

Decision No. 39300

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

WILLIAM C. COLBERG and H. J. COLBERG,  
dba CENTRAL TRANSIT COMPANY, and  
ESKDALE NEWTON, dba NEWTON PASSENGER  
TRANSPORTATION COMPANY

Complainants,

vs.

STOCKTON CITY LINES, INC.

Defendant.

ORIGINAL

Case No. 4745

Commission Investigation into the rates  
of ESKDALE NEWTON (Newton Passenger  
Transportation Co.) and STOCKTON CITY  
LINES, INC., to determine whether exist-  
ing fares are unjust, etc., whether joint  
fares should be established, and if so,  
to establish the division thereof.

Case No. 4785

REGINALD L. VAUGHAN, for Eskdale Newton, doing business  
as Newton Passenger Transportation Company, com-  
plainant in Case No. 4745 and respondent in Case No.  
4785.

GILBERT JONES and TOM B. QUINN of Jones and Quinn, for  
Stockton City Lines, Inc., defendant in Case No.  
4745 and respondent in Case No. 4785.

JOSEPH C. TOPE, City Attorney, for City of Stockton,  
interested party.

J. C. SOMMERS, for Stockton Chamber of Commerce,  
interested party.

T. A. HOPKINS and A. R. DAY of the Commission's staff.

OPINION

(1)

Stockton City Lines, Inc., conducts a city-wide bus  
service within Stockton, and between that city and its environs.  
Eskdale Newton, doing business as Newton Passenger Transportation  
Company, provides a bus service between downtown Stockton and a  
district adjoining the city. Both operate as passenger stage  
corporations, as defined by Section 24, Public Utilities Act, under

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(1) For brevity, Stockton City Lines, Inc., will be designated as  
City Lines, or as the defendant.

certificates issued by the Commission. By his complaint in Case No. 4745, Newton seeks the establishment of joint fares between himself and City Lines. At the outset, William C. Colberg and H. J. Colberg, doing business as Central Transit Company (operating as a passenger stage corporation between Stockton and adjacent points, among others) joined with Newton as complainants but at the original hearing they withdrew as parties to the proceeding. Under the circumstances, the complaint will be dismissed as to them. Case No. 4785 is a proceeding initiated by the Commission on its own motion to determine whether the fares maintained by Newton and City Lines are unreasonable or discriminatory; to ascertain whether public convenience and necessity require the establishment of through routes and joint fares between them, and, if so, to direct their establishment; and to prescribe divisions, if necessary, should the publication of such joint fares be required.

Following a public hearing in Case No. 4745, the Commission rendered its decision dismissing the complaint. <sup>(2)</sup> Rehearing <sup>(3)</sup> was denied. Thereafter, at Newton's instance, that proceeding was reopened by order dated August 3, 1945, and contemporaneously, the Commission instituted its own investigation, in Case No. 4785. Further hearing was had before Examiners Hall and Austin at Stockton on September 12 and December 10, 1945, when these matters were consolidated. Both have been submitted.

Newton contends that public convenience and necessity require the establishment of through routes and joint fares between his lines and those of City Lines. The latter contends that the

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(2) Decision No. 38048, dated June 26, 1945.

(3) Decision No. 38071, dated July 10, 1945.

maintenance of joint fares on a basis lower than the combination of the existing one-way fares would be inequitable, in that it might jeopardize the recoupment of the deficit which defendant had incurred in substituting bus for electric street car operation, and might delay the fulfillment of plans for future development. Moreover, any division of the joint fare lower than defendant's published fare, it is claimed, would discriminate against passengers required to pay the local fare. At the hearing defendant contended that Newton never had requested the establishment of joint fares. Such a request, and defendant's refusal to acquiesce, though alleged in the complaint were not denied by the answer. Consequently, this must stand as an admitted fact.

Complainant's showing was presented through Newton and a traffic expert whom he had retained, through representatives of various public agencies and through public witnesses. In support of its position, City Lines produced its operating officials. The City of Stockton called its city manager. On behalf of the Stockton Chamber of Commerce, its traffic manager testified. The Commission presented evidence through members of its engineering staff.

