

ORIGINAL

Decision No. 40773

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of KEY SYSTEM)	
TRANSIT LINES, a corporation, for an order)	
granting permission to discontinue present)	Application No. 28353
restricted calendar month commutation tickets)	
and to substitute in lieu thereof unrestricted)	-
reduced rate, single trip tickets and/or tokens.)	

In the Matter of the Application of KEY SYSTEM)	
TRANSIT LINES, a corporation, for an order)	
pursuant to Section 63 of the Public Utilities)	First Supplemental
Act authorizing the establishment of increases)	Application No. 28353
and adjustments in rates and fares for trans-)	
portation of passengers between points in the)	
counties of Alameda and Contra Costa, and the)	
City and County of San Francisco, in the State)	
of California.)	

DONALD RICHARDS & EARLIN, by Frank S. Richards and O. J. Bowman, for Applicant; F. B. FERNHOFF, City Attorney, J. KEERWIN ROONEY, Assistant City Attorney, and JOHN W. COLLIER, City Attorney, by ARCHER BOWDEN, Asst. City Attorney, for City of Oakland; THOMAS M. CARLSON, City Attorney, and FREDERICK BOLD, JR., for City of Richmond; STANLEY E. WHITNEY, City Attorney, JOHN F. HANSON JR., Deputy City Attorney, and DON C. McMILLAN, City Manager, for City of Alameda; FRED HUTCHINSON, ROBERT ANDERSON, Asst. City Attorney, and DOUGLAS WELLER, Administrative Assistant to the City Manager, for City of Berkeley; GEORGE R. GLAVINOVIC, City Attorney, for City of Albany; ARTHUR GARDEN, City Attorney, for City of San Leandro; J. MARCUS HARDIN, for City of Piedmont; CLAIR W. MacLEOD, for M. M. Newmark; JOHN C. STIRPAT, for The Apartment House Association of Alameda County and on behalf of some of the unorganized commuters; FRANK E. SWAN, on behalf of Brotherhood of Railway Clerks, State Legislative Committee; E. D. ANTONINU, on behalf of some 2,400 Commuters; RALPH L. McKEEVER, for Manzanita District and Improvement Club; P. W. BARNARD, for Alameda Citizens Transportation Assn.; W. A. RICHELIEU, for Commuters Group of Albany; M. A. GRAPPO, for Commuters Group of Richmond; A. E. SINCLAIR, for six-day Commuters; THOMAS A. FOX, for Home Owners Improvement Club, Oakland; RAY E. PEASE, as councilman-elect, Oakland; ROBERT B. RIVER, Secretary, Bay Area Transportation League; the following appeared in Propria Persona: A. E. MILLER, C. Y. CANADAY, MRS. KATHIE ZAEN, MRS. ARMSTRONG ROWLAND, ROSS R. CHERNEY, WALTER J. KLADKO, FRED J. HILDEBRAND, and MRS. SAMUEL LANDIS.

INTERIM OPINION AND ORDER DEALING WITH LOCAL TRANSPORTATION IN ALAMEDA AND CONTRA COSTA COUNTIES

Key System Transit Lines filed its original Application No. 28353

April 15, 1947, and the First Supplement thereto July 18, 1947. (1)

In the application as supplemented, authority is sought to make the following changes in the fare structure:

<u>Item</u>	<u>Present</u>	<u>Proposed</u>
<u>Local Fares</u>		
Cash	10¢	10¢
Token	8-3/4¢	eliminate
<u>Transbay Fares</u>		
<u>Hayward-Richmond</u>		
Cash	35¢	35¢
Commute per Month	\$9.75	eliminate
20-ride Ticket (\$6.30)	31 1/2¢ (a)	31 1/2¢
<u>All Other Transbay Fares</u>		
Cash	25¢	25¢
Commute per Month	\$8.50	eliminate
20-ride Ticket (\$4.50)	22 1/2¢ (a)	22 1/2¢
<u>Oakland-Yerba Buena Island</u>		
Cash	15¢ & 20¢	no change
Commute per Month	\$6.50	eliminate
<u>S.F. - Yerba Buena Island</u>		
Cash	10¢ & 15¢	no change

No changes proposed in children's fares, school fares, transfer regulations or zone boundaries.

