

ORIGINAL

Decision No. 40954

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
restricted calendar month commutation tickets
and to substitute in lieu thereof unrestricted
reduced rate, single trip tickets and/or tokens.

Application
No. 28353

In the Matter of the Application of KEY SYSTEM
TRANSIT LINES, a corporation, for an order
pursuant to Section 63 of the Public Utilities
Act authorizing the establishment of increases
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.

First Supplemental
Application
No. 28353

MILTON MAXWELL NEWARK,

Complainant,

vs.

Case No. 4860

KEY SYSTEM,

Defendant.

APPEARANCES (See Appendix)

O P I N I O N

The Commission has heretofore issued Interim Opinions and Orders in the
(1)
above-entitled proceedings. By the terms of the Commission's order in Decision
No. 40073, Key System was directed to file with this Commission within a period of
thirty days from the date thereof "a proposal for commutation fares that reasonably
meets the public demand for commutation fares based upon normal use".

Effective March 1, 1947, Key System added a ticket form of fare to its
fare structure which provided for a one-way fare of 22-1/2 cents inner zone and
31-1/2 cents outer zone, sold in blocks of 20 for \$4.50 and \$6.30, and limited for
use within two consecutive months. This form of fare is still in effect.

(1)
Decision No. 40073, dated March 17, 1947, in Case No. 4860 and
Decision No. 40773, dated September 30, 1947, in Application No. 28353.

On April 15, 1947, Key System filed its Application No. 28353 wherein it proposed to discontinue the sale of unrestricted monthly commutation fares and substitute in lieu thereof a ticket form of fare. On July 18, 1947, Key System filed its First Supplement to Application No. 28353 which was later modified by a further amendment filed October 22, 1947. The application as amended seeks authority to revise the existing fare structure, as shown in the margin. ⁽²⁾

By the Commission's interim order in its Decision No. 40773, Key System was authorized to discontinue the sale of tokens (four for 35 cents) applicable to local service in Alameda and Contra Costa Counties, thereby resulting in a straight ten-cent zone fare.

Public hearings were had in the above-entitled proceedings on the following dates: February 10, 1947 (Case No. 4860), May 26, September 5 and 12 and

(2)

A - LOCAL RAIL AND MOTOR COACH LINES

- (1) Discontinue reduced rate token fare now selling at 4 for 35 cents.
- (2) Retain present ten-cent one-way cash fare.
- (3) Retain all other local rates and fares.

B - TRANSBAY RAIL AND MOTOR COACH LINES

- (1) Outer Zone Motor Coach Lines (Hayward-Richmond)
 - (a) Discontinue present restricted \$9.75 monthly commutation ticket book fare.
 - (b) Retain one-way token or ticket rate of 31-1/2 cents when purchased in quantities of 20 for \$6.30 with present restrictions eliminated.
 - (c) Retain present one-way cash fare of 35 cents.
 - (d) Retain all other rates.
- (2) Inner Zone Motor Coach and Rail Lines
 - (a) Discontinue present restricted \$8.50 monthly commutation book fare.
 - (b) Retain one-way token or ticket rate of 22-1/2 cents when purchased in quantities of 20 for \$4.50 with present restrictions eliminated.
 - (c) Discontinue present restricted \$6.50 monthly commutation book fare applying between East Bay Area and Treasure Island.
 - (d) Retain present one-way cash fare of 25 cents.
 - (e) Retain all other rates.

C.- RULES AND REGULATIONS

- (1) Retain all transfer privileges now in effect.
- (2) Retain all zone boundaries as presently in effect.

October 22 and 23, 1947, on a consolidated record of Case No. 4860 and Application No. 28353. On the latter date the matters were taken under submission subject to reopening after further consideration of a motion to continue the hearings for further evidence on Key System's amendment to the First Supplement of Application No. 28353, which is a plan to divide the "N" line into two zones. This phase of the application will be set for hearing.