Operating over an extensive network, City Lines provides a motor coach passenger transportation service throughout the City of Stockton and adjacent suburban territory. Newton conducts a similar service over two routes extending from Hunter Square, in the central business district, to territory lying east of and adjacent to the city. He is restricted from carrying passengers

(4)  
locally between Hunter Square and the city boundary. The operations of City Lines comprise some 33.85 route miles; those of Newton, 6.95 route miles. During 1945, the estimated coach mileage operated by City Lines was 1,586,460 miles; that operated by Newton was 230,000 miles. Within the city proper the population approximates 65,000 people; an additional 25,000 live within adjoining areas. Although City Lines does not directly serve all of these residents, by far the greater share of the population is tributary to its system.

City Lines has established a basic fare of 7-cents, or four tokens for 25-cents, with free transfers between its lines; in certain outlying districts the fare is 10-cents. Newton's basic fares are 7-cents and 10-cents. In addition, he offers twelve 10-cent rides for \$1.00, and twelve 7-cent rides for 70-cents.

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(4) Newton's operative rights are thus described:

(a) Waterloo Road Route:

Commencing where Waterloo Road crosses the diverting canal east of Stockton, thence along Waterloo Road (State Highway Route No. 88), Wilson Way and Weber Avenue to Hunter Square.

(b) East Fremont Street Route:

Operating around the area bounded by Shasta Avenue, Miner Avenue, Oro Avenue and East Fremont Street, thence westerly along East Fremont Street with a loop around Sargent Avenue, Poplar Street and Gratton Avenue; continuing along East Fremont Street, Wilson Way and Weber Avenue to Hunter Square.

Hunter Square is enclosed within the area bounded by Hunter, Main and San Joaquin Streets and Weber Avenue.

Each of these operations is subject to certain restrictions. Over the Waterloo Road Route no passengers may be carried locally between Hunter Square and the intersection of Cherokee Lane and Wilson Way. Over the East Fremont Street Line no passengers may be carried locally between Hunter Square and the intersection of East Fremont Street with the prolongation of Locust Street.

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effective only on the Waterloo Road Route. Both carriers provide lower fares for school children.

Newton proposes a joint fare of 12 cents under which passengers may travel from any point on the lines of one carrier to any point on the lines of the other. He suggests that this be divided between them on a rate-pro-rate basis, a subject which will be considered presently.

The area which Newton serves is both residential and industrial in character. Many employees of the industries served by Newton, as well as others, travel daily to and from districts reached by City Lines, paying a combination of the local fares. Generally, these range from 13½ cents to 20 cents; on the Waterloo Road Route, the lowest combination available is 12.03 cents. Some 500 to 600 passengers daily would take advantage of the joint fare were it established, Newton estimated.

Various public witnesses testified in support of complainant's proposal. Representatives of four canneries served by  
(6)  
Newton described the advantages which assertedly would flow from the establishment of joint fares lower than the combination of the present local fares. In the aggregate, the employees of these canneries range from 800 to 2,400, fluctuating with the seasons. A substantial number use the lines of both carriers, paying the combination fares. Others patronize Newton's line alone, use their

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(5) On the Waterloo Road Line the 7-cent fare zone extends to Cherokee Lane; on the East Fremont Street Line it extends to Shasta Avenue. The 10-cent zone extends from these points to the eastern terminal of each line.

(6) Of these four canneries, three were situated on Newton's East Fremont Street Line; the other was located on the Waterloo Road Line.

own cars, or travel in buses supplied by the canneries. A small percentage walk to and from work. Many, it appears, have objected to the double fare; for this reason, the canneries have found it difficult to retain those obliged to use both lines. Representatives of two shipyard plants located in western Stockton stated that joint fares would be advantageous to employees traveling via both lines. Spokesmen for the Stockton Central Labor Council, the International Brotherhood of Boiler Makers and the Cannery Workers Union testified that their members would benefit through the establishment of the contemplated joint fare. Many of their members reside within the city or its suburbs. From the testimony of the purchasing agent of Stockton Unified School District, it appears that some of the High School and Junior College students within the district would profit by the joint fare. Unlike elementary school pupils, who are carried free by the district, they must provide their own transportation. Within the district, there are some 2,500 to 3000 High School students alone.

The Stockton Chamber of Commerce, so its traffic manager testified, favored the proposal for a universal transfer between the two carriers, believing that public interest would thereby be subserved. Within and adjacent to the area served by Newton, he stated, some 8000 people reside. <sup>(7)</sup> The five major industries, principally canneries, employ approximately 2600 persons during the peak season. A joint fare less than the combined local fares would be beneficial, he said.

