

Decision No. 50620

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 pursuant to Section 454 of the)
Public Utilities Code authorizing the)
establishment of increases and adjustment)
in rates and fares for transportation 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.)

Application No. 35309

Donahue, Richards, Rowell & Gallagher & George E.
Thomas, by George E. Thomas, for applicant.
Arthur M. Carden, for City of San Leandro, John
Ormasa, for City of Richmond, Robert J. Foley,
for City of Albany, Mrs. Kathie Zahn, as member of
Albany City Council, Charles O. Phillips, for
Lakeshore Homes Association, Arthur J. Melka,
for himself and as officer of Our Lady of Lourdes
Dads' Club, Mrs. William A. Cowan, for Richmond
Council Parent-Teacher Association, protestants.
John W. Collier, J. F. Hassler and John E. Nisbet,
for City of Oakland, Fred C. Hutchinson and
Robert T. Anderson, for City of Berkeley, Carl
Froerer and J. P. Clark, for City of Alameda,
Clair W. MacLeod, for City of Piedmont, Dion R.
Holm and Paul L. Beck, for City and County of
San Francisco, Bernard M. King, for County of
Alameda, Marvel M. Taylor, for Washington Home
Owners' Association, Frederick Dubovsky in
propria persona, interested parties.
J. T. Phelps and John F. Donovan, for the
Commission's staff.

O P I N I O N

Key System Transit Lines is engaged in the transportation
of passengers. Its operations generally consist of local services
within and between various communities in the East Bay area and also
transbay services between such communities and San Francisco. By this

application, as amended, it seeks authority to increase certain of its fares and to revise the service being provided on various routes.

Public hearings of the application were held in Oakland on July 14, 15, 16 and 21, 1954, before Commissioner Verne Scoggins and Examiner Henry Jacopi.¹ The record shows that advance notices of the hearing were posted in applicant's operating equipment and in its terminals as directed by the Commission. In addition, notices of the hearing were published in newspapers of general circulation in the area served and were sent to persons and organizations believed to be interested. Evidence was introduced at the hearing by applicant's officials, by transportation engineers of the Commission's staff, by patrons of applicant's services and by other persons interested in the proposals.

The record shows that applicant's fares were last adjusted by Decision No. 49309 of November 10, 1953 (53 Cal. P.U.C. 14). Applicant's witnesses asserted that the number of people using the company's services had decreased about 12 per cent since the fares were adjusted, that the earnings from the present fares are inadequate to provide a reasonable margin between the revenues and the operating expenses and that additional revenue is needed to sustain the operations. The witnesses stated that the company's

1

A prehearing conference was held on June 30, 1954, at which representatives of Key System Transit Lines outlined and made clear their fare and service proposals and the nature of the evidence to be presented, exchange of exhibits prior to the hearing was arranged for and time requirements of public witnesses and other matters affecting the orderly and efficient conduct of the proceeding were considered.

repair shops were closed in the months of March and April 1954 to reduce expenses and assist in avoiding substantial operating losses. In another effort to reduce expenses, one of the witnesses said the company "had hoped to effect some agreement with the cities we serve as to either a reduction or elimination of the present franchise tax. This, however, has not been a fact and we have paid the franchise taxes now due."

Applicant proposes to improve its earning position partly through upward adjustments of certain of its transbay and local fares and partly through reductions in expenses expected to result from curtailments of service proposed for various routes during times when it is asserted the amount of patronage is small. Under the proposed fare adjustment, the transbay adult cash fares would be increased by two cents or three cents per trip, depending upon the zones involved. On the local East Bay area fares, the present token rate of six tokens for \$1 would be advanced to five tokens for 90 cents, and the existing school fare of 7 cents per ride would be raised to 10 cents per ride offered in books of 20 rides for \$2. No increase is sought in the transbay commutation fares. The various fares now in effect and the changes proposed by applicant are set forth in the tabulation which follows.

