | 25 " |

Footnote (8) Cont'd.

(4) With the elimination of the ferry operation, the bridge would be in a more favorable position to dispose of its bonds, which, in turn, would be to the interest of the public.

(5) There is little or no public necessity for the continuation of this service.

(9) Representatives of the ferry contend that:

1. Public convenience and necessity require the continuance of this operation.
2. It offers a second class service as compared to the bridge and is therefore entitled to a differential in rates with the bridge in so far as auto traffic is concerned.
3. That the present differential in rates on auto traffic is reasonable and in public interest.
4. That with the existing differential, this operation is conducted at a profit over and above full operating costs chargeable to this route.
5. That the differential should be placed upon a percentage basis, which would permit the ferry company to adjust its rates with changes in the bridge rates.
6. The ferry operation offers a stand-by service for the bridge.

The position of the California Toll Bridge Authority is that the ferry rates should be placed upon a parity with those of the bridge, which, in effect, would cause the abandonment of the service. Upon such elimination of the ferry competition, the bridge witness stated that the toll schedules would be:

| <u>Date</u> | <u>Base Toll</u> |
|--|------------------|
| From the present time to March, 1939 | 40 cents |
| March 1939, to March 1940 | 35 " |
| March 1940, to March 1943 | 30 " |
| March 1943, to end of amortization (approximately 1960-61) | 25 " |
| (Brief p. 16 - Tr. p. 2753) | |

Numerous bodies and civic organizations introduced resolutions to the effect that the retention of the ferries was desired⁽¹⁰⁾ and in the public interest.

On the other hand, representatives appearing on behalf of the East Bay Regional Plan Association and certain other organizations of the East Bay District⁽¹¹⁾ took the same position as the bridge representatives, to the effect that it would be in public interest to remove the rate differential in auto rates and thus force the ferry company to discontinue service.

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- (10) Montclair Improvement Club.
 Rockridge Improvement Club, Oakland.
 Council of the City of Berkeley.
 Manzanita Improvement Club, Oakland.
 Pot and Kettle Club of Oakland.
 Audio Speakers' Club
 Beulah Summit Improvement Club
 St. Peter's Men's Club
 Berkeley Civic Study Club
 East Side Consolidated Civic Clubs
 Alameda Women's Improvement Club
 Lafayette Improvement Club
 Oakland Breakfast Club
 Women's Legislative Club of Oakland.

- (11) East Bay Regional Plan Association,
 Acorn Club, Inc., Builders Exchange of Alameda County,
 Oakland Civic Center, Inc. Labor's Non-partisan League of Calif.
 Telegraph Club, West of Market Boys, Inc.
 Democratic Conference of Congressional Districts of Calif., Inc.
 East Bay Breakfast Club,
 City Council of San Leandro.

There is shown on the following Tables Nos. 3 and 4 a resume' of the evidence and testimony with respect to the San Francisco-Oakland operations of both the bridge and ferry, dealing with certain traffic and financial results.

It appears from Table No. 3 that:

- (1) With a parity of auto rates, the ferry can expect something less than 2% of the total traffic.
- (2) With the present differential in auto rates, the auto traffic divides itself approximately 28% to the ferry and 72% to the bridge.
- (3) With the present auto rate differential, the traffic on the Oakland Pier route is slightly greater on the average than that handled before the bridge was opened. Also, such traffic constitutes between 75 and 80 per cent of the combined pre-bridge traffic handled on the Oakland Pier and Berkeley routes.
- (4) With the change in auto rates on the ferry (August 11, 1937), ferry traffic increased over 8,000 autos per day and bridge traffic decreased nearly 5,000 autos per day. (12)

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- (12) Differences of opinion existed as to what proportion of the new ferry traffic was diverted from the bridge. The ferry company contended that the business recession accounted for a substantial portion of the bridge loss. Here again the testimony was highly contradictory; the bridge witnesses contending that after allowance for bridge and interurban traffic losses (the latter figured at the equivalent of 2.2 passengers per car) (Tr. p. 2942), the ferry had induced practically no new traffic. The ferry company witnesses contended that the greater part of this added traffic which followed the rate reduction was newly induced traffic. The bridge placed heavy reliance on previous monthly ferry patterns to indicate that traffic which it might have expected from Aug. 1937, to March 1938, had there been no ferry rate cut. The ferry placed substantial reliance upon a questionnaire distributed among its users. Both methods are open to certain criticisms and it is probable that the actual facts are somewhere between the two estimates. However, the sudden drop of bridge traffic by 4,000 - 5,000 cars would indicate that at least this proportion of the ferry's increase in traffic was diverted from the bridge. Such diversion is much greater than was anticipated by any of the parties to the proceeding.

