

ORIGINALDecision No. 40335

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
CALIFORNIA STREET CABLE RAILROAD)	Application
COMPANY for authority to increase)	No. 28360
rates.)	

Orrick Dalquist, Neff, Brown and Harrington by Hilyer Brown for applicant; John J. O'Toole, City Attorney, Dion R. Holm, Assistant City Attorney and Paul L. Beck, Valuation and Rate Engineer, for the City and County of San Francisco, interested party; and Charles R. Wood, President of the Amalgamated Association of Street Electric Railway and Motor Coach Employees of America, Division 1380, A. F. of L., interested party.

POTTER, COMMISSIONER

O P I N I O N

In this proceeding applicant seeks authority to increase its adult passenger fare through the elimination of the use of tokens. ⁽¹⁾

The present adult fare is either ten cents cash or a token sold at the rate of 8-1/3 cents in blocks of three for twenty-five cents. ⁽²⁾

Applicant has been before the Commission a number of times during the past five years in connection with fare adjustments. In the Commission's decisions are to be found comprehensive statements of this carrier's physical property and operating results over a period of years. ⁽³⁾

(1) For convenience hereinafter the California Street Cable Railroad Company will sometimes be referred to as the Cable Company.

(2) This fare was authorized by the Commission's order of its Decision No. 39369, dated August 27, 1946, in Application No. 27177.

(3) <u>Decision No.</u>	<u>Date</u>	<u>Application No.</u>
35753	Sept. 5, 1942	24486
35798	Sept. 23, 1942	24486
35987	Nov. 27, 1942	24486
36507	July 27, 1943	24486
37167	June 28, 1944	24486
37340	Sept. 26, 1944	24486
39369	Aug. 27, 1946	27177

The Cable Company's system consists of two routes designated as California Street and Hyde Street Lines. The company's street cars are operated through contact with traveling cables actuated from a power station located in the service area. The service is devoted to the transportation of passengers between residential areas of the city and downtown business sections. For the most part the elevations of the residential sections served by applicant's lines are considerably above those of the business sections served, and as a result, many steep grades are encountered along the routes.

The primary local transportation agency in the City of San Francisco is conducted as a Municipal system. Applicant's traffic amounts to approximately four per cent of that carried on the Municipal lines.

For many years there has been a transfer arrangement between the applicant's lines and those of the Municipal system, as well as those of the Market Street system, which was purchased by the City September 29, 1944. The extent of the transfer privilege has varied over the years from a limited number of transfer points to the free universal transfer arrangement as presently in effect. ⁽⁴⁾

Hearing was held at San Francisco on May 9, 1947, at which time the matter was taken under submission subject to the filing of briefs within ten days. Applicant has filed its brief. The matter is now ready for decision.

It is applicant's position that the revenue received under the fare structure now in effect is insufficient to pay the cost of providing service and as a result the company has sustained a material operating deficit during the past year. Applicant and the Commission's staff presented statements showing the results of estimates of traffic, revenue and expenses that would obtain under different fare structures

(4) Under the present transfer arrangement between applicant and the Municipal system, each carrier retains all the revenue collected without accounting for the transfers honored which were issued by the other operator.

for the ensuing year. The following tabulation is taken from these Exhibits.

For 12 months' period ending April 30, 1948					
Applicant - Exh. No. 1 : Commission's Staff - Exh. No. 3					
I t e m	10¢ Fare		10¢ Fare		Present
	Present	with	Present	with	
(1)	(2)	(3)	(4)	(5)	(6)
Revenue	\$681,717	\$750,762	\$722,695	\$780,725	\$751,280
Operating Expenses	720,169	720,726	711,880	712,380	712,125
Depreciation Expenses	14,157	14,157	15,875	15,875	15,875
Total	734,326	734,883	727,755	728,255	728,000
Net Before Income					
Taxes	(52,609)	15,879	(5,060)	52,470	23,280
Income Taxes	-	4,129	25	21,045	5,915
Net Income	(52,609)	11,750	(5,085)	31,425	17,365

(Red Figures)

Both Exhibits Nos. 1 and 3 show the actual operating loss for 1946 exclusive of retroactive pay to be \$726.