TABLE No. 1

Transbay Fares (Including Bridge Toll and Federal Transportation Tax)

	<u>Present Fares</u>	<u>Proposed Fares</u>	
<u>Between San Francisco and</u>			
<u>1st Zone</u>			
Adult Cash	48¢	50¢	
20-Ride Commute	\$8.00	No change	
Child Cash	20¢	No change	
<u>2nd Zone</u>			
Adult Cash	57¢	60¢	
20-Ride Commute	\$9.50	No change	
Child Cash	25¢	No change	
<u>3rd Zone</u>			
Adult Cash	67¢	70¢	
20-Ride Commute	\$11.00	No change	
Child Cash	25¢	No change	
<u>Treasure Island</u>			
T.I. - East Bay - Toll Pay	25¢	No change	
T.I. - East Bay - Toll Free	20¢	No change	
T.I. - S.F. - Toll Pay	20¢	No change	
T.I. - S.F. - Toll Free	15¢	No change	
<u>Local Fares - East Bay Area</u>			
<u>Intrazone</u>			
Cash	20¢	No change	✓
Token	6/\$1.00	5/90¢	
School	7¢	20/\$2.00	
Toll Plaza	20¢	No change	
<u>2 Zones</u>			
Cash	30¢	No change	✓
Token	One Token and 10¢	One Token and 10¢	
School	7¢	20/\$2.00	
<u>3 Zones</u>			
Cash	35¢	No change	✓
School	7¢	20/\$2.00	
<u>4 Zones *</u>			
Cash	48¢	No change	✓
School	7¢	20/\$2.00	
<u>All Overrides - Transbay and Local</u>	13¢	No change	✓

* Between 2nd Zone North and 3rd Zone South.

Financial Results of Operations

Detailed studies relating to applicant's earning position were presented at the hearing by the company's controller, by its traffic engineer and by a transportation engineer of the Commission's staff.² The studies included analyses of revenues and expenses, traffic trends and flows, depreciation schedules, rate base statements and forecasts of the estimated results of operations for a test year under the present and proposed fares.³ The estimated results in question were presented for different service plans. Table No. 2 which follows shows the estimates of the revenues and expenses anticipated by the witnesses in the test year under the present and proposed fares if the existing services were continued without change. Table No. 3 shows the estimates of the operating results if the service adjustments proposed by applicant in this proceeding were in effect during the entire period and also what the operating results would be under the alternate service plan recommended by the Commission's staff in lieu of applicant's proposals. The company's proposed service adjustments and the staff's alternate plan are hereinafter discussed.

2

A statement of consolidated income and profit and loss for Key System Transit Lines and Railway Equipment and Realty Company, Ltd., attached to the application as Exhibit "B", shows that a loss of \$309,784 was experienced in the 12-month period ended January 31, 1954. The figures, however, include the effect of the increased fares authorized by Decision No. 49309, supra, only for the last three months of the period.

3

It should be pointed out that, as in past rate proceedings involving applicant, the estimated financial results of operation were determined by treating the operations of Key System and its parent company, the Railway Equipment and Realty Company, Ltd., on a consolidated basis. By this method, all financial transactions between the carrier and its parent company are eliminated from consideration in determining the revenue needs of the carrier for rate-making purposes.

TABLE No. 2

Estimated Results of Operations under Present and Proposed Fares for the 12-Month Period Ending June 30, 1955
Based Upon No Changes Being Made in Existing Services