(a) Effective March 1, 1947.

A public hearing was held on the original application May 26, 1947, and on the supplemental application September 5, 1947, in the City of Oakland. At the conclusion of the hearing September 5, the matter was adjourned for oral argument on the record for that day's hearing to San Francisco, September 12.

(1)

Application No. 28353 was filed in compliance with this Commission's order in its Decision No. 40073, dated March 17, 1947, in Case No. 4860 (Milton Maxwell Newark vs Key System) wherein the carrier was directed to:

"... make a study of the issues presented by the record developed in that case and submit within a period of thirty days from the date thereof a proposal for commutation fares that reasonably meets with the public demand for commutation fares based upon normal use."

In Application No. 28353 authority was sought to discontinue the sale of commute books and substitute therefor a ticket form of fare to be sold at the rate of 25¢ per ride in blocks of 20 for \$5 on the Richmond and Hayward Lines, and 20¢ per ride in blocks of 20 for \$4 on all other transbay lines. The cash fare was to remain at 35 and 25 cents respectively. No order has been issued on the original application.

after which the application was adjourned for further hearing at San Francisco, October 22, 1947. The matter is now ready for decision on the record dealing with local transportation in Alameda and Contra Costa Counties.

Applicant urged the granting of an Interim Order on the basis that subsequent to the time the wage scale to its employees was increased, effective June 1, 1947, revenues received from the system operations were not sufficient to pay the out-of-pocket cost of providing the service. (2) Applicant's Exhibit No. 11 was introduced to support this position. This exhibit shows that for the month of July, 1947, the operating revenue amounted to \$1,218,223 and the operating expenses \$1,346,164, resulting in an operating deficit of \$127,941. Without allowance for depreciation and amortization expense the deficit would have been \$20,397.

Upon the company's request for immediate relief the hearing on September 5, 1947 was confined to that portion of the application which deals with the local transportation service in Alameda and Contra Costa Counties, with the understanding that a further hearing would be had on a later date on the entire operation and particularly the transbay service.

Key System supplies local transportation service to the East Bay communities of Richmond, El Cerrito, Albany, Berkeley, Emeryville, Oakland, Alameda, Piedmont, San Leandro and Hayward as well as some service in the unincorporated areas adjacent to Richmond in Contra Costa County and adjacent to Hayward in Alameda County. Exhibit No. 15 shows that as of August 1, 1947, the carrier's entire operation was conducted through the use of the following units of equipment: 538 motor coaches, 149 street cars, 88 articulated train units and 5 interurban cars. The motor coaches are used in both local and transbay service. Some local passengers are carried on the interurban lines.

The record shows that following wage negotiations in 1946 and 1947 increases in hourly wages were granted applicant's employees. In July 1947

(2)

Due to strike conditions, service on the Key System was discontinued from June 11 to June 28, 1947, inclusive.

applicant was also subject to the payment of increased taxes on motor fuel. By the Commission's order in its Decision No. 39437, dated September 24, 1946, applicant was authorized to increase certain local and interurban fares. The effect of these changes is reflected by data submitted in applicant's Exhibit No. 14. The following tabulation is compiled from this exhibit:

SYSTEM TOTAL			
Month:Year	Operating Revenue	Operating Expenses and Taxes	Operating Income
April 1946	\$1,317,482	\$1,240,381	\$ 77,101
May "	1,325,578	1,253,963	71,615
<u>Wage Increase Retroactive to June 1, 1946</u>			
June 1946	1,279,433	1,349,913	(70,480)
July "	1,277,775	1,395,165	(117,390)
<u>Fare Increase October 1, 1946</u>			
Oct. 1946	1,497,366	1,396,643	100,723
Nov. "	1,394,088	1,287,381	106,707
April 1947	1,341,827	1,252,200	83,627
May "	1,341,995	1,304,269	37,726
<u>Wage Increase Retroactive to June 1, 1947</u>			
<u>Strike Conditions Prevailed for 18 Days in June 1947</u>			
June 1947	484,332	794,473	(310,141)
July "	1,218,223	1,346,164	(127,941)

(Red Figures)

The following tabulation shows the estimated results of the impact upon operating expenses resulting from the wage increase granted in June and the tax increase of July 1947 as shown by exhibits presented by applicant and by the Commission's engineers.