TABLE NO. 3

PASSENGER AUTOMOBILE TRAFFIC ON
SAN FRANCISCO-OAKLAND BAY BRIDGE
AND
SAN FRANCISCO-OAKLAND PIER FERRY ROUTE

| P e r i o d s | MONTHLY DATA | | | | | DAILY TRAFFIC | | |
|---------------|---------------|-------------|----------------|-------------|----------|---------------|--------|-------|
| | Ferry Traffic | | Bridge Traffic | | Combined | Ferry | Bridge | Total |
| | % of Com- | % of Com- | | | | | | |
| | | | | | | | | |
| | Total | bined Total | Total | bined Total | Total | | | |
| (Exh.161) | (Exh.161) | (Exh.161) | | | | | | |

(PRE BRIDGE TRAFFIC) (1)

First 10 Months, 1936 " " " " " 7,420 (2) " "

WITH RATES AT PARITY

| | | | | | | | | |
|-------------------------|--------|------|---------|-------|---------|-----|--------|--------|
| April, 1937, (Exh. 161) | 9,127 | 1.23 | 730,807 | 98.77 | 739,934 | 304 | 24,360 | 24,664 |
| May, " | 12,235 | 1.41 | 654,429 | 98.59 | 866,664 | 394 | 27,562 | 27,956 |
| June, " | 11,310 | 1.42 | 785,524 | 98.58 | 796,834 | 377 | 26,184 | 26,561 |
| July, " | 16,848 | 1.97 | 839,231 | 98.03 | 856,079 | 543 | 27,072 | 27,615 |

(FERRY AUTOMOBILES RATES REDUCED TO
 30¢ ONE WAY AND 50¢ ROUND TRIP
 EFFECTIVE AUGUST 11, 1937)

| | | | | | | | | |
|---------------|---------|-------|---------|-------|---------|-------|--------|--------|
| August, 1937 | 173,549 | 17.69 | 807,670 | 82.31 | 981,219 | 5,598 | 26,054 | 31,652 |
| September, " | 266,354 | 28.64 | 663,520 | 71.36 | 929,874 | 8,878 | 22,117 | 30,995 |
| October, " | 275,154 | 28.36 | 695,079 | 71.64 | 970,233 | 8,876 | 22,422 | 31,298 |
| November, " | 259,831 | 28.31 | 657,901 | 71.69 | 917,732 | 8,661 | 21,930 | 30,591 |
| December, " | 236,331 | 25.75 | 681,506 | 74.25 | 917,837 | 7,624 | 21,984 | 29,608 |
| January, 1938 | 241,718 | 27.63 | 633,115 | 72.37 | 874,833 | 7,797 | 20,423 | 28,220 |
| February, " | 214,535 | 27.76 | 558,239 | 72.24 | 772,774 | 7,662 | 19,937 | 27,599 |
| March, " | 240,927 | 28.07 | 617,244 | 71.93 | 858,171 | 7,772 | 19,911 | 27,683 |