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(7) This estimate is corroborated by the data submitted by Howard G. Bissell, Planning Consultant for the City of Stockton and for San Joaquin County.

The City of Stockton, it was shown, definitely sanctions a universal transfer arrangement between Newton and City Lines. A resolution to that effect, which had been adopted by the City Council, was received. At the final hearing the City Manager voiced approval of a joint fare not exceeding 7-cents, applicable both within the city and throughout the adjacent areas. The city, it appears, is not interested in the division retained by either carrier.

A study of the local transportation situation was conducted by a senior engineer of the Commission's Engineering staff, who described the result of his investigation. This was undertaken to determine the reasonableness of the existing fares exacted by both City Lines and Newton; to ascertain the need for joint fares between these carriers, as well as the cost incurred under such an arrangement; and to consider appropriate divisions should joint fares be established. It was pointed out that public interest would be served, in the order mentioned: first, by a unified system; second, by the continuance of the existing service, with free transfers; and finally, by the continuance of the present operations with revenue transfers. Tabulations were submitted disclosing the revenues and expenses of both carriers during the years, 1942, 1943, and 1944; the estimated revenues and expenses during 1945, based upon those reported to the Commission during the first six months and projected for the year; and the anticipated revenues and expenses for 1946, based upon conditions which reasonably might be assumed to exist during that period. The details appear in the margin. <sup>(8)</sup>

(8) Approximate Rates of Return and Operating Ratios -  
Stockton City Lines

|                         | <u>1942</u>    | <u>1943</u>    | <u>1944</u>    | <u>1945 (a)</u> |
|-------------------------|----------------|----------------|----------------|-----------------|
| Total Operating Revenue | \$257,010      | \$387,825      | \$504,479      | \$596,000       |
| Total Expenses (b)      | <u>183,791</u> | <u>268,083</u> | <u>381,709</u> | <u>459,000</u>  |
| Net Operating Revenue   | 73,219         | 119,742        | 122,770        | 137,000         |

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As shown by this study, the rates of return and the operating ratios, during the period involved (including those

| (8) Contd                          | 1942      | 1943      | 1944      | 1945 (a)  |
|------------------------------------|-----------|-----------|-----------|-----------|
| Total Est. Federal                 |           |           |           |           |
| Income Taxes                       | \$ 24,185 | \$ 56,950 | \$ 82,100 | \$ 90,700 |
| Net Income                         | 49,034    | 62,792    | 40,670    | 46,300    |
| Average Investment                 | 141,161   | 173,932   | 220,113   | 260,553   |
| Average Depreci-<br>ation Reserve  | 26,536    | 48,150    | 77,316    | 110,032   |
| Average Depreciated<br>Investment  | 114,625   | 125,782   | 142,797   | 150,521   |
| Average unamortized<br>Intangibles | 11,950    | 11,651    | 10,772    | 9,892     |
| Average Materials<br>and Supplies  | 2,346     | 6,208     | 8,109     | 9,617     |
| Approximate Rate<br>Base           | 128,921   | 143,731   | 161,678   | 170,030   |
| Approximate Rate<br>of Return      | 38.03%    | 43.69%    | 25.15%    | 27.23%    |
| Operating Ratio:                   |           |           |           |           |
| Before Income Tax                  | 71.51     | 69.12     | 75.66     | 77.01     |
| After Income Tax                   | 80.92     | 83.81     | 91.94     | 92.23     |
| Annual Coach<br>Mileage            | 904,514   | 1,093,673 | 1,388,030 | 1,586,460 |

(a) Estimated data for 1945 is based on information reported for first six months, projected over the year.

(b) Includes depreciation.