	Under Present Fares and Services		Under Proposed Fares and Present Services	
	Applicant	Commission Engineer	Applicant	Commission Engineer
<u>System Operations</u>				
Revenues	\$12,076,145	\$12,130,100	\$12,540,565	\$12,600,900
Expenses	12,243,960	11,897,480	12,250,560	11,900,230
Operating Income	\$ (167,815)	\$ 232,620	\$ 290,005	\$ 700,670
Income Taxes (1)	--	109,070	140,008	361,440
Net Operating Income	\$ (167,815)	\$ 123,550	\$ 149,997	\$ 339,230
Rate Base	7,961,124	6,832,500	7,961,124	6,832,500
Rate of Return	--	1.8%	2.05%	4.96%
Operating Ratio After Taxes	101.4%	99.0%	98.7 %	97.3 %
<u>Transbay Operations (Rail and Motor)</u>				
Revenues	\$ 4,678,140	\$ 4,768,200	\$ 4,777,064	\$ 4,873,200
Expenses	4,802,800	4,627,770	4,803,500	4,627,375
Operating Income	\$ (124,600)	\$ 140,430	\$ (26,436)	\$ 245,825
Income Taxes (1)	--	65,880	--	126,870
Net Operating Income	\$ (124,600)	\$ 74,550	\$ (26,436)	\$ 118,955
Rate Base	3,983,272	2,882,000	3,983,272	2,882,000
Rate of Return	--	2.6%	--	4.13%
Operating Ratio After Taxes	102.7%	98.4%	100.6%	97.6 %
<u>Local Operations</u>				
Revenues	\$ 7,398,005	\$ 7,361,900	\$ 7,763,501	\$ 7,727,700
Expenses	7,441,160	7,269,710	7,447,060	7,272,855
Operating Income	\$ (43,155)	\$ 92,190	\$ 316,441	\$ 454,845
Income Taxes (1)	--	43,190	140,008	234,570
Net Operating Income	\$ (43,155)	\$ 49,000	\$ 176,443	\$ 220,275
Rate Base	3,977,852	3,950,500	3,977,852	3,950,500
Rate of Return	--	1.2%	4.44%	5.58%
Operating Ratio After Taxes	100.6%	99.3%	97.7 %	97.1 %

() - Indicates loss.

(1) Federal income taxes based upon current tax rates aggregating 52 per cent.

TABLE No. 3

Estimated Results of Operations Based Upon Applicant's Proposed Service Adjustments or the Alternate Service Plan of Commission's Staff Being in Effect During Entire 12-Month Period Ending June 30, 1955

	Under Applicant's Proposed Service Adjustments and Proposed Fares		Under Alternate Service Plan of Commission's Staff and:	
	Applicant	Commission Engineer	Present Fares *	Proposed Fares *
<u>System Operations</u>				
Revenues	\$12,502,565	\$12,495,300	\$12,084,050	\$12,554,850
Expenses	11,857,240	11,489,230	11,562,830	11,565,580
Operating Income	\$ 645,325	\$ 1,006,070	\$ 521,220	\$ 989,270
Income Taxes (1)	331,597	526,111	264,680	517,052
Net Operating Income	\$ 331,728	\$ 479,959	\$ 256,540	\$ 472,218
Rate Base	7,961,124	6,832,500	6,832,500	6,832,500
Rate of Return	3.94%	7.02%	3.75%	6.91%
Operating Ratio After Taxes	97.5 %	96.2 %	97.9 %	96.2 %
<u>Transbay Operations</u>				
Revenues	\$ 4,777,064	\$ 4,804,000	\$ 4,752,860	\$ 4,857,860
Expenses	4,650,480	4,439,275	4,495,670	4,495,275
Operating Income	\$ 126,584	\$ 364,725	\$ 257,190	\$ 362,585
Income Taxes (1)	65,059	190,978	130,487	189,758
Net Operating Income	\$ 61,525	\$ 173,747	\$ 126,703	\$ 172,827
Rate Base	3,983,272	2,882,000	2,882,000	2,882,000
Rate of Return	1.54%	6.03%	4.4 %	6.0 %
Operating Ratio After Taxes	98.8 %	96.4 %	97.3 %	96.4 %
<u>Local Operations</u>				
Revenues	\$ 7,725,501	\$ 7,691,300	\$ 7,331,190	\$ 7,696,990
Expenses	7,206,760	7,049,955	7,067,160	7,070,305
Operating Income	\$ 518,741	\$ 641,345	\$ 264,030	\$ 626,685
Income Taxes (1)	266,538	335,133	134,193	327,294
Net Operating Income	\$ 252,203	\$ 306,212	\$ 129,837	\$ 299,391
Rate Base	3,977,852	3,950,500	3,950,500	3,950,500
Rate of Return	6.34%	7.75%	3.29%	7.58%
Operating Ratio After Taxes	96.8 %	96.1 %	98.2 %	96.1 %

* These estimates were submitted by the Commission Engineer.

