

Decision No. 31650

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of KEY)
SYSTEM, a corporation, for authority to)
establish permanent rates for ferry boat) Application
service between San Francisco and Treasure) No. 21788
Island and Oakland and Treasure Island.)

DONAHUE, RICHARDS & HAMLIN, by Frank S. Richards, for Key System, Applicant.

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

WALTER A. ROEDE, for San Francisco Chamber of Commerce.

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

WRIGHT & WRIGHT & LARSON, for the Golden Gate International Exposition Company.

F. B. FERNHOFF, City Attorney, and WALTER W. COOPER, Public Utilities Expert, for the City of Oakland.

THOMAS CARLSON, City Attorney, for the City of Richmond.

C. W. WHITE, City Attorney, for the City of Hayward.

R. N. RICHARDS, City Attorney, for the City of Piedmont.

A. L. COLE, City Attorney, for the City of San Leandro.

H. ALBERT GEORGE, City Attorney, for the City of Alameda.

FRED C. HUTCHINSON, City Attorney, JOHN D. PHILLIPS, Assistant City Attorney, CHESTER FISK, Assistant City Manager, for the City of Berkeley.

ALICE MAY BAKER, for San Francisco City & County Federation of Women's Clubs.

MRS. JOSEPH GALLAGHER, for the San Francisco Women's Chamber of Commerce.

MRS. JOSEPH GARRY, for California Parent-Teachers Association, 2nd District.

PAUL PITMAN, for San Francisco Public Schools.

T. H. DE LAP, for the City of El Cerrito.

HELLER, WHITE and MC AULIFFE, Attorneys, by LLOYD W. DINKELSPIEL, for the California Toll Bridge Authority.

H. C. LUCAS and JOHN A. MAATA, for the Pacific Greyhound Lines, interested party.

HARRY A. BOLLES, for the Commandant of 12th Naval District.

I. S. SEATTUCK, for the Exposition Company.

CARL SUNDBERG, for the Gray Line, Inc.

WAKEFIELD, COMMISSIONER:

SECOND SUPPLEMENTAL ORDER

In this supplemental application Key System has applied for authority to establish revised passenger rates for ferry boat service between San Francisco and Oakland on the one hand and Treasure Island on the other. Public hearing was held at San Francisco on December 15, 1938, at which time the matter was submitted.

The history of this proceeding to date has been briefly as follows. In an interim order (Decision No. 30769, dated April 11, 1938), this Commission authorized the establishment and operation by Key System of a ferry boat service for an experimental period of 90 days for the transportation of passengers between both San Francisco and Treasure Island and the Oakland Pier Terminal of the Key System and Treasure Island. In a supplemental application filed by Key System on April 14, 1938, applicant stated that such limited operative right did not permit it to meet its financial and other commitments necessary to provide this service to the Island. Thereupon, the Commission, in its First Supplemental Order in this Matter (Decision No. 30816, dated April 25, 1938), extended the time limit of the certificate to apply throughout the so-called Pre-Exposition and the Exposition periods, such certificate to terminate December 31, 1939. The fares initially charged were established temporarily at a flat 25 cents round trip with no reduction for children.

In the instant application filed December 5, 1938, applicant alleges that the lowest rate which it can fairly and reasonably charge henceforth and to apply during the Exposition period is that

of 10 cents one way with 5 cents for children,⁽¹⁾ and requesting authority to immediately reduce its existing rates to such level. A review of the evidence introduced at the hearing follows herewith. It deals in turn with applicant's proposed Exposition service, the costs thereof, the volume of traffic anticipated, the proposed rates and resultant revenues, and the position of certain interested groups and communities in the matter.

Applicant first stated that in the development of its program three fundamental principles were observed: first, that the rate should be as low as possible; secondly, that there should be parity in the rates from each side of the bay; and, thirdly, that there should be an adequacy of service. Both the quality of the service to be offered and the rates proposed by applicant were formulated and approved by a Joint Committee created to handle all Exposition transportation matters. This Committee, referred to hereinafter as the Joint Committee,⁽²⁾ consists of six members, three of whom represent the Key System, and three the San Francisco Bay Exposition (a corporation hereinafter referred to as the Exposition Company).