Approximate Rates of Return and Operating Ratios -  
Stockton City Lines - For Assumed Conditions  
in 1946

|  | Continuance of<br>present tariffs.<br>No joint fares. |           | Present Tariffs.<br>Free Transfer. |           | Present Tariffs<br>2¢ revenue<br>transfer. |           |
|--|---|-----------|------------------------------------|-----------|--|-----------|
|  | Reduction of<br>Psgr. Rev.                            |           | Reduction of<br>Psgr. Rev.         |           | Reduction of<br>Psgr. Rev.                 |           |
|  | 10%   | 20%       | 10%                                | 20%       | 10%  | 20%       |
| Total Operating<br>Revenue (Allow-<br>ing for assum-<br>ed loss of<br>traffic) | \$535,000   | \$476,000 | \$530,800                          | \$472,200 | \$532,100                                  | \$473,400 |
| Total Expenses   | 459,000   | 459,000   | 459,000                            | 459,000   | 459,000                                    | 459,000   |
| Net Operating<br>Revenue   | 76,000  | 17,000    | 71,800                             | 13,200    | 73,100                                     | 14,400    |
| Total Est.<br>Federal In-<br>come Taxes  | 38,600  | 4,500     | 35,000                             | 3,500     | 36,100                                     | 3,800     |
| Net Income   | 37,400  | 12,500    | 36,800                             | 9,700     | 37,000                                     | 10,600    |

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estimated for 1945, but excluding 1946) are as follows:

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|                            |               |              |               |              |               |              |
|----------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
| Approximate Rate Base      | 170,000       | 170,000      | 170,000       | 170,000      | 170,000       | 170,000      |
| Approximate Rate of Return | <u>22.00%</u> | <u>7.35%</u> | <u>21.65%</u> | <u>5.71%</u> | <u>21.76%</u> | <u>6.24%</u> |
| Operating Ratio:           |               |              |               |              |               |              |
| Before Income Tax          | 85.79         | 96.43        | 86.47         | 97.20        | 86.26         | 96.96        |
| After Income Tax           | <u>93.01</u>  | <u>97.37</u> | <u>93.07</u>  | <u>97.94</u> | <u>93.05</u>  | <u>97.76</u> |
| Annual Coach Mileage       | 1,600,000     | 1,600,000    | 1,600,000     | 1,600,000    | 1,600,000     | 1,600,000    |

Approximate Rates of Return and Operating Ratios--  
Newton Passenger Transportation Company

|                                | <u>1942</u>    | <u>1943</u>      | <u>1944</u>      | <u>1945 (a)</u>  |
|--------------------------------|----------------|------------------|------------------|------------------|
| Total Operating Revenue        | \$ 16,127      | \$ 28,357        | \$ 59,356        | \$ 83,600        |
| Total Expenses (b)             | <u>11,059</u>  | <u>22,910(c)</u> | <u>56,992(c)</u> | <u>75,700(c)</u> |
| Net Operating Revenue          | 5,068          | 5,447            | 2,364            | 7,900            |
| Est. Income Taxes (d)          | <u>1,200</u>   | <u>1,800</u>     | <u>800</u>       | <u>2,500</u>     |
| Net Income                     | <u>3,868</u>   | <u>3,647</u>     | <u>1,564</u>     | <u>5,400</u>     |
| Average Investment             | 5,854          | 6,188            | 19,180           | 36,260           |
| Average Depreciation Reserve   | <u>2,617</u>   | <u>3,262</u>     | <u>4,444</u>     | <u>6,082</u>     |
| Average Depreciated Investment | 3,237          | 2,926            | 14,736           | 30,178           |
| Average Materials and Supplies | <u>411</u>     | <u>205</u>       | <u>300</u>       | <u>300</u>       |
| Approximate Rate Base          | 3,648          | 3,131            | 15,036           | 30,478           |
| Approximate Rate of Return     | <u>106.03%</u> | <u>116.48%</u>   | <u>10.40%</u>    | <u>17.72%</u>    |
| Operating Ratio:               |                |                  |                  |                  |
| Before Income Tax              | 68.57          | 80.79            | 96.02            | 90.55            |
| After Income Tax               | <u>76.02</u>   | <u>87.14</u>     | <u>97.36</u>     | <u>93.54</u>     |
| Coach Mileage                  | 79,000         | 91,346           | 234,591          | 230,000          |

(a) Estimated data for 1945 is based on information reported for first six months, projected over the year.

(b) Includes depreciation.

(c) Includes management allowance of \$5,000 per annum.

(d) Based on income tax payable in excess of that associated with management salaries.

