

Decision No. 36507

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA STREET CABLE RAILWAY) Application No. 24486
COMPANY for an order of the Railroad) First Supplemental
Commission of the State of California)
authorizing increases in fares.)

Additional Appearances:

ORRICK, DAHLQUIST, NEFF & HERRINGTON, by HILLYER
BROWN, for Applicant

JOHN J. O'TOOLE, City Attorney, Dion R. Holm,
Assistant City Attorney, Paul Beck, Valuation
Engineer, for the City and County of San
Francisco.

IVORES R. DAINS, for Market Street Railway Company,
interested party.

SACHSE and CLARK, COMMISSIONERS:

SUPPLEMENTAL OPINION AND ORDER

In this supplemental application authority is sought to discontinue the practice of interchanging transfers between the California Street Cable Railway Company, Market Street Railway and the Municipal Railway system of San Francisco, respectively, ⁽¹⁾ at certain points where the lines of these transportation companies cross. Public hearings were conducted at San Francisco on June 28 and July 12, 1943, and the matter is now ready for decision.

(1)

For convenience, hereinafter, these carriers will sometimes be referred to as Cable or applicant; Market Street and Municipal, respectively.

The present fare structure of applicant was established pursuant to the Commission's Decision No. 35987, dated November 27, 1942. (2)

Prior to December 1, 1942, when the present rate structure was placed in effect, the transfer arrangement between applicant and the Market Street and Municipal was restricted to the following points:

| <u>Carriers</u> | <u>Point of Interchange of Transfers</u> |
|-----------------------------|---|
| Applicant and Market Street | California and Presidio Avenue California and Sacramento Streets |
| Applicant and Municipal | Hyde and Union Streets |

(2)

Adult Fare 5¢ cash or
6¢ token or ticket

School children up to 18 years of age . . 16 rides for 50¢

Subject to the following conditions:

The new fares shall be subject to the establishment of a transfer privilege between the lines of applicant, Municipal Railway, and Market Street Railway Company, which permits a passenger to travel in the same general direction, with no validation of transfer on the Municipal lines and one validation on the lines of the Market Street Railway. This transfer arrangement shall apply at all points on applicant's lines which connect with those of the Municipal and the Market Street Railway, respectively; provided, however, that these transfer privileges will be governed by such rules and regulations as may be necessary to prevent round-trip riding.

The present rate structure provides for interchange of transfers at the following points:

| <u>Carriers</u> | <u>Points of Interchange of Transfers</u> |
|-----------------------------|--|
| Applicant and Market Street | Hyde and Jackson; Hyde and Washington; Hyde and Clay; Jones and Sutter; Jones and Ellis; Jones and Eddy; Jones and Turk; Jones and Market; Powell and O'Farrell; Market and O'Farrell; Presidio and California; Presidio and Sacramento; California and Divisadero; California and Fillmore; California and Polk; California and Powell; California and Kearny; California and Market (18 in number) |
| Applicant and Municipal | North and Hyde; Stockton and California; Market and California; Market and O'Farrell; Market and Jones; Geary and Jones; Van Ness and California; Hyde and Union. (8 in number) |

This transfer arrangement does not provide for a passenger to transfer between the Market Street and Municipal systems via Cable.

With reference to the revenue received from passengers who travel on the lines of two different carriers under the transfer arrangement referred to above, it has been the practice of the originating carrier to retain the entire revenue. In other words, there is no financial adjustment between the carriers according to the number of transfers honored by one carrier and issued by another. In this supplemental application authority is sought to eliminate all intercarrier transfer points except the three which were in effect prior to December 1, 1942, and referred to above, two of which involve the Market Street and the other the Municipal.