The plan of service which applicant proposes and for which the costs and rates were developed calls for: (1) the operation of a ferry service from the San Francisco Ferry Building to slips on the west side of Treasure Island; (2) the operation of a ferry service from the Oakland Pier Terminal of the Key System in the East Bay to ferry slips on the east side of Treasure Island; and (3) the provision of an electric train service on a 20-minute headway over

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- (1) Children 6 years of age and over, but under 13 years of age, one-way fare 5 cents. Children under 6 years of age will be carried free when accompanied by an adult passenger paying a fare, except that no more than two such children will be so carried.
- (2) The Joint Committee consisted of Wm. P. Day, Director of Works of the Exposition, Chairman; Lester Ready, Consulting Engineer for the Exposition; and I. S. Shattuck, Chief of Transportation of the Exposition; Wm. P. St. Sure, Vice President of Key System; Richard Sachse, Consulting Engineer of Key System; and B. W. Campbell, Transportation Engineer of Key System.

each of the six interurban lines which Key System now operates in the East Bay area. The ferry service contemplates headways of varying frequencies, but as low as 7 minutes on days of peak travel. The train service will be interspersed between the regular transbay trains which at that time will be operating over the San Francisco-Oakland Bay Bridge. The so-called Exposition trains will operate to the Key System Pier Terminal where they will provide a connection with the ferries for Treasure Island.

Applicant introduced a cost study to show that the estimated expense of rendering this transportation service would amount to \$2,944,000. (3) Certain of the expenses, namely, maintenance of way,

(3) From applicant's Exhibit No. 11.

A. ESTIMATE OF EXPENSES

a. Key System Rail Service

1. Maintenance of Way & Structures		\$ 105,000
2. Maintenance of Equipment		90,000
3. Power		150,000
4. Conducting Transportation		
a. Platform Labor	\$ 260,000	
b. Misc. Transportation Expense	<u>150,000</u>	410,000
5. Traffic Expenses		40,000
6. General & Misc. Expense		200,000
7. Misc. Exp. (Rail Operation)		
Additional items including "J" Fare Boxes, Train Control Valves, additional service on Berkeley-College Avenue Line		50,000
Sub-total, Train Service		<u>\$1,045,000</u>
8. Taxes, including unemployment insurance, old age pension, etc.		95,000
9. Rentals - Rental of new cars, shop & general office facilities, etc.		95,000
Sub-total		<u>\$1,235,000</u>

b. Key System Ferry Service

1. Boat Crews; fuel, water and supplies		690,000
2. Bridge tenders, collectors & misc. employees		180,000
3. Maintenance & rehabilitation of ferry steamers		200,000
4. Rental of San Francisco Ferry Bldg. slip & waiting room facilities		62,500
5. Rehabilitation of terminal facilities		17,000
6. Insurance		85,000
7. Severance Wage applicable to Exposition operation		2,500
8. Rental of ferry steamers		317,500
Sub-total		<u>\$1,554,500</u>

c. Miscellaneous Expense

1. Miscellaneous - Includes changes on track, signals, etc.		154,500
Total Expense		<u>\$2,944,000</u>

maintenance of equipment, power, etc., were estimated for the year 1939 upon the basis of the company's 1937 experience and were prorated on a car mile basis between the transbay service to be operated over the bridge and that to be operated for the Exposition. Applicant estimates that the total car miles operated in 1939 will be 4,600,000, of which 1,800,000 should be assigned to the Exposition service and 2,800,000 assigned to the regular transbay train service. Other expenses, especially those relating to boat and train crews, were subject to close estimate inasmuch as the number of boats and the train and car miles were known. These expenses were directly chargeable to the Exposition service. Expenditures for money changers, turnstile operators and other members of the terminal staffs on the Island, at the Pier, and at San Francisco were also directly chargeable to the Exposition service. Other costs, such as traffic department expenses, additional liability insurance, etc. could only be estimated.