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| <u>Stockton City Lines</u>                         | <u>1942</u> | <u>1943</u> | <u>1944</u> | <u>1945</u> |
|--|-------------|-------------|-------------|-------------|
| Rate of return<br>(approximate)                    | 38.03%      | 43.69%      | 25.15%      | 27.23%      |
| Operating ratio before<br>Income Tax               | 71.51       | 69.12       | 75.66       | 77.01       |
| Operating ratio after<br>Income Tax                | 80.92       | 83.81       | 91.94       | 92.23       |
| <u>Newton Passenger<br/>Transportation Company</u> |             |             |             |             |
| Rate of Return<br>(approximate)                    | 106.03%     | 116.48%     | 10.40%      | 17.72%      |
| Operating ratio before<br>Income Tax               | 68.57       | 80.79       | 96.02       | 90.55       |
| Operating ratio after<br>Income Tax                | 76.02       | 87.14       | 97.36       | 93.54       |

The estimates for 1946 were predicated upon certain contingencies, viz.: first, that the present situation would continue to exist, no joint fares being established; second, that the present local fares would remain in effect, with free transfer

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Approximate Rates of Return and Operating Ratios -  
Newton Passenger Transportation Company -  
for Assumed Conditions in 1946

|   | Continuance of<br>present fares<br>No joint fares |          | Present Tariffs<br>Free Transfer |          | Present Tariffs<br>2¢ revenue<br>transfer |          |
|---|---|----------|----------------------------------|----------|---|----------|
|   | Reduction of<br>Psgr. Rev.                        |          | Reduction<br>Psgr. Rev.          |          | Reduction<br>Psgr. Rev.                   |          |
|   | 10%   | 20%      | 10%                              | 20%      | 10%                                       | 20%      |
| Total Operating<br>Revenue (Allow-<br>ing for assumed<br>loss of traffic) | \$57,900  | \$51,800 | \$53,700                         | \$48,000 | \$55,000                                  | \$49,200 |
| Total Expenses (a)  | 61,150  | 60,870   | 60,960                           | 60,690   | 61,020                                    | 60,750   |
| Net Operating<br>Revenue  | (3,250)   | (9,070)  | (7,260)                          | (12,690) | (6,020)                                   | (11,550) |
| Income Taxes  | None  | None     | None                             | None     | None                                      | None     |
| Net Income  | (3,250)   | (9,070)  | (7,260)                          | (12,690) | (6,020)                                   | (11,550) |
| Approximate<br>Rate Base  | 22,000  | 22,000   | 22,000                           | 22,000   | 22,000                                    | 22,000   |
| Approximate Rate<br>of Return   | None  | None     | None                             | None     | None                                      | None     |
| Operating Ratio:  |   |          |                                  |          |   |          |
| . Before Income<br>Tax  | 105.61  | 117.51   | 113.52                           | 126.44   | 110.94                                    | 123.48   |
| Annual Coach<br>Mileage   | 230,000   | 230,000  | 230,000                          | 230,000  | 230,000                                   | 230,000  |

(a) Includes Management allowance of \$5,000 per annum.

(Red Figure)

privileges; and third, that the present fares would remain effective, revenue transfers being issued for an extra charge of 2-cents. It was further assumed, as to each of these classes, that the incidence of changed conditions upon current revenues would occasion reductions of 10 percent and 20 percent, respectively. The estimated rates of return and the operating ratios which would obtain under those conditions, appear in the following tabulation:

|  | Continuance of<br>passenger tariffs<br>No joint fares. |        | Present<br>tariffs. Free<br>transfers. |        | Present tariffs.<br>2¢ revenue<br>transfer. |        |
|--|--|--------|--|--------|---|--------|
|  | Reduction of<br>Psgr. Rev.                             |        | Reduction of<br>Psgr. Rev.             |        | Reduction of<br>Psgr. Rev.                  |        |
|  | 10%  | 20%    | 10%                                    | 20%    | 10%   | 20%    |
| <u>Stockton City<br/>Lines</u>                         |  |        |  |        |   |        |
| Rate of return   | 22.00%   | 7.35%  | 21.65%                                 | 5.71%  | 21.76%                                      | 6.24%  |
| Operating ratio<br>before Income<br>Tax                | 85.79  | 96.43  | 86.47                                  | 97.20  | 86.26                                       | 96.96  |
| Operating ratio<br>after Income<br>Tax                 | 93.01  | 97.37  | 93.07                                  | 97.94  | 93.05                                       | 97.76  |
| <u>Newton Passenger<br/>Transportation<br/>Company</u> |  |        |  |        |   |        |
| Rate of return   | None   | None   | None                                   | None   | None  | None   |
| Operating Ratio<br>before Income<br>Tax                | 105.61   | 117.51 | 113.52                                 | 126.44 | 110.94                                      | 123.48 |

Throughout the period, 1942 - 1945, the rates of return realized by both carriers, under the conditions described (including those assumed for the year 1945), were adequate to yield a sufficient margin of profit. None of the rates shown appears to be insufficient; the operating ratios which then prevailed corroborate this conclusion.

