

Decision No. 39369

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA STREET CABLE RAILROAD) Application No. 27177
COMPANY for authority to increase rates)

ORRICK, DAHLQUIST, NEFF, BROWN & HERRINGTON, by
George H. Johnston, for Applicant.

PAUL L. BECK, Rate Engineer, and L. V. NEWTON,
for City and County of San Francisco.

MYRON G. ALEXANDER, Attorney, and CLARENCE O. BURGIN,
Transportation Specialist, for Office of Price
Administration.

O P I N I O N

This matter was called for hearing at San Francisco, January 10, 1946 but no evidence was offered at that time. A later public hearing was conducted before Examiner Hunter, in San Francisco, August 14, 1946 at which time the matter was taken under submission.

In this application authority is sought to increase the base fare of the California Street Cable Railroad Company, from 7 cents cash which carries a free transfer privilege with the local street transportation system operated by the City and County of San Francisco, ⁽¹⁾ to 10 cents cash or 3 tokens for 25 cents and preserve the present free transfer privilege. No change is proposed in the present school fare, (16 rides for 50 cents).

From October 15, 1944 to May 20, 1946 the base fare on the Cable Company as well as the Municipal System was 7 cents cash

(1) For convenience, hereinafter the California Street Cable Railroad Company will sometimes be referred to as the Cable Company and the Transportation System operated by the City and County of San Francisco, as the Municipal System.

with free transfer privileges between the two systems.

Effective May 20, 1946, the base fare on the Municipal System was increased from 7 cents to 10 cents cash with 3 tokens for 25 cents.

The manager of the Municipal System, by letter dated July 17, 1946 (Exhibit No. 1), served notice upon applicant that unless it established a parity of fares within ninety days from the date of the letter the Municipal System would no longer honor transfers issued by the Cable Company.

Aside from the matter of preserving the free transfer privilege between the Municipal System and the Cable Company, it is applicant's contention that the revenue received under the present fare structure is not sufficient to meet the increased operating expenses.

The following table is taken from applicant's Exhibit No. 1.

Item	With 7¢ Fare		With 10¢ Fare	
	Actual 1945	Actual 1st 6 mos. of 1946 multi-plied by 2	Estimate 12 mos. period 7/1/46 to 6/30/47 (#)	Estimate 12 mos. period 7/1/46 to 6/30/47
Total Oper. Revenue	\$622,230.22	\$639,179.36	\$639,179.36	\$704,830.20
Total Oper. Expenses	626,258.84	632,593.72	698,733.24	699,312.28
Oper. Income	-----	6,585.64	-----	5,517.92
Provision for Fed. Income Tax	-----	1,414.70	-----	1,169.12
Net Operating Income or Loss for Year	<u>(\$ 4,028.62)</u>	\$ 5,170.94	<u>(\$ 59,553.88)</u>	\$ 4,348.80

With adjustment for increased cost of wages and salaries at scale now being paid (effective July 1, 1946) and anticipated increased cost of materials and other items.

(Red Figures)

Applicant's Exhibit No. 1 shows that during the 15 months' period January 1, 1945 to March 31, 1946, the ratio of the Cable Company's transfers honored by the Municipal System to those of the Municipal System's honored by the Cable Company varied from approximately 37% to 53%, averaging 42%. From April to July, 1946, inclusive, this ratio varied from approximately 93% to 110%, averaging 102%.⁽²⁾ It is apparent from this liberal use of transfers that there is a public need for this joint service, depending to a considerable extent on the relation between the fare structures on each system. Where there is a difference in the fares the originating transfer traffic shifts to the line with the lower fare. In the past it has been the practice of each system to retain all the money collected where a transfer was involved.

The President of the Cable Company testified that every effort has been made to effect economy of operation and that, with the increased operating expenses and downward trend in revenue, it can no longer continue to provide a reasonable service to the public without relief in the way of an increase in fares.

The Commission's Engineers presented a report as Exhibit No. 3 which shows the result of a study dealing with the operating results of the Cable Company. The following is taken from this exhibit.

(2) Data from Exhibit No. 1.

Period	Municipal	Cable Co.	Total	Average Transfer
Jan. '45 to Mar. '46 inc.	811,239	1,920,496	2,731,735	182,000
Apr. '46 to July '46 inc.	597,428	587,734	1,185,162	296,000

Note: Base fare on Municipal System increased from 7 cents cash to 10 cents cash with 3 tokens for 25 cents May 20, 1946.

Item	Year	Ensuing 12 Months	
	1945	7¢ cash (Present)	10¢ cash or 3 tokens for 25¢ (Proposed)
Operating Revenue	\$622,230	\$ 617,980	\$ 764,218
Operating Expenses*	628,200	701,610	726,870
Net Operating Income	<u>(\$ 5,970)</u>	<u>(\$83,630)</u>	\$ 37,348

*Inclusive of depreciation expense and income taxes.

(Red Figures)

The primary difference in the estimate presented by applicant with that of the Commission's staff results from the different assumptions employed in the items of diminution of traffic as a result of the increase in fare and the relation between the volume of cash and token fares.