The evidence adduced in these hearings clearly substantiates the establishment of the straight ten-cent fare as proper for local service in Alameda and Contra Costa Counties, leaving for determination the proper form of fare applicable to the commute service between San Francisco and the East Bay Area. Exhibits were introduced by both Key System and the Commission's staff, showing the estimated operating results that would obtain under different fare structures. The following table shows a comparison between these estimates.

KEY SYSTEM TRANSIT LINES
LOCAL AND TRANSIT OPERATIONS

I t e m	Under Present Fares		Under Proposed Fares	
	Applicant	P.U.C. Staff	Applicant	P.U.C. Staff
Revenue (a)	\$15,925,094	\$15,708,570	\$16,873,134	\$16,464,770
Operating Expenses	16,919,134	15,287,195	16,919,134	15,289,045
Net before Income Taxes	(994,040)	421,375	(45,950)	1,175,725
Net after Income Taxes	(994,040)	342,845	(45,950)	794,645
Rate Base	20,957,392	15,064,300	20,957,392	15,064,300
Rate of Return	-	2.28%	-	5.27%

(Red Figures)

(a) Includes no increased revenue from proposed rezoning of "N" line.

These estimates differ substantially with respect to both operating expenses and rate base, and no good purpose would be served by a discussion of the merits of either. On the one hand, witness for the company stated that through the exercise of certain economies he felt that the net income could be increased

sufficiently to offset the anticipated loss shown in his estimate. On the other hand, the more favorable estimate of the Commission's staff indicates that the return would not be unreasonable.

Applicant's answer to the complaint of Milton Maxwell Newmark relative to the establishment of a five-day-a-week commute book is its proposal to eliminate all commute books and substitute therefor the said 20-ride books to be sold for \$4.50 and \$6.30. An engineer of the Commission's staff presented for consideration a plan to offer to the public two monthly commute books, one good for one round trip Mondays through Fridays, and the other good for one round trip for every day of the calendar month, to be sold for \$9.50 and \$10.50, respectively, for travel between the inner zone and San Francisco and for \$10.50 and \$11.50, respectively, for the Richmond-Hayward zones. Revenue received from the sale of these books was estimated to be equal to the revenue expected under the token or ticket sales proposed by applicant.

It was developed at the hearing that under the plan of token or ticket sales proposed by applicant that a regular or inner zone six-day-a-week commuter would have to pay a maximum of \$11.45 per month, and for a seven-day-a-week commuter the maximum monthly cost would be \$13.68. For the Richmond-Hayward zones these costs would be \$16.00 and \$19.15 respectively.

The suggested plan to provide both a five-day (Monday through Friday) and a seven-day a week commute book satisfies the complaint and the five-day-a-week commuters and also puts a ceiling on the monthly outlay of such riders who by necessity have to cross the bay practically every day of the month. The order will provide for this type of fare.

In granting authority to applicant to increase fares in Application No. 27595, this Commission in its Decision No. 39437 conditioned the grant as follows: "that the granting of authority to applicant to increase its fares implies a strict adherence to its pledge of betterment of service..." In justification of this pledge, applicant introduced testimony to the effect that it has completed the installation of bus terminals at San Leandro and Richmond at a cost in excess of \$600,000 each and that deficiencies in service have been eliminated to a large extent and that the expected receipt of new buses in the near future should

enable applicant to render a service satisfactory in all respects.

Relative to the acquisition of new buses testimony was introduced to the effect that since January, 1942, orders have been placed for 818 buses at a cost of approximately \$12,600,000, of which 358 have been received and 460 yet to be delivered. Witness for applicant further testified that the company proposes to motorize all the remaining local street car operations beginning January 1, 1948 and completing the change on July 1, 1948.

Public witnesses and the official representatives of various cities expressed their opinion that increased fares should be granted only on the condition that service be improved. Criticism was directed at the lack of continuity of management of this company and the resulting effect on its public relations. The Commission too is concerned over the effect on public relations and service occasioned by the numerous changes in executive management of this company which have occurred in the past few years.