The Company's Exhibit No. 1 shows that when an item of \$20,643 is accounted for to cover retroactive wages to September 4, 1946, the operating loss for the year amounts to \$21,369. Exhibit No. 3 shows the depreciated investment as of December 31, 1947 to be \$678,986.

The estimates presented by the company and the Commission's staff differ chiefly in the items of revenue. The company anticipates revenue under its present and proposed fares of \$681,717 and \$750,762, respectively, while the Commission's staff arrived at a revenue of \$722,695 and \$780,725, respectively, under the same fare structures.

In addition to the estimates of the results of operation under the present fares and those proposed by the company, the Commission's staff made a study of the results that might be expected under the continuance of the present 10 cent cash and 8-1/3 cent token fare with the universal transfer privilege eliminated. This analysis appears in Column 6 of the foregoing table. The adoption of such a fare structure was recommended by the Commission's staff as being the one most appropriate under prevailing conditions. The Cable Company, in its brief, expressed its opposition to this proposal, contending that the elimination of the universal transfer would inconvenience its patrons and at the same time deprive the company of a just revenue.

The record shows that the volume of transfers issued by the Municipal system and honored by the Cable Company is somewhat in excess of the number of transfers issued by the Cable Company and honored by the Municipal system.

The following table is taken from Exhibit No. 3 which shows the relation between the total revenue passengers carried and the transfer passengers between the two systems.

Period	Total Revenue Passengers	Cable Company Transfers Honored by Cable Company	Municipal System Transfers Honored by Cable Company
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1947

January	679,547	129,560	136,211
February	627,045	116,089	130,100
March	717,242	134,075	138,968

Under the present rapidly changing economic conditions, it is impossible to predict with preciseness the trend of traffic and the reaction of the traveling public to increases in fares.

The abolition of the token fare would increase the cost of transportation by 20 per cent to approximately 85 per cent of the applicant's revenue passengers, many of whom have the opportunity to travel on the lines of the Municipal system with very little inconvenience.⁽⁵⁾

No opposition developed to the granting of this application.

Based on the evidence adduced in this matter, I find that:

1. The revenue under the prevailing fare structure is not sufficient to meet the cost of providing the service.
2. With retention of present 10-cent cash and 8-1/3-cent token fares with the elimination of the universal transfer privilege the company's gross revenue would approximate that accruing under the fare structure proposed by the company, and at the same time offer a more attractive service to the public.
3. The final determination of the request of the Cable Company to eliminate the token fare should be held in abeyance and instead the present universal transfer arrangement between applicant and the Municipal System should be discontinued on an interim basis, subject to further review by the Commission.

The following form of order is recommended.

INTERIM ORDER

California Street Cable Railroad Company having filed an application requesting authority to increase its fare, public hearing having been held, the Commission being apprised of the facts, and

(5) For the most part routes of the Municipal system closely parallel those of the Cable Company (see may page 1, Exhibit #3). The company's brief (page 3) refers to the improved service about to be established on the "E" and Sacramento Street Lines of the Municipal System. These lines will offer transportation between a large residential section and the financial district, and disparity of fares would undoubtedly divert considerable traffic from the Cable Company.

the matter being under submission and ready for the decision.

IT IS HEREBY ORDERED that:

1. Applicant is authorized to modify its present fare structure by eliminating the free universal transfer privilege between its lines and those of the Municipal system and to operate under such modified fare structure until the further order of this Commission, subject to the following conditions:

(a) The revised fare structure may become effective on not less than five (5) days' notice to the Commission and the public.

(b) The authority herein granted shall be void except to the extent that the rates and charges published pursuant to this order are filed and made effective within ninety (90) days from the effective date hereof.

(c) Until further notice, applicant shall render detailed monthly statements showing the volume of traffic, revenue and operating expenses for each calendar month. Such reports shall be filed with the Commission not later than the twentieth day of the following month.

II. The Commission hereby retains jurisdiction of this proceeding for the purpose of entering such other and further orders *et al* experience under this order shall show to be meet and proper in the premises.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Public Utilities Commission of the State of California.

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

Dated at San Francisco, California, this 27th day of May, 1947.

Harold D. Kula
James J. Gorman
Arthur J. Russell
R. J. ...
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COMMISSIONERS