The anticipated revenue from the Exposition service is set at \$3,026,700 to be derived from passengers carried by the East Bay electric trains and from passengers transported by the ferries. It is proposed to charge the existing local East Bay Transit Company's zone fares on the Exposition trains, namely, 10 cents cash or 7 tokens for 50 cents (7-1/7¢). This includes universal transfer to and from any of the local street car lines or busses of the East Bay Transit Company within the zone. In addition the existing fare zone for Exposition traffic on the interurban trains will be extended to include the Key System Pier. The proposed ferry fares have already been noted.

In estimating the revenue certain assumptions as to the traffic volume were necessary. The applicant first assumed a mass transportation movement of 13,500,000 passengers, of which 5 per cent, or 675,000, are expected to use the motor coach facilities and 95

per cent, or 12,825,000, are expected to use the Key System special train and ferry service. Of this latter group, it is estimated that 40 per cent, or 5,130,000, will originate in the East Bay area and 60 per cent, or 7,695,000, will originate in San Francisco. By applying its average local fare to the 5,130,000 passengers expected to originate in the East Bay area and making adjustment for transfers there is obtained a sum of \$461,700 which is credited to the Exposition train service. At the one-way rate of 10 cents applied to the 12,825,000 persons expected to use the ferries, the ferry revenue will be \$2,565,000 which, combined with the \$461,700 credited to the train service, yields a total of \$3,026,700. This revenue exceeds the estimated operating expenses noted above of \$2,944,000 by \$82,700. This latter sum constitutes applicant's estimated profit. This estimate, however, makes no allowance on the one hand for the reduced children's fares, nor on the other hand, for any potential revenues from concessions. During the operation of its Pre-Exposition service, namely, from the commencement of operation in April, 1938, to November 15, 1938, applicant incurred a loss of \$27,000.

It is the intention of applicant to put the proposed fare structure into effect immediately upon the authority being granted. However, the east slip on Treasure Island which will be used in the service to the East Bay will not become available for operation until one week before the Exposition opens.

In the matter of reduced fares for school children applicant stated that, although the proposed one-way rate of 5 cents would be the basic rate, it was the plan of the Joint Committee that there would be certain days devoted to school children when reduced fares would be offered. Special tariffs will be filed for this purpose. The arrangements for such reduced rates on certain days will be made by the Joint Committee working in conjunction with

the Special Events Committee of the Exposition.

During the course of the hearing the question was raised as to the feasibility of establishing a sliding scale of rates in lieu of the basic rate of 10 cents one way, the object of such sliding scale being to permit the fare to be, in effect, tuned to the volume of traffic, rising when traffic fell and falling as traffic rose. Applicant opposed the adoption of an automatic sliding scale, stating that in its opinion the life of the Exposition (288 days) was too short to experiment with a fluctuating rate; that the estimates of total attendance or the number that will make use of the mass transportation facilities is of necessity an uncertain quantity; that the attendance at the Exposition will be subject to periodical fluctuations with possible short peaks and pronounced valleys; that it is difficult to say from week to week or from month to month what the mass transportation traffic is going to be; and that it would be contrary to the best interests of the Exposition and the public to have a rate that would fluctuate up or down in relation to the fluctuating attendance.

In support of its position applicant pointed out that both it and the Exposition Company were satisfied with the proposed 10-cent basic fare but that if, from time to time, any of the communities in the Bay area or any associations had any information that they desired to bring before the Committee, the latter would be glad to consider it. Applicant also expressed the belief that it is more desirable to adjust the fares as conditions develop than to attempt to estimate in advance all the factors that would bear upon such a scale.

In answer to the question as to whether applicant would come before the Commission for an increase in fares in case it developed that the traffic was materially less than that contemplated in the estimates, applicant stated that it would stand on its present rate proposal. It expressed belief that its proposed fares were the proper charges, and added that it did not contemplate at this time coming to the Commission to ask for a higher rate. At the same time, however, applicant indicated, on the one hand, that it would not want to take a loss and, on the other hand, that if the traffic were much in excess of the estimates there might be justification for a reduction in the fare, either ordered by the Commission or made voluntarily.

The application by Key System for the 10-cent basic fare was supported by the Board of Management of the Exposition Company, a resolution to that effect being attached to the application.⁽⁴⁾

Representatives of Oakland, Richmond, El Cerrito, and Berkeley appeared in support of the application. A vital interest was expressed in the retention of a parity of rates between both sides of the Bay.