(1) San Francisco-Oakland Bay Bridge opened November 12, 1937

(2) Exhibit 1 - Tables 71 and 72

Value for Oakland Pier and Berkeley Routes Combined = 10,517

TABLE NO. 4

FINANCIAL RESULTS FROM AUGUST 11, 1937 TO APRIL 11, 1938
SAN FRANCISCO - OAKLAND PIER FERRY EXPERIENCE

| DAILY BASIS | | | | | |
|---|---------------|---|---|---|---|
| Period | Total Revenue | Out-of-Pocket Operating Expenses, Excl. Overheads Taxes and Rentals | Total Out-of-Pocket Costs plus Direct Taxes and Rentals | Net Earnings After Out-of-Pocket Costs but before Overheads | Net Earnings After Full Operating Costs Including Overheads Assignable to Route (1) |
| (FERRY RATE REDUCTION TO 30¢ ONE WAY AND 50¢ ROUND TRIP, EFFECTIVE AUGUST 11, 1937) | | | | | |
| Aug. 11 - Aug. 31, 1937, incl. (Exh. 69) | \$2,742.11 | \$1,957.05 | \$2,119.05 | \$ 623.06 | |
| Sept. 1 - Sept. 30, 1937, incl. (Exh. 69) | 2,941.37 | 1,933.12 | 2,103.09 | 838.28 | \$ 334.17 ⁽²⁾ |
| Oct. 1 - Oct. 30, 1937, incl. (Exh. 69) | 3,037.95 | 1,889.48 | 2,054.49 | 983.46 | 700.07 ⁽²⁾ |
| Nov. 1 - Nov. 30, 1937, incl. (Exh. 70) | 2,917.58 | 1,975.78 | 2,146.61 | 770.97 | 371.14 ⁽²⁾ |
| Dec. 1 - Dec. 31, 1937, incl. (Exh. 139) | 2,514.95 | 2,045.65 | 2,209.90 | 305.05 | * 52.30 ⁽²⁾ |
| Jan. 1 - Jan. 31, 1938, incl. (Exh. 151) | | | | 452.74 | 157.60 ⁽²⁾ |
| Feb. 1 - Feb. 28, 1938, incl. (Exh. 151) | | | | 498.35 | 234.34 ⁽²⁾ |
| 3 Months-Jan. 1 - March 31, 1938, incl. Tr. 2812 | | | | | 286.15 |
| Apr. 1 - Apr. 11, 1938, incl. Tr. 2811 | | | | | 596.74 ⁽³⁾ |

(1) Full cost as used herein does not include any allowance for Dismissal Wages, Interest requirements, or depreciation. The physical property other than land is fully depreciated on the Company's books.

(2) Exhibit 154

(3) Includes two week-ends within 11-day period thus improving the showing

* Loss

Table no. 4 shows that:

1. Under the present auto rate differential, the net earnings, without overheads, have ranged from about \$300 to \$900 per day.
2. The net earnings after full operating costs have ranged from about \$100 to \$700 per day. (Between September 1937 and February 1938, inclusive, the net earnings averaged \$291 per day).

COMBINED FERRY OPERATIONS -
SAN FRANCISCO-OAKLAND PIER AND
SAN FRANCISCO-SAUSALITO ROUTES:

The following tabulation was developed to show the financial results of the combined operations by months - August 1937, to February 1938, inclusive (Exhibit No. 154):

| Month | Net Income or Loss, after full costs, including Overhead, but excluding Depreciation, Obsolescence and Dismissal Wages, and Costs on Discontinued Lines. (1) | |
|---------------|--|--|
| | San Francisco-Oakland Pier Route | San Francisco (Hyde St.) Sausalito Route |
| August, 1937 | \$ 5,598.95 | \$ 7,644.81* |
| September, " | 10,025.03 | 15,840.86* |
| October, " | 21,702.13 | 20,378.41* |
| November, " | 11,134.08 | 17,677.95* |
| December, " | 1,621.20* | 23,094.42* |
| January, 1938 | 4,885.66 | 19,464.61* |
| February, " | 6,561.64 | 22,200.98* |
| TOTAL | \$58,286.29 | \$126,302.05* |

(1) The results from the operation of the other active minor routes show a net profit of \$742.42 for the period shown.

* Denotes Loss.

From the above tabulation it may be observed that the losses sustained through the operation of the Sausalito route far exceed the earnings on the Oakland Pier route, the net loss being \$68,015.76 for the period.

GENERAL REVIEW OF ENTIRE RECORD:

In its Decision No. 29999 the Commission gave consideration to the following phases of this entire matter:

1. Is the retention of the ferry service in the public interest?
2. Can the ferries economically justify a continued operation under the proposed rates?
3. Will such operation financially jeopardize the San Francisco-Oakland Bay Bridge or the Golden Gate Bridge?

