

37313

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation by the)
Commission, on its own motion, into the)
passenger fares, classifications, rules,)
regulations, facilities and practices of)
PACIFIC ELECTRIC RAILWAY CORPORATION,)
LOS ANGELES RAILWAY CORPORATION and)
LOS ANGELES MOTOR COACH COMPANY.)

Case No. 4736

In the Matter of the Investigation by the)
Commission, on its own motion, into the)
passenger fares, classifications, rules,)
regulations, facilities, and practices of)
ASBURY RAPID TRANSIT SYSTEM.)

Case No. 4737

SACHSE and CLARK, COMMISSIONERS:

APPEARANCES

FRANK KARR and C. W. CORNELL, for Pacific Electric Railway Company and Los Angeles Motor Coach Company.

GIBSON, DUNN and CRUTCHER, by Max Eddy Utt, for Los Angeles Railway Corporation and Los Angeles Motor Coach Company.

BART F. WADE, for Asbury Rapid Transit System.

WINFIELD B. THOMPSON, City Attorney for the City of Burbank.

RAY L. CHESEBRO, City Attorney, GILMORE TILLMAN, Assistant City Attorney, and STANLEY M. LANHAM, Chief Engineer, Board of Public Utilities and Transportation of the City of Los Angeles.

HAROLD P. HULS, City Attorney, for the City of Pasadena.

EMMET A. TOMPKINS, City Attorney, for the City of Alhambra.

AUBREY N. IRWIN, City Attorney, and HENRY MCCLERNAN, Assistant City Attorney, for the City of Glendale.

IRVING M. SMITH, City Attorney, JOSEPH B. LAMB, Deputy City Attorney, and J. R. McHENRY, Bureau of Franchises and Public Utilities, for the City of Long Beach.

RICHARD C. WALTZ, City Attorney, for the City of Beverly Hills.

CLYDE WOODWORTH, City Attorney of and representing the Cities of Inglewood, El Segundo, South Gate and Manhattan Beach.

ELI L. OLIVER and ROY H. SLAN, Counsel, for Amalgamated Association of Street Electric Railway and Motor Coach Employees of America, and Labor Bureau of Middle West; D.D. McCLURG, President, Division 1277, HENRY MAUN, Secretary, Division 1127, J. B. PRUTSMAN and PAUL ROWLEY, Business Agents, Division 1127, of the same Association.

DON H. SHEETS, for Brotherhood of Railroad Trainmen, Pacific Electric Lines, and E. L. SMITH, representing Employees in Train Service, Pacific Electric Railway.

E. L. PARKER, Legislative Representative, and JAMES L. DOUGHERTY, National Representative, for Pacific Electric Local 1420, Utility Workers, C.I.O.

P. H. LESTER, for Peoples Lobby, Peoples Transit Council, Better Transportation Association of Highland Park.

EARL C. CRAIG, for Thursday Evening Forum.

DR. ALATHEA BRIGGS, in propria persona and on behalf of The Women of Los Angeles.

INTERIM OPINION

These proceedings, on the Commission's own motion, are the outcome, in part, of the informal conference held in the Commission's Office at Los Angeles, July 26, 1944, with representatives of various interested parties and, in part, of the resolution of the City Council of Los Angeles adopted July 20, 1944, wherein the Commission was requested to make an immediate survey of the operating results of the carriers involved herein, looking toward a reduction in their respective fare structure.

A public hearing was held in Los Angeles on August 14 and 15, 1944, at the conclusion of which the presiding Commissioners announced that the record thus far adduced would be considered by the Commission with the view of issuing an interim order, pending the completion of the investigation of both cases and presentation by the parties. It was stipulated that the two cases be heard on a common record, also, that each carrier's annual reports, together with their respective monthly reports filed with the Commission pursuant to the requirements of General Order No. 65, be considered as part of this record by reference.