Twelve-Month Period Ending August 31, 1948				
I t e m	System Total		Applicable to Local Operations	
	Applicant's Exh. No. 14	Comm. Engrs' Exh. No. 17	Applicant's Exh. No. 14	Comm. Engrs' Exh. No. 17
Wage Increase	\$889,931	\$293,354	\$522,968	\$517,243
<u>Tax on Fuel</u>				
Present Fleet Basis	-	92,769	-	64,197
Proposed Bus Substitution	144,000	105,479	-	76,907
Total - Wages and Fuel Tax on Present Fleet Basis	-	976,123	-	581,440

In addition to the increased wages and fuel taxes, applicant will be required to pay higher motor vehicle registration and weight fees beginning January 1, 1948. These additional fees as estimated by the Commission's engineers in Exhibit No. 17 will amount to \$24,591 for the twelve months ending August 31, 1948, on the basis of the operation of the present fleet, of which \$15,860 would be chargeable to the local operations.

The application of a straight 10¢ adult fare for local service as proposed by applicant would, according to its estimate, increase its revenue by \$665,000 (Exh. 14), on the other hand the Commission's engineers estimate this increase to be \$480,507 (Exh. 17).

The estimated results of operations for the local system is shown in applicant's Exhibit No. 19, for the 12-month period ending August 31, 1948, as follows:

<u>Item</u>	<u>At Present Fares</u>	<u>At Proposed Fares</u>
Total Operating Revenue	\$9,043,040	\$9,673,040
Total Operating and Maintenance Expenses	7,559,456	7,559,456
Depreciation	1,123,766	1,123,766
Amortization of Operating Expenses (d)	293,099	293,099
Total Operating Expenses	8,976,321	8,976,321
Net Revenue before Taxes	66,719	696,719
Taxes except Income Taxes	726,260	726,260
Net before Income Taxes	(659,541)	(29,541)

(d) Amortization of estimated costs of track removal and repaving over 5-year period.

(Red Figures)

In Exhibit No. 14, applicant estimates that \$35,000 additional annual revenue from that shown in the above table would be collected on the transbay lines if the token fare is abolished. If the revenue is increased by the sum of \$35,000 representing local fares collected on transbay lines and the estimated amortization expenses eliminated, the net income before income taxes would become \$331,442 under present fares and \$298,558 under proposed fares.

The following tabulation shows the results that would obtain by employing the Commission's engineers' estimates from Exhibit No. 17 with respect to taxes and revenue for the year ending August 31, 1948, together with the elimination of the amortization allowance for track removal:

	<u>Present Fares</u>	<u>Proposed Fares</u>
Net before Income Taxes (Exh. 19)	\$ (659,541)	\$ (29,541)
Use Commission Engineers' Estimate of Increased Revenue instead of Applicant's (\$630,000 - \$480,507)		- 149,493
Eliminate Amortization of Track Removal	+ 293,099	+ 293,099
Use Commission Engineers' Estimate of Increased Fuel Taxes only on present level of bus operation, instead of Applicant's Estimate of all increased taxes on 100% bus substitution (\$235,497 - \$64,197)	+ 171,300	+ 171,300
Net before Income Taxes	\$ (195,142)	\$ 285,365

(Red Figures)

It should be pointed out that the item covering the estimated cost of track removal is one which the carrier is not presently required to pay, in fact before the change-over from street car to bus can be made it must have the approval of this Commission.

The applicant introduced Exhibit 15 to show how service to the East Bay area had been improved in the past year since the last fare increase hearing in August 1946.