(1) Federal income taxes based upon current tax rates aggregating 52 per cent.

Opposition to the proposed fare increases generally was expressed by a number of patrons of applicant's services and by representatives of some of the cities and communities served by applicant. In addition, witnesses for organizations involved in school welfare activities objected to the amount of the increase sought in the existing school fares and also to the company's proposal to offer the fares only in the form of 20-ride tickets.

Service Matters

As previously indicated, applicant also requested authority to readjust the service provided on certain of its transbay and local routes.⁴ Representatives of some of the East Bay communities served by applicant and a number of public witnesses voiced objections at the hearing to certain of the service changes as proposed by applicant. A transportation engineer of the Commission's staff submitted a detailed report of his investigation of the service being provided to the public by applicant. The study included analyses of the schedule frequency on the various lines and of the passenger loads on buses passing check points and consideration of the service curtailments proposed by the company together with recommended action. Based upon the facts developed in his studies, the staff engineer did not agree with certain of the changes in the service which applicant desires to make.

In general, the company's service proposals involve the discontinuance of a number of schedules during off-peak hours on certain routes, reduction in the number of schedules operated during

⁴ The lines on which service changes would be made are: transbay rail lines B, C and E, transbay motor coach lines G, H, J, K, L and R, and local lines 14, 17, 39, 46-87, 50, 53, 54, 55, 56, 59-76, 60, 64, 65, 68, 72C, 72M, 73-A-74, 77, 78, 79, 83, 88, 91 and 92.

the evening hours on weekdays or Saturdays on some routes and discontinuance of all Sunday service on other routes. In some instances, shuttle service would be substituted for a portion of existing through operations. A brief outline of the adjustments in question is set forth in Appendix "A" hereof.

Applicant's traffic engineer explained that the service proposals were designed to effect reasonable operating economies which would cause a reduction in the cost of operation and aid in holding the amount of the fare increase needed under present conditions as low as possible. According to the witness, the proposed curtailments of service involved only lines or schedules where there was but little or virtually no patronage. Assertedly, selection of the operations for adjustment was made from checks for representative periods of the number of passengers handled on the various individual schedules. He introduced in evidence an exhibit showing the details of the traffic checks. The changes in service proposed by applicant which were specifically discussed at the hearing by the interested parties first will be considered.

Authority to discontinue all of the night and Sunday schedules operated on the transbay "C" (Piedmont) and "E" (Claremont Avenue) rail lines originally was sought by applicant. Its traffic engineer announced at the hearing, however, that the company was amending its proposal to provide for substitute motor coach service for the rail operations at night and on Sundays instead of complete discontinuance of service on these two lines.⁵ He explained that

⁵ The substitute night and Sunday motor coach service would parallel as far as possible the existing rail routes. The schedules would be similar to those for the present rail service.

this action was being taken by the company as a result of further consideration of the revenues and expenses for these lines in the light of the discussions of the matter had at the prehearing conference, supra. In making a similar recommendation in his studies after considering the original proposal, the staff engineer proposed that the motor coach route operate to the end of the present rail service. The city attorney of Oakland objected to the company's proposal to operate the buses on the "C" line only as far as the 41st and Piedmont station and to drop the last schedule each day. The evidence offered by applicant does not warrant these particular changes in the service. No one else specifically opposed the substitution of the bus for the "C" line and "E" line rail operations at night and on Sunday. With the indicated modification of the "C" line proposal, the record is persuasive that the service changes sought to be made in the two rail lines in question are justified.