The Board of Public Utilities and Transportation of the City of Los Angeles, through its Chief Engineer and General Manager,

Stanley M. Lanham, introduced a number of exhibits showing the operating results of the various carriers involved for the years 1940 and 1943.¹

The city also presented testimony on a plan of reducing fares on the lines of the carriers involved based upon the understanding that the reduced fares would become effective as soon as the necessary tariff changes could be made following the Commission's order, and that such reductions were not to be considered as a complete solution of the present problem of fare and service adjustment. It is the Commission's purpose to continue these cases and leave the parties free to pursue further the matters requiring further study and adjustment. The City of Los Angeles and other interested communities have stated their intention to keep in close touch with the situation and take such further steps as appear justified in the light of future

1 Taken from Board's Exhibits.

Comparison of the Operating Results of 1943 with those of 1940 by Percentage				
Item	L.A. Rwy.	L.A. M.C.	P.E. Rwy.	Asbury R.T.S.
	Ex. #1	Ex. #2	Ex. #3	Ex. #6 (e)
Passenger Revenue	152.1 ^a	175.2	242.2 ^c	279.7
No. Rev. Passengers	136.7 ^{a,b}	164.1 ^b	185.2 ^d	291.8
No. Rev. Miles	92.2 ^a	100.3	129.7	136.9
Rev. per Rev. Pass	111.3 ^a	106.8	130.7	95.9
Rev. per Rev. Mile	165.0 ^a	174.6	186.7	204.3

- (a) Does not include contract passenger service
- (b) Does not include free transfer passenger.
- (c) Excluding Los Angeles Motor Coach lines and charter operations.
- (d) Does not include transfer passengers.
- (e) 1940 records exclude Highland Park local service, abandoned between 1940 and 1943.

developments. A schedule of the proposed reductions is shown in the Interim Order.

The carriers signified their willingness to accept the city's proposal and filed Section 15 and 63 applications to place the revised schedules into effect for a period of one year.

The Commission's staff introduced exhibits, through Senior Engineer Hopkins of the Transportation Department, showing the results of an analysis of the carriers' operating results which were taken from records filed with the Commission by the respective transportation agencies. These exhibits show the operating results for the years 1940, 1941, 1942 and 1943, together with the twelve months ended June 30, 1944. There is also shown a comparison of the increase for the twelve months ended June 30, 1944 over the year 1940.

In presenting the testimony of the Commission's staff, it was stated that it is the Commission's plan to make a complete investigation of the carriers' operations, including operating results and service. Such studies are to be presented at future hearing in these proceedings. The cooperation and advice of the various interested parties, particularly the representatives of the affected cities is invited.

A summary of the most important revenue, expense and operating figures introduced in this record and taken from the carriers' records is shown on Table 1. It presents conclusive evidence, we think, justifying the immediate rate reductions agreed to by the carriers and specified in the interim order. Further reductions based upon a more comprehensive investigation of the service, operations and the financial condition of each carrier may be warranted.

In this interim opinion no findings are made of rate base, rate of return or adequate and reasonable depreciation, and the

COMPARATIVE SUMMARY OF OPERATING RESULTS
YEARS 1940-1943 AND 12 MONTHS ENDED JUNE 30, 1944

Table 1

LOS ANGELES RAILWAY CORPORATION
 (Including Share of Los Angeles Motor Coach Lines)

Item					12 Months	% Increase
	1940	1941	1942	1943	Ended June 30, 1944	
Total Operating Revenue	\$12,556,470	\$13,230,060	\$16,165,636	\$19,879,245	\$20,880,526	66.3%
Total Operating Expense (including depreciation and all taxes)	12,054,701	12,466,912	13,895,122	17,356,666	18,310,055	51.9
Net Operating Income	501,769	763,148	2,270,514	2,522,579	2,570,471	412.3
Net Fixed Capital (including materials and supplies, and less depreciation reserve)	\$28,398,000	\$27,629,000	\$27,190,000	\$26,622,000	\$25,887,000	(8.8)
Ratio of Net Operating Income to Net Fixed Capital	1.8%	2.8%	8.4%	9.5%	9.9%	
Revenue Passengers	186,914,678	197,722,212	228,011,596	260,225,458	265,925,817	42.3
Total Passengers Carried	245,632,573	255,641,104	287,258,359	315,420,092	317,922,470	29.4
Car-Miles Operated	27,991,639	27,657,321	27,960,401	25,350,455	24,395,940	(12.8)
Bus-Miles Operated	12,532,967	13,401,915	13,863,989	12,591,349	12,707,642	1.4
Passengers per Car-Mile	7.20	7.46	8.02	9.50	9.78	35.8
Passengers per Bus-Mile	3.53	3.68	4.55	5.93	6.23	76.5
Passenger Revenue per Car-Mile	35.0¢	36.5¢	42.1¢	55.7¢	59.6¢	70.3
Passenger Revenue per Bus-Mile	21.4¢	22.8¢	29.2¢	40.8¢	43.8¢	104.7