The record shows that the volume of the transfers honored by applicant and issued by both the Market Street and the Municipal has materially increased subsequent to December 1, 1942, when the expanded transfer plan was put into effect, as shown in the following tabulation taken from the application,

CALIFORNIA STREET CABLE RAILROAD COMPANY

EXCHANGE OF TRANSFERS

| | <u>Dec., 1942</u> | <u>Jan., 1943</u> | <u>Feb., 1943</u> | <u>Mar., 1943</u> | <u>Apr., 1943</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>MARKET STREET RY.</u> | | | | | |
| We Collected | 42,474 | 46,131 | 47,611 | 50,808 | 54,424 |
| They Collected | <u>37,583</u> | <u>37,897</u> | <u>39,950</u> | <u>41,032</u> | <u>46,755</u> |
| Excess We Collected | 4,891 | 8,244 | 7,661 | 9,776 | 7,669 |
| <u>MUNICIPAL RY.</u> | | | | | |
| We Collected | 42,662 | 49,689 | 52,693 | 55,434 | 60,101 |
| They Collected | <u>28,635</u> | <u>33,211</u> | <u>33,615</u> | <u>33,683</u> | <u>35,051</u> |
| Excess We Collected | <u>14,027</u> | <u>16,478</u> | <u>19,078</u> | <u>21,751</u> | <u>25,050</u> |
| Total Excess We Collected from Market St. & Municipal | <u>18,918</u> | <u>24,722</u> | <u>26,739</u> | <u>31,527</u> | <u>32,719</u> |
| | | | | | |
| <u>MARKET STREET RY.</u> | <u>Dec., 1941</u> | <u>Jan., 1942</u> | <u>Feb., 1942</u> | <u>Mar., 1942</u> | <u>Apr., 1942</u> |
| We Collected | 12,691 | 14,152 | 14,171 | 15,180 | 14,637 |
| They Collected | <u>18,130</u> | <u>18,691</u> | <u>17,812</u> | <u>21,030</u> | <u>20,573</u> |
| Excess They Collected | 5,439 | 4,539 | 3,641 | 5,850 | 5,936 |
| <u>MUNICIPAL RY.</u> | | | | | |
| We Collected | 10,709 | 10,520 | 10,060 | 11,690 | 11,110 |
| They Collected | <u>6,768</u> | <u>7,219</u> | <u>7,065</u> | <u>7,278</u> | <u>7,128</u> |
| Excess We Collected | <u>3,941</u> | <u>3,301</u> | <u>2,995</u> | <u>4,412</u> | <u>3,982</u> |
| Excess Municipal & Market St., Collected from Us | <u>1,498</u> | <u>1,238</u> | <u>646</u> | <u>1,438</u> | <u>1,954</u> |

The increasing disproportion of transfers collected by applicant adversely affects its gross and net operating revenues, its traffic characteristics and the traveling convenience and requirements of what may be termed its regular patrons. With respect to the effect on applicant's financial condition, if the revenue assignable to the transfer business were adjusted in proportion to the traffic handled between applicant's system and that of Market Street and Municipal, respectively, a more equitable division could be arranged. Mr. Coleman, applicant's president, testified that he had taken this question up with the representative of the City of San Francisco and was advised by letter from Mr. E. G. Cahill, under date of July 8, 1943, that he (Mr. Cahill) could not, under prevailing conditions, recommend to the Board of Public Utilities any adjustment on the transfer account which would have the effect of reducing the revenues of the Municipal Railway. He pointed out that the average fare per passenger on the Municipal system is less than 4 cents, compared with the average on applicant's line of approximately 4.7 cents. Likewise, the president of Market Street Railway advised applicant by letter, under date of July 9, that his company took the same position as Mr. Cahill did in this matter.

It is applicant's contention that the extended transfer privilege has, subsequent to December 1, 1942, attracted a large number of transfer riders to its lines from both the Market Street and the Municipal and that the greater percentage of these passengers use the transfer as a matter of convenience and in order to make a saving in carfare, as contrasted with the necessity of transfer use to reach a given destination. As an example, a passenger whose destination is reached by a Market Street line can save one cent by originating his ride on applicant's line and transferring to the Market Street system. It should be noted that the lines of

the Cable Company are paralleled, for the most part, by lines of either the Market Street or Municipal. The added transfer business has resulted, therefore, in overcrowding applicant's cars with non-revenue passengers and in many cases prevented cash riders from boarding such cars. The witness also stated that the Cable Company's system was designed to provide transportation to a limited area of the city and should be considered primarily as filling a special transportation need for that limited portion of the public which exclusively patronizes its line without the necessity of a transfer to other portions of the city served by the lines of Market Street or Municipal.