Concerning the first question, the evidence reveals an impressive number of resolutions introduced by municipal bodies and civic groups, which express the desire for the retention of the ferry service. The record of patronage is conclusive proof that a substantial portion of the public have found satisfaction in the ferry service. The saving in fares, scenic advantages, comforts and conveniences of numerous boat facilities, location of ferry terminals, and the security afforded by a stand-by service are among the contributing factors which have induced this public patronage and support. This record conclusively proves that this public patronage is entirely sufficient to warrant the retention, in the public interest, of the San Francisco-Oakland ferry service, and is insufficient to warrant the retention, in the public interest, of the San Francisco-Sausalito ferry service.

With respect to the second question, the answer, in so far as the Oakland Pier route is concerned, is "Yes." In the case of the Sausalito route, however, it is a matter for conjecture as to what might have happened under a different truck rate structure on the bridge, combined with a 20-minute headway, as contemplated under the Commission's decision. . Certainly under the present rate structure and operating conditions, the answer is "No." As a means of bettering its financial position, the ferry company proposes, in the case of the Sausalito operation, to experiment with different truck rate reductions. However, from this record, this plan does not

offer a means of placing this ferry operation on a profitable basis.

Answering the third question, the San Francisco-Oakland Bay Bridge has proven to be a financial success. Under the existing rates, the record discloses the probability that the revenue of the Golden Gate Bridge would be insufficient to meet all of its present financial requirements even though it enjoyed 100 per cent of all the traffic. The former bridge is financed from the revenue it enjoys; the latter bridge is financed through bonds which are secured both by the revenue said bridge enjoys and by all of the realty contained within the Golden Gate Bridge and Highway District. The reduction which the ferry operations has caused to the earnings of each bridge has not seriously jeopardized the financial structure of either bridge.

CONCLUSIONS:

In considering the question of a differential in the rate structure for the bridge and ferry operations, it may be stated as a fundamental principle that the competition between the parties involved should be fair. One party should not be permitted to injure itself or merely to "trade dollars" for the purpose of diverting traffic from its competitor and with no advantage to itself. Just what rate structure constitutes fair competition between a bridge and ferry is not easily defined, but certainly it is not at that level where the one operates at an out-of-pocket loss merely to divert traffic from the other; nor can a parity in the rates charged by a bridge and a ferry be held to constitute fair competition or to provide economic equality between two such different types of service. The record is replete with examples of second-class or inferior services for which the public expresses a need and which must be offered at a differential in rates if the inferior service is to exist. This fact was recognized by the Commission in said Decision No. 29999 when it permitted a differential in the bridge and ferry auto rates on both the San Francisco-Sausalito and San Francisco-Oakland Pier routes.

The operation of the San Francisco-Sausalito Ferry and the operation of the San Francisco-Oakland Ferry present two distinct though related problems. With respect to the first named service, the record clearly shows that the present rates of 30 cents one way and 50 cents round trip fail by a wide margin to yield sufficient revenue to pay out-of-pocket costs. It was suggested by the Golden Gate Bridge and Highway District that a rate of 40 cents one way and 70 cents round trip would yield the ferry a greater revenue than the 30 and 50 cent rates and would be more reasonable. (Trans. p. 2064.) It is not only doubtful but unlikely that these rates would be more compensatory to the ferry company. In any event they, as well as the 30 cent and 50 cent rates, will fail to return sufficient revenue to pay out-of-pocket costs under the existing scale of bridge rates. A parity of rates with the bridge, to-wit: a 50 cent one way, with no reduction for the round trip, would return even less than would the lower rates in effect or proposed by the Golden Gate Bridge and Highway District. Thus, in so far as this record is concerned, and again assuming that the bridge rates remain at their present level, there is no rate, or rates, which the ferry company could maintain that would yield sufficient revenue to pay out-of-pocket costs. Failing in this, the continued maintenance of the San Francisco-Sausalito service constitutes an undue burden upon the balance of the ferry company's system and thereby creates that discrimination forbidden by law. The ferry company will be ordered to cancel all rates now on file with this Commission and should forthwith abandon all its operations between San Francisco and Sausalito.