Upon the record we find: (1) that the revenue applicant receives under its present fares for its local and interurban operations is not sufficient to meet the cost of providing the service with the increased cost of labor and materials; (2) that an increase in applicant's fares to the extent indicated in the following order is justified; (3) that the granting of authority to applicant to increase its fares requires a strict adherence to its pledge of betterment of service; and (4) that applicant shall submit a plan for improving the service and until this plan has been fully executed shall file monthly reports showing its expenditures and those of Railway Equipment and Realty Company for the improvement of its service and a detailed statement of the improvement.

O R D E R

Key System having filed an application requesting authority to increase its fares, public hearings having been held, the Commission being apprised of the facts and the matter being under submission and ready for decision,

IT IS ORDERED that Key System Transit Lines be and it is hereby authorized to establish, in accordance with the rules of the Commission, upon not less than three (3) days' notice to the Commission and the public, local and interurban fares as follows:

1. Continue in effect the ten-cent cash fare applicable to local service in Alameda and Contra Costa Counties established on an interim basis by Decision No. 40773.
2. Increase the price of the monthly commute book providing one round trip per day between the "regular" or "inner" zone and San Francisco from \$8.50 to \$10.50.
3. Increase the price of the monthly commute book providing one round trip per day between Richmond-Hayward and San Francisco from \$9.75 to \$11.50.
4. Establish a fare providing for the sale of monthly commute books, good for one round trip per day between the "regular" or "inner" zone and San Francisco for all week days, Monday to Friday inclusive, to be sold for \$9.50.
5. Establish a fare providing for the sale of monthly commute books good for one round trip per day between Richmond-Hayward and San Francisco for all week days, Monday to Friday inclusive, to be sold for \$10.50.
6. Discontinue present restricted \$6.50 monthly commutation book fare applying between the East Bay Area and Treasure Island.
7. Retain all other rates, rules and regulations as are presently in effect.

The authority herein granted shall expire unless all fares and changes herein authorized are filed and made effective within ninety (90) days of the effective date of this order.

IT IS FURTHER ORDERED that applicant shall submit a plan for improving the service and until this plan has been fully executed shall file monthly reports showing its expenditures and those of Railway Equipment and Realty Company for the improvement of its service and a detailed statement of the improvement.

IT IS FURTHER ORDERED that in all other respects the application is denied.

IT IS FURTHER ORDERED that the complaint of Milton Maxwell Newmark vs. Key System, Case No. 4860, is hereby dismissed.

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

Dated at San Francisco, California, this 25th day of November, 1947.

Harold P. Kula

Justus J. Green

Earl Powell

R. E. Mitzman

Kenneth Potter

COMMISSIONERS

APPENDIX

DONAHUE, RICHARDS & HAMLIN, by Frank S. Richards and O. J. Bowman,
for Applicant.

JOHN J. O'TOOLE, DION R. HOLM and PAUL L. BECK, by Mr. Beck, for City
and County of San Francisco.

F. B. FERNHOFF, City Attorney, J. KERWIN 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, City Attorney, ROBERT ANDERSON, Asst. City Attorney,
and DOUGLAS WELLER, Administrative Assistant to the City Manager,
for City of Berkeley.

GEORGE R. GLAVINOVICH, City Attorney, for City of Albany.

ARTHUR CARDEN, City Attorney, for City of San Leandro.

J. MARCUS HARDIN, for City of Piedmont.

CLAIR W. MACLEOD, for M. M. Newmark.

JOHN C. STIRRAT, for The Apartment House Association of Alameda
County and on behalf of some of the unorganized commuters.

FRANK E. SWAN and GEORGE S. ROUDEBUSH, JR., 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 Association.

W. A. RICEELIEU, 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 and GENE CADENASSO, for Bay Area Transportation
League.

A. E. MILLER, C. K. CANADAY, MRS. KATHIE ZAEN, MRS. ARMSTRONG ROWLAND,
ROSS R. CEENEY, WALTER J. KLADKO, FRED J. HILDERBRAND, MRS. SAMUEL
LANDIS, JOHN F. HANSON, JR., AND E. W. PATTERSON, appeared in
Propria Persona.