The issue before us in this supplemental application may therefore be narrowed to the relatively simple question whether the public convenience and necessity of the car riders here involved are better served by a continuation of the present transfer arrangement, or by a modification as petitioned for by applicant. It is to be recalled that during the hearing of the original application, applicant agreed to put into effect a "universal transfer" and that the Commission made the institution of such a transfer a condition of its order in Decision No. 35753. It then developed that applicant was unable to meet this transfer requirement and asked our authority to put into effect a limited and modified transfer arrangement. The Commission in its Second Supplemental Opinion and Order, Decision No. 35987, permitted the adoption of the modified transfer plan, together with a basic 6-cent fare. If now we allow a further curtailment of the transfer privilege, the result will be, on the one hand, a further lessening of this street railway's usefulness as a link in San Francisco's over-all local transportation system (which should be accessible through transfer to all riders, irrespective of originating line), together with a further re-

duction in its very short average haul per revenue rider and, on the other hand, some increase in applicant's gross and net revenue (perhaps as much as \$500 per month net), together with some improvement in the service and the convenience to the regular revenue riders of the Cable line. Weighing these pros and cons, we conclude that the supplemental application should be granted pending further efforts to secure for San Francisco what is so urgently needed at this time; viz., a unified and city-wide mass transportation system with a uniform fare structure embracing all of the Municipal, the Market Street and applicant's lines.

Applicant, in this supplemental proceeding, made a complete showing of its present financial condition and based its request for a limitation in the transfer privilege mainly on its alleged need for additional net earnings. In view of our conclusion expressed above there is no need at this time to consider in detail the past, present and probable future operating, earning and service record of the California Street Cable Company. In this case, as in all rate cases, we think the long-established sound rule must govern that the Commission will fix rates fair and reasonable both to the public and to the utility. The utility is entitled to receive from the rate payers the cost of reasonably efficient service, plus a fair rate of return on the property necessary to give such service; provided, that the public should pay no more than such service, having in mind its extent, character and quality, is worth. The following Supplemental Order is recommended:

O R D E R

IT IS HEREBY ORDERED that condition No. (1) of the order of said Decision No. 35987, reading as follows:

"(1) The new fares shall be subject to the establishment of a transfer privilege between the lines of applicant, Municipal Railway, and Market Street Railway Company, which permits a passenger to travel in the same general direction, with no validation of transfer on the Municipal lines and one validation on the lines of the Market Street Railway. This transfer arrangement shall apply at all points on applicant's line which connect with those of the Municipal and the Market Street Railway, respectively; provided, however, that these transfer privileges will be governed by such rules and regulations as may be necessary to prevent round-trip riding."

be and it is hereby deleted from this order and in lieu thereof the following condition is substituted:

(1) Applicant shall continue the transfer arrangement with both the Market Street Railway Company and the Municipal Railway which was in effect prior to December 1, 1942, which provides for free transfers between applicant's line and those of the Market Street Railway Company at Presidio and Sacramento, and between applicant's line and those of the Municipal Railway at Union Street.

This change is to become effective on or after August 1, 1943, on not less than five (5) days' notice to the Commission by letter and to the public by posting notices of this change in the transfer privileges in all cars operated over applicant's lines.

The foregoing Supplemental Opinion and Order are hereby approved and ordered filed as the Supplemental Opinion and Order of the Railroad Commission of the State of California.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 27th day
of July, 1943.

Francis H. Havens
H. B. B. B.

Richard H. H. H.
Francis W. B. B.

Commissioners