The proposed discontinuance of all service except during peak periods on the transbay "B" rail line beyond Broadway to the end of the line was objected to by a representative of home-owner groups in Trestle Glen and nearby areas. He stated that Trestle Glen was situated in a deep valley and that no public transportation service other than the "B" rail line was available. According to the witness, bus operations were not practical because of the very narrow streets leading into and out of the Glen. He maintained that the residents of the area needed some sort of transportation service during the off-peak hours and he asserted they would be satisfied with a street car operation. The staff engineer recommended the substitution of a shuttle bus service for the proposed discontinuance of off-peak service on the transbay "B" rail line beyond Broadway and Grosvenor Place. His study showed that the amount of patronage

on this route warranted the retention of some off-peak service in the area. He asserted that only one bus would be needed for this purpose. Applicant's traffic engineer stated that the company had no street car to place in service as suggested and that if substitute service were to be provided bus operations were preferable if parking could be limited to one side of the narrow streets used to enter and leave the Glen. The witness for the home-owner groups stated, however, that the possibility of restricting parking on such streets had been discussed and that he doubted that approval of the residents to such a course could be obtained.

It is clear from the evidence that the patronage of the "B" rail line in the off-peak hours is such that the company's proposal to discontinue the service entirely would cause substantial inconvenience to the people in the Trestle Glen area and is not warranted. At the same time, the evidence tends to indicate that substitute bus operations would encounter serious obstacles by reason of the nature of the terrain. In the circumstances, it appears that the public interest would best be served by continuance of the existing rail service.

A representative of a milling company situated on the Southern Pacific mole at the foot of 7th Street objected to the proposed discontinuance of weekday night schedules on local line 60 serving the mole. According to his testimony, the service was needed to provide transportation for five to ten women employed by his company on a night shift ending about midnight. He pointed out that State regulations required the employer to furnish transportation for women employees after 10 p.m. in the absence of public transportation. The witness was unable to state whether the women employees were using the present service. Applicant's traffic engineer testified that

about two years ago a special trip was scheduled from the mole at 12:30 a.m. at the request of the milling company to handle its women employees but it was discontinued after the third night for lack of patronage. He pointed out that recent checks of the present regular schedule leaving the mole shortly after midnight showed that it seldom carried more than one passenger. The staff engineer's studies also showed that the patronage of the weekly night schedules was small. At the time his checks were made, however, the Saturday and Sunday day schedules were handling from one to eleven passengers per schedule in one direction and no passengers to nineteen passengers in the other direction.

The evidence indicates that the number of passengers handled on the day schedules on Saturdays and Sundays on local line 60 might not be as low usually as indicated when applicant's traffic checks were made. The company will be directed to retain these schedules temporarily. If at the end of thirty days after the effective date of this order applicant still is of the opinion that the schedules should be withdrawn a request for authority to do so accompanied by the supporting facts may be filed with the Commission. As to the night schedules, the evidence indicates that but little use is being made of them and that there is no substantial public need for their retention.

The transbay motor coach "L" and "U" lines operate between San Francisco and Richmond and Point Richmond and between San Francisco and Richmond Housing, respectively. The staff engineer was in substantial agreement with the company's report that the patronage of the "L" line was light in the off-peak hours and that the volume of peak-period traffic on the "J" line has continued to drop. He disagreed, however, with applicant's proposal to eliminate all off-peak

schedules on the "L" line between downtown Richmond and Point Richmond. The engineer said that direct transfer connections with the local route in the area were not available because of operational differences and that the area would be without service during the off-peak hours. As to the "J" line, the engineer asserted that three buses could handle the reduced peak traffic movement as proposed by applicant provided that the remainder of the peak schedules were adjusted to equalize the bus loads. Assertedly, alternate service for "J" line patrons is available via the "L" line in connection with local lines.

Local line 78 also operates in the Richmond area. The staff engineer stated that applicant's proposal to discontinue all service on this line along San Pablo Avenue between Rheem Avenue and Macdonald Avenue should be further considered with respect to the proposed curtailment of midday schedules. He indicated that no savings in drivers' wages would be made under the proposal and that the information now available was insufficient to establish that the level of patronage of the midday schedules was as low as indicated when the company's checks were made. He said, however, that the night and Sunday schedules were lightly patronized and could be discontinued without material inconvenience to the public.