(4) The resolution reads as follows:

"WHEREAS, the Key System is about to file a petition with the Railroad Commission of the State of California to reduce the rate of fare between San Francisco and Treasure Island and Oakland and Treasure Island on its ferry boat service so that during the Exposition period the fare shall be ten cents (10¢) each way except that a one-half fare, or five cents (5¢), each way shall be maintained for children from six (6) to twelve (12) years of age, and so that children under six (6) years of age shall be carried free; and

"WHEREAS, this corporation is advised that the Railroad Commission would appreciate an expression of opinion from this corporation on the rates so proposed;

"NOW, THEREFORE, BE IT RESOLVED, that this corporation, the San Francisco Bay Exposition, hereby approves the rates so proposed as satisfactory to it;

"AND BE IT FURTHER RESOLVED that a copy of this resolution duly certified by the Secretary or Assistant Secretary of this corporation be furnished to the Key System for such use in connection with the hearing before the Railroad Commission on its petition as the Key System may be advised."

A representative of the City and County of San Francisco introduced the following short statement setting forth the position of San Francisco in the matter:

"1. San Francisco does not object to the proposed rate of 10 cents for adults, and 5 cents for children each way.

"2. San Francisco has no objection to a parity of rates from San Francisco to Treasure Island and from Oakland to Treasure Island.

"3. The position of San Francisco is that no information as to the number of people who will go by their automobile or the ferry is available at this time. It believes that within 60 to 90 days after the opening of the Exposition a clearer determination can be made if the presently proposed 10-cent rate then in effect can be reduced. Therefore, my request would be that the joint committee on transportation of the Exposition Company examine into the possibilities at that time with the City and County of San Francisco and other interested parties, so that if rates can be reduced they will be reduced expeditiously. In the meantime the Commission should retain jurisdiction.

"4. If the proposed rates be proved unprofitable to the Key System the committee referred to will expeditiously report to the Commission the facts and the Key Route's suggestion as to rates so as to avoid a loss."

Applicant indicated that it concurred in this method of handling the question of future changes in the fare, and read into the record a short statement to the effect that the City and County of San Francisco, as well as other cities and interested parties should have the privilege of meeting with the Joint Committee from time to time for the purpose of discussing Exposition transportation problems and fares. The Exposition Company concurred in this statement.

Two witnesses appeared on behalf of the California Congress of Parents and Teachers and the San Francisco Public Schools, respectively, requesting the adoption of a 5-cent one-way fare for school children with a 5-cent round trip fare for those days set aside for educational purposes. They suggested raising the age limit for children's tickets from applicant's 12-year limit to 18 years. This latter age would include the high school students.

It was estimated that the number of school children in the entire San Francisco Bay area who would be affected by such a reduction in fare would be something in excess of a quarter of a million.

A member of the Commission's Engineering Division⁽⁵⁾ testified that, considering the volume of service it is proposed to operate, the applicant's estimate of \$2,944,000 as the cost of providing the service was within reasonable limits. This conclusion was reached after a study first, of the transportation requirements of the Exposition as set forth by the representatives of the Exposition Company,⁽⁶⁾ and secondly, of the individual items of cost entering into the estimates. He further testified that on the basis of this finding and the applicant's anticipated traffic volume, the proposed 10-cent fare would be proper. This witness also explained that for small changes in the anticipated volume of traffic there would be little change in the expense to the company. However, if one were to assume that the realized traffic would be 50 per cent greater than the anticipated traffic, he concluded that the round trip cost per passenger would be between 13 and 14 cents. This was based upon the assumption on the one hand, that the applicant's proposed volume of ferry service⁽⁷⁾ could accommodate this added traffic; but, on the other hand, that the number of car miles in the East Bay would have to be appreciably increased, i.e., operate longer trains. It was also estimated that if the traffic should decrease as much as 50 per cent below that anticipated by the applicant the costs per passenger would rise to approximately 19 cents each way or 38 cents round trip. This estimate, likewise, assumed no change in the quality of the ferry

(5) The Commission's witness was Dr. Ford K. Edwards.