No party participating at the hearing on this application opposed the granting of the authority sought to increase the fares to the proposed level.

The record shows that the revenue received under the present fare structure is not sufficient to meet the increased operating expenses and that the proposed fare structure will permit applicant to earn something between \$4,000 and \$37,000 a year. As was advocated by the Commission in its Decision No. 36507, dated July 27, 1943, the evidence shows that the continuance of the universal transfer is in the public interest,

Upon this record we find that the Cable Company should be authorized to increase its base fare of 7 cents cash to a parity with that of the Municipal System and retain the free transfer privilege. The following order will so provide.

O R D E R

California Street Cable Railroad Company having filed an application requesting authority to increase its fares, public hearing having been held, the Commission being apprised of the facts, and the matter being under submission and ready for decision,

IT IS ORDERED that California Street Cable Railroad Company be and it hereby is authorized to establish, in accordance with the rules of the Commission, upon not less than five days' notice to this Commission and the public, fares for the transportation of passengers between points in San Francisco as follows:

Adult fare10¢ cash ^{or} with 3 tokens	(120F)
	or tickets for 25¢.	
School children up to 18 years of age.	.16 rides for 50¢.	

subject to the condition that a free universal transfer be established between applicant's lines and those of the Municipal System which will enable a patron to travel on a continuous trip between any two streetcar, trolley or motor coach points in San Francisco upon payment of a single fare, with appropriate restrictions to prevent round-trip riding.

IT IS FURTHER ORDERED that the authority herein granted shall be void unless the fares authorized in this order are published, filed and made effective within sixty days from the effective date of this order.

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

Dated at Los Angeles, this 27th day of August, 1946.

Harold P. Kuhl
Justice J. Green
James H. Brown
Irish T. Hall
A. J. [unclear]
 COMMISSIONERS

CONCURRING OPINION

While I have joined with my fellow commissioners in signing the decision authorizing increases in the fares of the California Street Cable Railroad Company in line with the application of this Utility asking for these increases, I consider it appropriate that I further express my views regarding the operation of this transportation system.

During the hearing held by this Commission in connection with its application this Utility presented evidence in the form of exhibits and testimony to support its contention that its present operating costs were in excess of its net income. The Commission's order authorizing these increases was based upon an uncontested showing by the applicant and was influenced by the fact that the manager of the Municipal Railway of San Francisco by a letter to the applicant dated July 17, 1946, made Exhibit No. 1 in these proceedings, took the position that unless the Commission granted authority permitting these increases in fares, which in turn were adopted by the California Cable Company, that the Municipal System would no longer honor transfers issued by the Cable Company.

Although I am not questioning the correctness or reliability of this Company's evidence as presented, I do most seriously want to point out that based on the assumption that the figures as introduced by this Utility in this case do correctly reflect the actual cost of its operations, then it most certainly follows that considering the quality of the service being rendered by this Utility to those who must depend upon it, this service

is not commensurate with its cost to the operating utility, nor is it in line with the charges to the public for it. This will even more conspicuously apply after these new rates are placed in effect.

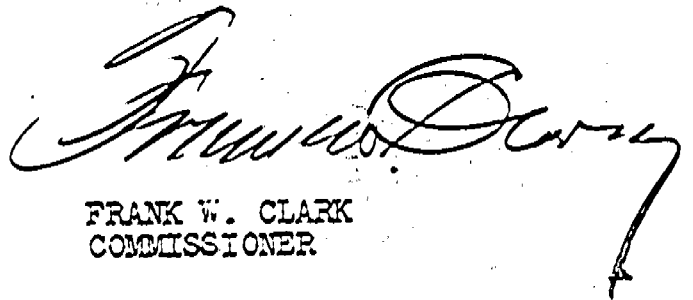
It has always been my contention in all rate making matters that every utility is entitled to enjoy an adequate income as will enable it to properly conduct its business and at the same time realize a reasonable profit, and on the other hand the rate payers of any and all utilities are entitled to a good quality of service at a fair cost.

I definitely consider it contrary to the interests of the public for this Commission to continue authorizing an increase in rates covering utility service when the very nature of the equipment and facilities employed by the utility in rendering service is such as to result in abnormally high costs in carrying on that service and at the same time the service rendered is far below the standard that the public has a right to expect.

Without further elaboration I wish to state that I am certain that no person qualified to express an opinion on the comparative merits and relative costs pertaining to mass transportation will deny that if modern transportation means were substituted for the long-since obsolete and antiquated system which is still employed by this Utility, that from the standpoint of economy, safety, comfort and convenience the public's interests would be better served. The people of the city of San Francisco have a right to expect such improved service and I contend it is the responsibility and duty of this Commission

A. 27177-rh

to insist upon such improvement being made at the earliest possible date.

A handwritten signature in cursive script, appearing to read "Frank W. Clark". The signature is written in dark ink and is positioned above the typed name.

FRANK W. CLARK
COMMISSIONER