The City of Richmond informed the Commission through a resolution that it was opposed to the service reductions proposed for the transbay motor coach "L" route or any other service changes unless determined on the basis of public need rather than upon whether or not individual routes earn a profit.

It is clear from the evidence that applicant's proposal to discontinue off-peak service on the "L" line between downtown Richmond and Point Richmond would inconvenience the people in the area and

leave them without satisfactory service. Likewise, the evidence indicates that the proposed elimination of the midday schedules on local line 78 is not proper at this time. These changes will not be authorized. However, the proposed reduction in service frequency on the entire "L" line during off-peak and early evening hours is not great and appears to be justified by the small amount of use being made of such schedules. This is also true of the night and Sunday schedules on local line 78 between Rheem Avenue and Macdonald Avenue. On the "J" line, it is clear that the peak traffic has dropped to a point where it can be handled with three trips in each direction instead of four with but slight readjustment of the schedules. These proposals are justified on this record and will be authorized.

The transbay motor coach "G" line operates between San Francisco and Albany and intermediate points. No change is proposed in the existing peak-period service. The city attorney of Albany objected to the proposed discontinuance of through service during off-peak hours and on Saturdays and substitution of shuttle bus service between train connections at 40th and San Pablo and the end of the line in Albany. He asserted that this route now afforded the only direct public transbay service from and to Albany and that the proposed partial discontinuance would work a hardship on the people.

The staff engineer's studies generally verified applicant's report that the patronage of the "G" line during off-peak hours and on Saturdays was low. Traffic checks of record made at different times in May and June 1954 showed that on weekdays the off-peak schedules averaged about 10 passengers per schedule arriving at and departing from San Francisco. Similar traffic checks for the Saturday service showed that arrivals and departures at San Francisco averaged about eight passengers per schedule. It is clear from the

evidence that the patronage does not warrant under present conditions operation of the through service during the times in question. Under the proposal, the substitute shuttle bus service would make direct connections with the transbay "C" rail line at 40th and San Pablo at 45-minute intervals as compared with existing service every 40 minutes. The record is convincing that the proposed off-peak and Saturday shuttle bus service would result in material reduction of the operating expenses otherwise incurred and that it would afford reasonable service for the volume of traffic offering. The proposed service change is justified and will be authorized.

Changes proposed by applicant in the operation of transbay motor coach "R" Hayward and "K" Havenscourt lines involve rerouting of all off-peak "R" schedules along East 14th Street in lieu of present operation via Eastshore Freeway, consolidation of "K" and "R" schedules along a portion of the route, elimination of night schedules at the outer ends of the routes and readjustment of the service frequencies for the consolidated routes. No change would be made in the peak-period service.

The city manager of Hayward and the city attorney of San Leandro voiced objections to changes proposed in the transbay motor coach "R" and "K" lines which would result in discontinuance of a number of night schedules and rerouting and alternation of certain schedules with the "K" line during off-peak periods. It was their position that the substantial residential and industrial growth which has taken place in the Hayward-San Leandro areas indicated that the service should be expanded rather than reduced.⁵

⁵ The City of Hayward recently filed a formal complaint against Key System Transit Lines, Case No. 5566, seeking extension of service into designated newly developed Hayward territories. The matter has not yet been set for hearing.

The record shows that the proposed consolidation of the lines would effect material reductions in the expenses as compared with the costs of the separate operations. The staff engineer's study shows, however, that the proposed discontinuance of night schedules on the "R" line between 150th Avenue and Hayward would inconvenience an appreciable number of transbay passengers and should not be authorized. It also shows that the night schedules operated until approximately 9:00 p.m. require some adjustment to assure reasonable service. With these modifications, the record indicates that the proposed off-peak service on the "R" and "K" lines would be adequate for the number of passengers using these lines. The proposed changes will be authorized to the extent indicated.