During 1946, the witness conceded, a reduction in the gross revenues of both carriers reasonably may be expected. Notwithstanding the loss of traffic, the existing schedules must be maintained, essentially, because of the present serious over-loading of equipment. This circumstance mitigates against a decrease in the

operating costs corresponding to the falling off of revenues. In the witness' judgment, the anticipated reduction in revenue would approximate more closely the 10 percent figure.

Under all of the contingencies described, if the underlying assumptions are accepted, City Lines during 1946 would receive an adequate return. If the existing revenue were diminished by 10 percent, the rates of return effective under joint fare arrangements, either with free or with revenue transfers, viz., 21.65% and 21.76%, would be less than one percent below the 22 percent rate received under present conditions. If a 20 percent reduction in revenue occurred, the rates of return accruing under joint fares, viz., 5.71% and 6.24% would range from 1.11% to 1.64% below the rate of 7.35%, which would apply under the present situation.

It is true that under the same contingencies, Newton would operate at a loss, whether joint fares be established or the existing arrangement continued. The loss suffered, it is estimated, would range from \$3,250 (under present conditions, if revenues fell off only 10 percent) to \$12,690 (were joint fares established with free transfers, and revenues dropped by 20 percent). However, Newton testified that a joint transfer arrangement, under any of the conditions shown in witness Day's study, would be acceptable.

To establish its contention that the proposed joint fares would be inequitable, defendant City Lines offered proof describing the steps taken to modernize and improve its system, and indicating the anticipated increase in operating costs. The evidence also dealt with the discrimination which, it is claimed, is inherent in complainant's proposal.

The improvements and efficiencies, accomplished by defendant, were described by its operating officials. Upon acquiring the local transportation system which long had served the City of Stockton, defendant, in 1941, abandoned the electric streetcar lines, replacing them with buses. The car barns and shop, situated at a distance from the center of operations, were abandoned and replaced by a new shop, garage and office, centrally located. Additional land was purchased to provide for the storage of buses. Through the modernization of the plant a deficit was created, amounting to some \$415,000. This has not yet been overcome; at the time of the hearing it stood at \$309,000.

Since acquiring the system, defendant, it was shown, has endeavored to obtain sufficient equipment to meet the public needs. From 19 buses, which were adequate to provide the service in 1941, the total has climbed to 39. Seven new buses, long under construction await delivery; five more have been ordered. Defendant's program contemplates the replacement of five buses annually. To serve Stockton adequately, 45 buses ultimately will be required. Lines have been extended and new routes established, as public necessity warranted. Because of wartime population increases, defendant's facilities have been overtaxed, and the service (necessarily) has been inadequate. Efforts to overcome these difficulties were unsuccessful because of shortages of manpower, equipment and materials. Assertedly, it is defendant's consistent policy to supply the best possible public transportation service.

In the near future, defendant's president testified, a substantial increase in operating costs may be anticipated. Drivers wages have increased some 67 percent. Costs of materials and supplies, in his judgment, will reach higher levels, owing to present

economic conditions. The falling off of wartime traffic, occasioned by shifts in population, will be accompanied by a decline in revenue. Expenses will not decrease in proportion since many of them are constant. Because of these conditions, it is believed that even the utmost economics would not permit profitable operation. As a result, he stated, it may soon become necessary to seek authorization for an increase in fares.