(6) A preliminary analysis of the transportation requirements for the Exposition was made by Lester Ready, Consulting Engineer, and I. S. Shattuck, Chief of Transportation, of the Exposition.

(7) The applicant expects to maintain seven boats in regular use plus two additional on peak days.

service or in the number of trains to be operated. The only saving credited to the operation as a result of the reduced traffic was in the reduction of the car miles, i.e., fewer cars and fare collectors per train. The witness indicated, however, that if one assumed that the quality of service were reduced through the operation of the ferries on a less frequent headway or by the operation of Key Pier trains from some central station in Oakland only, instead of over each route as is presently contemplated, the costs could be further reduced with a consequent reduction in the one-way expense of 19 cents. No estimates were made on this latter basis, however, as it was felt any appraisal at this time of the volume of service to be operated under such eventualities was too conjectural to permit of the cost estimates being given much weight. The above estimates of cost based on a 50 per cent traffic increase and a 50 per cent traffic decrease, respectively, assumed that the East Bay fare structure of 10 cents cash or 7 tokens for 50 cents would remain constant and that all benefits or burdens from such changes in patronage would accrue to, or be laid against, the ferry patronage.

CONCLUSIONS:

A review of this record shows that, under applicant's plan of operation and accepting the estimated revenues and expenses incident to the proposed service, if the ferry rates are based upon the lowest level that can be justified for that service standing by itself, i.e., approximately 15 cents per round trip, and maintaining the present rail rates, the entire operation would be conducted at a loss of over \$700,000 for the fair period. Applicant's proposed plan of operation, however, includes a transfer privilege between the Key System trains and the East Bay Street Railway which is not now afforded Key traffic. The record further shows that if the rates on applicant's Treasure Island ferry and rail operations were fixed independent of each other and upon a remunerative basis, and again accepting applicant's esti-

mates of revenue, expenses and traffic, there would have to be a substantial increase in the rail rates, resulting in a one-way fare of approximately 12 cents on the Key System Exposition trains without transfer privileges to the lines of the East Bay Street Railway, and 15 cents with such transfer privileges.

The proposed basic one-way fare of 10 cents for adults and 5 cents for children appears to be reasonable upon the record in this case. It is obvious, however, that this fare structure rests on certain assumptions as to the volume of the service to be rendered and the volume of traffic. Although both of these factors are conjectural, the latter is particularly so as it involves not only the problem of estimating the total attendance at the Exposition, but also that of determining the probable division between those using their own cars and those using the mass transportation facilities.

It follows, therefore, that the proposed fare structure is correct only if the assumptions are correct, and only actual experience can determine this latter. For this reason serious consideration was given at the hearing to ways and means of providing a subsequent adjustment if the volume of traffic realized was different from that anticipated.

Two possible alternatives were mentioned. One of these involved the use of a sliding scale whereby the rates would fluctuate on a predetermined basis with changes in the volume of the traffic. Among the practical problems here faced, however, is the determination of the rate of progression. Where one of the factors, i.e., costs, is a constant, and the other, i.e., traffic volume, is a variable, the determination of a scale is mathematically feasible. But where as in the case at hand, both the costs and the traffic volume are variable as well as the relationship between them (2) it is impossible to

(2) From the record now available it is not practical to forecast the volume of the train and ferry service that ultimately would be operated should the patronage depart widely from the estimates used herein. The service to be rendered, if traffic fell off greatly, would no doubt depend upon the Exposition Company's views as to its minimum requirements, while if the traffic greatly increased, it would depend upon the resultant travel habits of the patronage and the new peak requirements that might develop.

calculate a scale. Other objections to the use of a predetermined rate scale have already been listed herein, but it might be noted that the problems involved in forecasting, as of any given date, the probable attendance during the balance of the Exposition, after due allowance for seasonal factors, is in itself a subject for special study when the time comes. In view of these limitations and the uncertainties surrounding the operation it does not appear that a sliding scale, as a short cut to rate adjustments, can be used with any degree of reliability.

The second alternative lies in the approval of the proposed rate structure, but subject to a reopening of the case at some future date after the Exposition has been in operation sufficiently long to gauge the results and to test the accuracy of the basic assumptions. Such a reconsideration might be initiated by any interested party. At that time there would be much more factual data available than is presently the case and whatever action was then deemed advisable could be intelligently taken.