PACIFIC ELECTRIC RAILWAY COMPANY-PASSENGER OPERATIONS
 (Including Share of Los Angeles Motor Coach Lines)

Item					12 Months	% Increase
	1940	1941	1942	1943	Ended May 31, 1944	
Total Operating Revenue	\$ 7,891,368	\$ 8,247,566	\$12,100,080	\$18,666,763	\$20,479,230	159.5%
Total Operating Expense (including depreciation and all taxes)	9,373,830	9,126,470	11,104,046	15,699,352	18,315,882	95.4
Net Operating Income	(1,482,462)	(878,904)	996,034	2,967,411	2,163,348	
Revenue Passengers	69,069,948	68,883,109	88,230,153	125,134,177	138,082,641	100.0
Total Passengers Carried	84,092,849	81,512,457	103,119,503	141,327,025	154,710,202	84.0
Car-Miles Operated	13,486,593	11,834,791	12,778,267	17,147,747	17,873,975	32.5
Bus-Miles Operated	13,515,593	12,196,202	13,854,560	16,501,343	17,277,019	27.8
Passengers per Car-Mile	3.84	4.66	4.98	5.10	5.37	39.8
Passengers per Bus-Mile	2.39	2.36	2.85	3.27	3.40	42.3
Passenger Revenue per Car-Mile	34.3¢	40.8¢	50.8¢	60.4¢	63.5¢	85.1
Passenger Revenue per Bus-Mile	22.2¢	24.4¢	34.2¢	42.8¢	45.1¢	112.7

LOS ANGELES MOTOR COACH LINES

Item					12 Months	% Increase
	1940	1941	1942	1943	Ended June 30, 1944	
Total Operating Revenue	\$ 2,148,679	\$ 2,426,178	\$ 3,035,735	\$ 3,923,088	\$ 4,229,121	96.8%
Total Operating Expense (including depreciation and taxes)	1,541,253	1,493,791	1,878,711	2,274,923	2,521,452	63.6
Net Operating Income	607,426	722,397	1,157,024	1,648,165	1,707,669	181.1
Revenue Passengers	25,695,399	28,491,358	34,337,169	42,162,213	44,364,402	72.7
Total Passengers Carried	27,850,463	30,510,580	36,604,872	44,517,357	46,635,803	67.4
Bus-Miles Operated	7,620,844	8,087,059	8,105,635	8,188,085	8,000,188	5.0
Passengers per Bus-Mile	3.65	3.77	4.52	5.44	5.83	59.7
Passenger Revenue per Bus-Mile	28.1¢	29.8¢	36.4¢	45.8¢	50.6¢	80.1
Round-Trip Route Miles Operated at End of Period	264.88	244.20	242.64	167.52	448.16	36.5