In the matter of the San Francisco-Oakland Pier operation, the record is clear and admitted by all parties that an establishment

of rates at a parity is tantamount to an abandonment.⁽¹³⁾ If this service is not burdened with the losses on the Sausalito route, it can economically survive in competition with the bridge if the rates of the latter remain at their present level.

The representatives of the San Francisco-Oakland Bay Bridge are asking this Commission to re-establish the automobile ferry rates on a parity with those of the bridge, with the avowed intent of forcing an abandonment of the ferry operations. Other than this request, neither the bridge nor ferry representatives seek any modification in the present auto rate differential. The lowering of bridge tolls and the hastening of the day when the bridge may be made free are highly desirable ends, yet, as a means to such ends, the Commission does not find that in equity, in law, and in public interest, it can deny this common carrier the right to exist, so long as such carrier can reasonably and economically justify its existence.

FINDINGS:

A careful review of this record leads to the following findings:

1. The San Francisco-Sausalito and San Francisco-Tiburon ferry operations are now conducted at a substantial out-of-pocket loss.
2. So long as the present rates are maintained on the Golden Gate Bridge, no schedule of rates can be established for the San Francisco-Sausalito and San Francisco-Tiburon operations which will permit them to meet out-of-pocket operating expenses.

(13) Witness for bridge: (Tr. p. 3112)

"** If I was the Ferry Company, I would not want the rates on parity because I know I would not have any possibility of existing; but I am not with the ferry, I am with the bridge, and we don't want the ferries because we think it is in the public interest for them not to exist, we think it is in the ferry's interest themselves that they do not exist. And for that reason we can't ask the Railroad Commission to order the ferries off the Bay, but we can ask them to raise their rates on parity so that they will be off the Bay. I am frankly speaking, that is what we want and that is what we think the public is entitled to."

3. So long as the present rates are maintained by the Golden Gate Bridge, the continued operation of the San Francisco-Sausalito and San Francisco-Tiburon routes will constitute an intolerable burden upon the San Francisco-Oakland Pier operations, which can lead to no other result than to financially destroy that service. It must, therefore, be concluded that the present passenger automobile ferry rates on the San Francisco-Sausalito and San Francisco-Tiburon operations are unreasonably low and discriminatory.
4. The San Francisco-Oakland ferry operation is now conducted at a profit. This does not take into consideration expenses arising from dismissal wages or miscellaneous charges accruing to the abandoned lines, the properties of which are still in the hands of the company. The existence or non-existence of these charges has no direct bearing upon the operation of the San Francisco-Oakland Pier route as these financial obligations are unchanged irrespective of whether this route is operated or abandoned.
5. The combined San Francisco-Sausalito, San Francisco-Tiburon, and San Francisco-Oakland Pier routes are now operated at a loss and with the present bridge rates in effect, no plan has been presented which would enable this entire operation to be conducted at a profit.
6. The San Francisco-Sausalito and San Francisco-Tiburon operations should be discontinued forthwith.
7. There is nothing in this record which justifies the Commission in modifying its Order in Decision No. 29999 with respect to the auto rates on the San Francisco-Oakland Pier route.

ORDER AFTER FURTHER HEARING

Petitions for a rehearing of Decision No. 29999 having been filed, the above proceedings having been reopened for the purpose of receiving further evidence as to the reasonableness of the rates made effective by said decision, further investigation and hearing having been had and said further investigation duly submitted, based upon the record and the foregoing opinion.

IT IS HEREBY ORDERED that Southern Pacific Golden Gate Ferries, Ltd., cancel all tariffs containing rates, rules and regulations for the transportation of persons and property between San Francisco, on the one hand, and Sausalito and Tiburon, on the other

hand, said cancellation to become effective within ten (10) days after the effective date of this order and on not less than five (5) days' notice to the Commission and to the public.

In all other respects the rates permitted to become effective by virtue of Decision No. 29999 may remain in full force and effect.

This order shall become effective twenty (20) days after the date hereof.

The foregoing Opinion and Order after further hearing 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 27th day of June, 1938.

Walter M. ...
Leon ...
Frank R. ...
Karl ...
Ray ...
Commissioners