To expedite such reconsideration of the matter, applicant should keep the records of its Exposition service, both rail and ferry, separate and distinct from those of its other operations. Such records should show, among other things: (1) the operating statistics, i.e., car miles, vessels in service, vessel hours, ferry passengers, total Exposition train passengers, number of transfer passengers using Exposition trains, etc.; (2) the operating expenses by accounts separated as to the Exposition train operation, the East Bay ferry service and the San Francisco ferry service (with the prorate factors where such are used); and (3), the revenues by classes of service, i.e., Exposition train service, East Bay ferry service, San Francisco ferry service and other.

As noted hereinabove, witnesses appeared on behalf of the school children, entering the request that school children's fares be set at 5 cents each way, with a further reduction to 5 cents round trip on special educational days. It was also requested that the age limit for children be set at 18 years. Applicant's offer of service provides for the one-way rate of 5 cents for children up to and including 12 years of age, with reduced rates on special days. Applicant's offer, however, does not contemplate the 18-year limit on children's fares. Among the assumptions implied by a reduction in rates for children is that the 10-cent saving on the round trip will induce twice the patronage, or, if this be not the case, the adult revenue will carry the difference. In the light of the uncertainties concerning the operation it does not appear that the age limit, as set by applicant, should at this time be changed.

The record shows that the Exposition Company, the City and County of San Francisco, as well as most of the East Bay cities have either urged the granting of this application or indicated that they are not opposed to the establishment of the proposed rates at this time, with the understanding that any of the parties will be afforded an opportunity to bring the matter of rates and service before the Commission again at a later date if it is deemed advisable to do so.

The matter of establishing rates for applicant's proposed Treasure Island service presents a number of elements which are not usually encountered in fixing rates for common carrier transportation companies, such as the matter of establishing an equality of rates where two different types of service are involved, with their accompanying different costs of providing same; the short duration of time that this service will be in operation; and the fact that estimates are based entirely upon judgment, with no actual similar operating condition to employ as a guide upon which to base such estimates.

In the light of all of these elements, it is concluded that applicant should be permitted to place into effect the proposed rates with a definite understanding that the Commission will keep in close touch with this situation, and as soon as actual figures are available upon which definite operating results can be determined, the matter will again be reviewed and if in the opinion of the Commission formal action should be taken, such a course will be followed; or, if any of the interested parties desire to bring the matter before the Commission at any time, such request will receive preferred attention. Applicant, as noted hereinabove, will be expected to keep accurate and detailed records of the operation which will be made available to the Commission's staff as well as other interested parties at all times, and shall file monthly reports with the Commission setting forth the detailed information indicated.

O R D E R

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

IT IS HEREBY ORDERED that Key System be authorized to establish and to file in the manner proscribed by this Commission's rules, the schedule of fares between San Francisco and Treasure Island and between Oakland Key System Pier Terminal and Treasure Island as are set forth in Appendix "A" hereto, but upon not less than two (2) days' notice to this Commission and to the public.

IT IS HEREBY FURTHER ORDERED that Key System shall maintain, in conformity with the foregoing Opinion, a separate and distinct record of its operating statistics, expenses, and revenues relating

to its Exposition services, and shall file monthly reports of the same with this Commission not more than fifteen (15) days after the close of each monthly period to which the record applies.

The effective date of this Order shall be five (5) 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 11th day of January, 1939.

Rogers

A. H. Wiley
T. B. M.
Justus D. Carson
Commissioners

APPENDIX "A"

Tariff Naming One-way Fares To and From
Treasure Island

- Item 1 Between San Francisco, California (Ferry Building via direct ferry service) and Treasure Island ONE WAY 10¢
- " 2 Between Oakland, California (Key System Pier Terminal via direct ferry service) and Treasure Island ONE WAY.. 10¢
- " 3 Children under thirteen (13) years of age, except as provided in Item (4), ONE WAY 05¢
- " 4 Children under six (6) years of age will be carried free when accompanied by adult passenger paying a fare, except that not more than two (2) such children will be so carried.
- " 5 Baggage will not be checked or forwarded on fares shown herein.