ASBURY RAPID TRANSIT SYSTEM

Item					12 Months	% Increase
	1940	1941	1942	1943	Ended June 30, 1944	
Total Operating Revenue	\$ 425,883	\$ 456,699	\$ 594,435	\$ 847,645	\$ 900,263	116.5%
Total Operating Expense (including depreciation and all taxes)	383,414	424,187	534,643	769,176	849,539	101.3
Net Operating Income	32,019	32,512	59,792	78,469	50,730	57.4
Net Fixed Capital (including materials and supplies, and less depreciation reserve)	\$ 478,953	\$ 332,260	\$ 228,952	\$ 259,118	\$ 274,298	(42.1)
Ratio of Net Operating Income to Net Fixed Capital	6.7%	9.8%	26.1%	30.3%	18.6%	
Passengers Carried	3,514,731	3,475,617	3,944,236	5,620,004	6,075,645	72.2
Bus-Miles Operated	2,046,571	1,791,806	1,864,244	1,894,314	1,892,842	(7.2)
Passengers per Bus-Mile	1.72	1.75	2.12	2.97	3.20	86.0
Passenger Revenue per Bus-Mile	20.0¢	22.9¢	31.7¢	44.6¢	47.4¢	137.0
Round Trip Miles of Bus Route (End of Period)	33.48	353.8	311.4	243.4		

(Red Figure)

present record contains no estimate of traffic, revenues, and expenses for a future period. The experience of the carriers before us in these proceedings is conclusive, however, that the operating results to be expected for the balance of the present year and for the next year will be at least as good as for the 12 months' period ended June 30, 1944. Rate base studies and investigation into the other matters above referred to will be carried forward by our staff in the future course of these proceedings.

It is apparent from an analysis of the exhibits presented and of the summary shown above that the carriers' financial ability to furnish good service and their more than satisfactory earning position will in no way be impaired by the rate reductions here under consideration. It is estimated that the reductions effected in this order will amount to approximately \$275,000 for the Los Angeles Railway Corporation, \$340,000 for the Los Angeles Motor Coach Company, \$70,000 for the Pacific Electric Railway Company, and \$155,000 for the Asbury Rapid Transit System on an annual basis.

Objections to any reduction in the fares of the carriers involved in these proceedings were voiced by representatives of the railway and motor coach carriers' employees on the grounds that such reduction would adversely affect certain employees' wages and working conditions. The carriers made it clear that they were not desirous of having any such effect produced and that it was not their purpose or expectation to have rate reductions brought about at the expense, or partial expense, of their employees. This matter is complicated, it appears, by certain contracts between the carriers and employee unions and by rulings made by the War Labor Board. Although this Commission has no jurisdiction over employees' wages and labor relations, we expressed our willingness to use the Commission's best efforts to assist in bringing about any fair and equitable adjustment so that salaries, wages, and employment standards will in no way be adversely affected by justified rate reductions.

With the understanding that the investigation in these proceedings will continue, we submit the following form of interim order.

INTERIM ORDER

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding interim opinion,

IT IS HEREBY ORDERED that Los Angeles Railway Corporation, Pacific Electric Railway Company and Asbury Rapid Transit System be and they are hereby authorized to publish and file, on not less than one (1) day's notice to the Commission and to the public, and to make effective at the earliest possible date, the following revisions of their existing tariffs:

I - Los Angeles Railway Corporation

On the Beverly Boulevard motor coach line and on the East 9th Street-Whittier Boulevard motor coach line by incorporating all points east of Highland Avenue on the former and all points west of Eastern Avenue on the latter in the "Inner Zone" designated in the corporation's Local Passenger Tariff No. 17, C.R.C. No. 25.

II- Pacific Electric Railway Company

By establishing a fare of four (4) tokens for 25 cents between points in No. 2 Zone and points in adjoining No. 3 Zone as described in the company's Local Passenger Tariff No. 1391, C.R.C. No. 3524.

III-Los Angeles Motor Coach Lines Operated by Los Angeles Railway Corporation and Pacific Electric Railway Company

(a) By establishing 7-cent fares without transfer privileges applicable between all points on the Crenshaw-Vine-LaBrea Line, between all points on the Fairfax Avenue Line, between points south and east of Sunset Boulevard and Vermont Avenue on the Sunset Boulevard Line, between points on Sunset Boulevard between Vermont and Fairfax Avenues on the Sunset Boulevard Line, between points north of Florence Avenue on the Western Avenue Line, between points south of Florence Avenue on the Western Avenue Line, and between points east of Highland Avenue on the Wilshire Boulevard Line; and

(b) By establishing a 75-cent 10-ride commutation fare between points on the Talmadge-Hyperion, Vermont-Los Feliz and Silverlake Boulevard Lines, on the one hand, and points in Los Angeles Railway Corporation's "Inner Zone" as designated in its Local Passenger Tariff No. 17, C.R.C. No. 25, as amended pursuant to authority granted herein, and points in Pacific Electric Railway Company's Hollywood Zone 2 and No. 1 - Inner Zone (all districts) on its Los Angeles local lines as defined in its Local Passenger Tariff No. 1391, C.R.C. No. 3524, on the other hand.