A forecast of operating results for the period 1945 to 1949, based on present fares, was submitted by City Lines. The actual operating results for 1941 were also shown. This information is summarized in the following tabulation:

|                             | <u>1945</u> | <u>1946</u> | <u>1947</u> | <u>1948</u> | <u>1949</u> | <u>Actual<br/>1941</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|------------------------|
| Operating Revenues          | \$580,000   | \$493,000   | \$406,000   | \$377,000   | \$377,000   | \$167,030              |
| Total Operating Expenses    | 491,000     | 448,000     | 417,500     | 393,000     | 392,000     | 133,846                |
| Other Income and Charges:   |             |             |             |             |             |                        |
| Amortization of Intangibles | 880         | 880         | 880         | 880         | 880         |                        |
| Interest                    | 975         | 1,600       | 4,200       | 4,300       | 4,200       | 1,790                  |
| Net Income                  | 87,145      | 42,520      | (16,580)    | (21,180)    | (20,080)    | 31,394                 |
| Federal Income Taxes        | 64,000      | 17,008      |             |             |             |                        |
| Net Profit                  | 23,145      | 25,512      | (16,580)    | (21,180)    | (20,080)    | 31,394                 |

( ) - Denotes Deficit

Attention was directed to the differences between the operating results submitted by defendant for 1945 and those supplied by the Commission's staff. As previously stated, the latter rest upon information reported for the first six months of 1945, projected over the year. The figures submitted by defendant, however, are based upon actual revenues for the first 11 months, and actual expenses for the first 10 months; revenues for December and expenses for November and December were estimated. The operating revenue reported by defendant is \$580,000, instead of \$594,000 as shown by the staff; operating expenses are \$491,000 rather than \$459,000; and

The net income is \$23,145 as compared with \$46,300. The difference is attributable to the program of rehabilitation underway, including a major overhauling of equipment; and to substantial increases in wage rates, which were retroactive in effect. In addition, defendant assertedly has made allowance for amortization of intangibles (also considered by the staff), and for interest. Moreover, the revenues were less than those estimated by the staff.

The establishment of joint fares, it is claimed, would accentuate the abuse of transfer privileges which defendant now encounters. Assertedly, the tendency of bus riders to abuse this privilege is wide-spread. Generally, this assumes the form of using a transfer to complete a round trip, thus avoiding payment of fare for the return trip. To combat this practice, defendant has curtailed the period during which transfers may remain effective, and undertakes to honor transfers only at points where its lines diverge wherever they may parallel one another. Since the lines usually diverge at points located outside of business districts, there would be less incentive on the part of a rider to use his transfer to complete a round trip. Opportunities for such abuses, it is claimed, would arise from the establishment of joint fares, as proposed.

In general, defendant's Ophir Street Line closely parallels Newton's Waterloo Route, the two lines being about one-third mile apart at points. This would also be true, it is claimed, as to the Fremont Street Line, which for a short distance parallels the Ophir Street Line. To meet this objection, Newton suggested the imposition of a condition to the effect that no transfer which he might issue would be good on City Lines north of Miner and Ophir Streets.

Should City Lines receive less than its local fare, under any joint fares, such an arrangement, it is claimed, would discriminate against passengers paying the full local fare. Assertedly, defendant provides a better and more extensive service than that afforded by Newton. Defendant operates 10 lines, supplying a city-wide service; Newton operates two lines serving a district adjoining the city. Defendant, it is said, provides more trips per hour than Newton. Defendant's fleet of equipment is more extensive than that which Newton has available. A comparison of the route miles and the coach miles operated by these carriers appears above. The divisional arrangement described, it is claimed, would throw open to Newton defendant's entire system. Assertedly, this would work a discrimination against City Lines' passengers traveling at regular fares.

From the record, it appears that a public need exists for the establishment of a joint fare between Newton and City Lines. Such an arrangement would serve the needs of those traveling over both lines between their homes and places of employment, as well as others desiring to use both carriers. While the record does not definitely show the distribution of the traffic between the zones established by the carriers, nevertheless, it clearly indicates that the movement between the 7-cent fare zones, which they severally maintain, heavily preponderates.

The establishment of a joint fare, we believe, should not be withheld because of the conditions confronting City Lines. During 1945, it operated at a profit, and the evidence indicates that during 1946 operations will be profitable. Due to the present shifting economic situation we cannot, on this record, attempt to forecast future conditions. Should operation under the joint fare here



established ultimately prove uncommunerative, either party may seek appropriate relief, by supplemental application in this proceeding.

We conclude that a joint one-way fare of 12-cents, (9) applicable between all zones, would be reasonable. The record does not justify the establishment of a joint fare of 7-cents, as sought by the city authorities.