This exhibit showed the increase in the applicant's bus fleet as well as the future plans for it, as follows:

Buses in service August 1, 1946	458
New buses acquired	177
Old buses retired or sold	<u>97</u>
Buses in service August 1, 1947	538
Buses on order - expected in Fall 1947	210
Buses on order - expected in Spring 1948	250
Old buses to be retired	<u>79</u>
Ultimate Fleet	919

Testimony introduced at the fare increase hearing in August 1946 (Application No. 27595) by Commission's engineers pointed out those car and bus lines that were overloaded and the time of day such overloads occurred. Testimony offered at the instant hearing showed that the service has been materially improved.

Applicant's Exhibit 15 also outlined its future plan of revising the East Bay service through the substitution of motor coach for street car operation. This plan provides that the complete substitution will be effected by July 1, 1948.

Various cities in the East Bay area were represented by counsel who appeared to protest the proposed fare increases. The City of Oakland protested the fare increase particularly because no guarantee was given that service would be improved. The City of Berkeley, through its attorney, stated that it was not in a position to analyze the technical data presented at the hearing and therefore must rely upon the Commission to subject these data to very close scrutiny.

Other organizations and individuals registered their opposition to the proposed increase in the local fare structure. The protest to the granting of the application was manifested by verbal statements and cross-examination of applicant's and the Commission's witnesses.

An analysis of the studies introduced in this record by applicant's witnesses and those of the Commission's staff shows that even with the elimination of the item of amortization expense of \$293,099 to cover the removal of street car lines to be abandoned and to repave the street which is shown in applicant's operating statement, the local service is now being conducted at a substantial loss. Also, that if applicant is allowed to discontinue the sale of tokens as proposed and charges a straight 10-cent fare, the earnings will not be excessive for this service.

With respect to the matter of service, it is apparent that the service now provided for the East Bay patrons should be materially improved. It is applicant's plan, so the testimony shows, to bring about an improvement in this service as soon as equipment can be secured. In applicant's Exhibit No. 15 it has outlined a progressive plan of revising the local operations by the complete substitution of motor

coach for street cars, with the entire change-over to be completed July 1948. Nothing in this decision is to be construed as signifying the Commission's approval or favoring the adoption of applicant's plan to substitute motor coach for street car service, as shown in Exhibit 15. The matter of discontinuing street car operation is one which will be decided when the question is properly before the Commission. The question of service for the local system is a matter which will receive further consideration by this Commission before the entire matter is closed.

A careful review of this record impels the finding that applicant has justified the increase sought in local fares and that it is in the public interest to authorize applicant to discontinue the sale of tokens in the East Bay area on an interim basis pending further hearings on the entire matter involving the system operations as outlined in the application before the Commission.

The primary reason that justifies the issuance of this interim order is that the operating expenses have now exceeded the revenue and unless applicant is granted immediate financial relief the service may materially suffer, which would be adverse to public interest.

INTERIM ORDER

Public hearing having been held in the above proceeding, applicant having requested issuance of an interim order, and the Commission being of the opinion that an interim order should be issued authorizing an increase in local fares in Alameda and Contra Costa counties, and based upon the record thus far made herein and upon the findings in the foregoing interim opinion, it is further found that the proposed increase in local fares is justified pending further hearing and final decision herein and IT IS ORDERED as follows:

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- (1) That on and after October 15, 1947, on one (1) day's notice to the Commission and the public, Key System Transit Lines is authorized to discontinue the token fare of 8-3/4 cents sold on the basis of four for 35 cents.
- (2) That Key System Transit Lines may honor tokens for a two-day period ending at midnight October 16, 1947.
- (3) That Key System Transit Lines shall, upon presentation at a centrally located station in each of the East Bay cities served, redeem to the holders of tokens on the following basis:

Single tokens - 9 cents each
 Two tokens - 17 cents
 Three tokens - 26 cents
 And at the rate of 35 cents for four tokens.

The public and Commission shall be advised of the location of such stations.

The effective date of this order shall be October 14, 1947.

Dated at Los Angeles, California, this 30th day of September, 1947.

Harold P. Hule
Justus J. Adams
Earl R. Riehl
A. J. Smith
Samuel L. Potter
 Commissioners