IV-Asbury Rapid Transit System

(a) On the Pasadena-Ocean Park Line by substituting a single 5-cent fare zone in Eagle Rock for the two such existing zones; by reducing the 16-cent fare between Los Angeles River and Golf Club to 15 cents; and by extending the easterly limit of the 10-cent fare zone starting at Riverside Drive (Los Angeles River) from the easterly city limits of Glendale to Broadway and Eagle-dale Avenue;

(b) On the Hollywood-Burbank Line by substituting a single 5-cent fare zone for the two such existing adjacent zones between Sunset and Barham Boulevards; by extending the easterly limit of the 10-cent fare zone starting at Barham Boulevard from First National Studio to Lamer Street, the westerly limit of the 10-cent fare zone starting at San Fernando Road from First National Studio to Universal City, the westerly limit of the 10-cent fare zone starting at Lamer Street from Universal City to Barham Boulevard, and the westerly limit of the 15-cent fare zone starting at San Fernando Road from Universal City to Barham Boulevard; and by reducing the 25-cent fare from terminus to terminus to 20 cents;

(c) On the Hollywood-Lockheed-Vega Line by substituting a single 5-cent fare zone for the two such existing zones between Sunset and Barham Boulevards; by extending the easterly limit of the 10-cent fare zone starting at Sunset Boulevard from Barham Boulevard to First National Studio and the easterly limit of the 15-cent fare zone starting at Sunset Boulevard from First National Studio to Burbank Boulevard; and by reducing the 25-cent fare from terminus to terminus to 20 cents;

(d) By reducing 12-ride and 30-ride commutation fares on all lines as follows:

<u>12-Ride Fares</u>		<u>30-Ride Fares</u>	
<u>Present Fares</u>	<u>Reduced Fares</u>	<u>Present Fares</u>	<u>Reduced Fares</u>
\$.85	\$.70	\$2.55	\$2.05
.90	.75	2.80	2.25
1.25	1.00	3.60	3.05
1.35	1.10	4.10	3.25
1.70	1.35	5.10	4.10
1.85	1.50	5.60	4.45
2.10	1.70	6.00	5.10
2.25	1.80	6.90	5.50
2.50	2.00	7.20	6.15
-	-	7.65	6.10
2.95	2.35	8.40	7.15
3.00	2.70	9.00	8.20
-	-	15.00	13.50

(e) By providing for the sale of scrip books at \$1 per book which will contain coupons good for \$1.25 in transportation between all points where the one-way fare exceeds 5 cents, unused coupons redeemable at their purchase price.

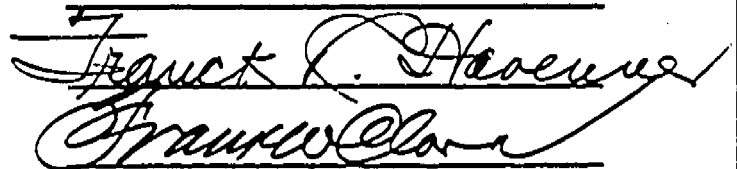
IT IS HEREBY FURTHER ORDERED that the Commission shall have and it does hereby retain jurisdiction of these proceedings for the purpose of altering or amending the fares and zoning arrangements herein authorized and for the purpose of establishing or approving such other fares and zoning arrangements and such classifications, rules, regulations and practices as may appear proper in the light of such other or further evidence as may be received in these proceedings.

This order shall become effective on the date hereof.