Under the joint fare authorized, the division of City Lines might well be less than its local fare. Such an arrangement, it is true, might create a discrimination against local passengers

- (9) Various combinations of the present fares are available to passengers traveling over both lines. Between the 7-cent fare zones which they maintain, respectively, the combined fares would be as follows:

| <u>City Lines</u> | <u>Newton</u>   | <u>Total</u> |
|-------------------|-----------------|--------------|
| <u>cents</u>      | <u>cents</u>    | <u>cents</u> |
| 7 cash            | 7 cash          | 14           |
| 6½ token          | 7 cash          | 13½          |
| 7 cash            | 5.83 ticket (a) | 12.83        |
| 6½ token          | 5.83 ticket     | 12.03        |

Between the 7-cent and the 10-cent fare zones the following combinations are available:

|          |                 |       |
|----------|-----------------|-------|
| 7 cash   | 10 cash         | 17    |
| 6½ token | 10 cash         | 16½   |
| 7 cash   | 8.33 ticket (b) | 15.33 |
| 6½ token | 8.33 ticket     | 14.53 |

Between the 10-cent fare zones the following combinations are available:

|         |             |       |
|---------|-------------|-------|
| 10 cash | 10 cash     | 20    |
| 10 cash | 8.33 ticket | 18.33 |

- (a) Newton offers a commutation fare of 12 one-way 7-cent tickets for 70-cents, good only on the Waterloo Lines. This is equivalent to a one-way fare of 5.83 cents.

- (b) Newton offers a commutation fare of 12 one-way 10-cent tickets for \$1.00 good only on the Waterloo Line. This is equivalent to a one-way fare of 8.33 cents.

The 12-cent joint fare herein established is substantially the same as the lowest existing combination fare of 12.03 cents, and is substantially lower than the other combinations shown.

traveling at the full one-way fare. Discrimination of this character, however, is neither undue nor unlawful. It frequently exists when joint rates or fares are established between connecting carriers on a basis lower than the combination of the local rates.

At this stage of the proceeding, we are not required to determine the division between City Lines and Newton of the joint fare which has been prescribed. Hence, it is not necessary to discuss the contentions of the parties regarding the principles to be applied, in arriving at a solution of this controversy. Should they fail to agree, the Commission will establish the division by supplemental order, as provided in Section 33, Public Utilities Act.

Upon full consideration of the evidence, we hereby find, as facts, that no satisfactory through route or joint fare exists between points on the lines of City Lines and of Newton, respectively, as described in the foregoing opinion; that public convenience and necessity require the establishment of a through route and a joint fare between such points; and that a single one-way fare of 12-cents applicable between all fare zones maintained by said carriers, respectively, would be just and reasonable. An order will be entered, accordingly.

#### O R D E R

The above entitled proceedings being at issue; a public hearing having been had; the matter having been duly submitted; and the Commission now being fully advised,

IT IS ORDERED as follows:

(1) That Stockton City Lines, Inc., and Eskdale Newton operating as passenger stage corporations, as defined in Section 24, Public Utilities Act, be and they are hereby directed to establish

within 30 days from the effective date hereof a through route for the transportation of passengers between all points and places served by them, respectively, within the city of Stockton, and between said city and adjacent points.

(2) That a joint one-way passenger fare of 12-cents be and it is hereby established for the transportation of passengers between all points and places served by said Stockton City Lines, Inc., and Eskdale Newton, respectively, within the City of Stockton and between said city and adjacent points.

(3) That within 30 days after the effective date hereof, said Stockton City Lines, Inc., and Eskdale Newton shall publish and file appropriate tariffs stating the joint fare hereinabove prescribed.

(4) That should said Stockton City Lines, Inc., and Eskdale Newton fail to agree upon the division of said joint fare, within 30 days from the effective date hereof, they shall immediately report such failure to the Commission, and thereupon the Commission shall proceed to establish such division, as provided by law.

(5) That said joint fare, herein prescribed, is established subject to the limitation that no transfer issued thereunder by Eskdale Newton shall be valid for transportation on the North Ophir Street Line of Stockton City Lines, Inc., at any point north of the intersection of Miner Avenue and Ophir Street.

(6) That the complaint in Case No. 4745 be and it hereby is dismissed as to complainants, William C. Colberg and H.J. Colberg,

doing business as Central Transit Company.

The effective date of this order shall be 20 days from the date hereof.

Dated at San Francisco, California, this 30<sup>th</sup> day of July, 1946.

Harold Anderson

Francis D. Davis

Harold P. Kula  
COMMISSIONERS