The foregoing interim 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 5th day of September, 1944.





Commissioners

CONCURRING OPINION

The opinion, on Page 5, Paragraph 3, refers to objections of railway and motor coach carriers' employees to the reduction therein ordered because of the adverse effect on certain employee wages which would result therefrom. This contention on the part of Eli L. Oliver, appearing in these proceedings as Counsel for Amalgamated Association of Street Electric Railway and Motor Coach Employees of America, and Labor Bureau of Middle West, was based upon the fact that there was in existence a contract between the Union and Management covering employees of the Los Angeles Railway and the Los Angeles Motor Coach lines providing:

"To the base compensation of each employee * * * there shall be added as compensation for increased effort, responsibility and productivity, and for the abnormal work load, as well as to provide added incentive to reduce turnover and to increase still further the output per unit of transportation equipment operated, a monthly bonus * * *. The monthly bonus of each employee shall be equal to one-fourth of one per cent (0.25¢) per hour for every one cent (1¢) by which the passenger revenue per vehicle mile for the month exceeds that of the month of January, 1941, the resultant to be adjusted to the nearest one cent (1¢) per hour."

I consider it both important and timely for this Commission to go on record and emphasize that the presence of bonus agreements of this character must not influence or deter this body in considering and making any and all rate adjustments to which utility customers may be properly entitled.

Fair and reasonable wages, as well as favorable working conditions, are important factors in the successful and efficient operation of any utility, and this Commission should at all times maintain a liberal attitude in recognizing as operating expenses any and all charges properly relating thereto.

In line with this thought, reduction in rates of any utility should not be made at the expense of fair treatment of its employees. However, rate reductions of any utility should be made when the over-all operating results of that utility warrant it, and it is the responsibility of the utility, as well as the representatives of its employees, to see to it that contracts between employers and employees are not entered into which will naturally lead to just such a situation as developed in these proceedings, i.e., certain employees appearing, through their representatives, in protest against rate reductions only because it would reduce the bonus which these particular employees would otherwise receive under a most unusual, and in my opinion impracticable, form of labor contract agreement.

Quality of service of any utility to its customers is a matter of great importance. I consider it the responsibility and duty of any utility to keep in mind at all times its obligation to the public in the way of rendering good service. Safety, convenience and comfort are most important factors in measuring quality of service of passenger carrying utilities. Every utility should be very careful in seeing to it that any labor agreement entered into by it would tend toward improvement of the quality of its service and should certainly avoid such labor agreements as could by reason of their conditions be justifiably expected to have just the opposite effect.

To the extent that incentive bonus contracts between utilities and labor may prove mutually advantageous and desirable, and so long as they do not in any way interfere with the Railroad Commission's responsibility to insist upon efficient service at reasonable rates, certainly they cannot be objected to. However, the conditions of the herein referred to contract

do not place this agreement in that category, since the obvious steps which are most likely to be taken by the employees to increase their individual bonus rewards would too often be at the expense of better service to the customer.

I also want to point out that generally speaking there is need and room for constantly improved service for the benefit of those who must depend upon the mass transportation facilities throughout this State. I consider it to the interest of the utility as well as the patron that the company stay abreast of the times in making such improvements as rapidly as possible. To encourage and insure such improvements, it is my opinion that this Commission should operate along such lines in its rate making procedure as will reward and certainly not penalize those utilities who adopt and demonstrate a progressive attitude in this respect.




Frank W. Clark

Commissioner

Case 4736 and Case 4737


Concurrence by Commissioner Rowell:

I concur in the result reached in the foregoing decision. But inasmuch as the respective carriers made their applications under sections 15 and 63 of the Act for authority to immediately reduce their fares, and nothing having been presented during the course of the hearings in the Commission's own investigation that would justify a denial of those applications, much that is contained in the decision is irrelevant to the issue before us. And the statements indicating that the Commission should inject itself into a utility's wage agreement negotiations and proceedings before the War Labor Board appears to me to be particularly inappropriate.



Commissioner.

I join in the foregoing concurrence by Commissioner Rowell.



Commissioner.