The city attorney of Alameda opposed the granting of authority to discontinue night schedules and all Saturday and Sunday service on local line 50 serving the Alameda housing projects and all Saturday and Sunday schedules on the portion of local line 79 operating into Bay Farm Island in Alameda. The city attorney said that the proposed service curtailments would leave a large number of people without public transportation service and he maintained that some of the schedules should be retained.

The evidence indicates that although there are large numbers of residences in the areas in question only a few of the people use the schedules which would be dropped. According to the traffic checks of record, on the 50 line the weekday night, Saturday and Sunday schedules averaged 3 passengers, 2 passengers and 1.5

passengers per schedule, respectively. The record shows that frequent service is available to these people on other routes which parallel the 50 route about three blocks away. On the 79 line, according to the traffic checks, the Saturday and Sunday schedules averaged 1.5 passengers and one passenger per schedule, respectively, from and to Bay Farm Island points. The evidence is persuasive that the small amount of patronage shown indicates that there is no substantial public need under present conditions for the schedules in question and that the proposed discontinuance thereof is justified.

Applicant's proposals to discontinue all service over a portion of local line 14 operating between downtown Oakland and Emeryville and to eliminate all Saturday schedules and the first two morning and the last evening weekday schedules on local line 91 - Castro Valley were not opposed. However, the staff engineer's studies disclosed as to local line 14 that additional data needed for proper evaluation of the proposal were not maintained in applicant's records and also that the number of people using the Saturday schedules on line 91 when the traffic checks were made appeared to be sufficient to warrant their continuance, at least for a trial period. In the circumstances, these particular proposals will not be authorized at this time. However, if further study by applicant for not less than eight successive Saturdays demonstrates that the patronage of the Saturday schedules on line 91 is inadequate, an application may be filed together with

supporting data for authority to adjust the service. There remains for consideration the proposal to drop two early morning and one of the late evening schedules on line 91. The evidence shows that the traffic handled on the schedules in question averaged less than one passenger per schedule when the traffic checks of record were made. The proposal to eliminate these schedules is justified and will be authorized.

The city manager of Berkeley asserted that the substitution of bus service in whole or in part for the transbay rail schedules should not be authorized until the future status of all of the transbay operations has been determined. Otherwise, he said, gradual elimination of the rail service will occur before the determination is made. The substitution of bus for transbay rail schedules is being authorized in this proceeding in two instances and being denied in another instance. The authorized changes are limited, however, to the night and Sunday transbay schedules when, as shown by the record, the patronage is light. The substitute bus operations, according to the evidence, will provide reasonably adequate service and result in operating economies which appear to be in the public interest. It should be pointed out that no changes are being authorized in the transbay rail operations during the peak periods when the bulk of the transbay traffic moves.

The remainder of the service adjustments proposed by applicant were not opposed. These proposals generally involve the discontinuance of night, Saturday or Sunday schedules on various local routes in the East Bay area. The evidence indicates that

the number of people using these off-peak schedules is small and that their discontinuance would result in appreciable savings in the cost of operation. On this record, the proposals in question are justified and will be authorized.

According to the mayor of Piedmont, considerable confusion has existed on the part of city authorities and other interested parties relative to applicant's service levels. He asserted, however, that a better understanding of applicant's proposals had been gained as a result of the prehearing conference held in this matter. He urged the Commission to designate the service adjustments which are authorized herein in such manner as to leave no doubt relative to the service changes which the company may establish.

The record indicates that applicant might need additional operative authority or amendment of existing rights, as the case may be, in order to place some of the authorized service changes in operation. This record, however, does not provide the detail necessary for accurate determination of such matters. Applicant is expected to develop the precise changes in operative rights involved in the service adjustments which are being authorized herein and to file an application therefor with the Commission.

Adjusted Operating Results

As indicated in the foregoing discussion, service curtailments are being authorized which are considerably less extensive than those proposed by the company. In the circumstances, the estimates of the operating results submitted by the company based upon its broader service proposals are not indicative of the revenues and expenses anticipated for the modified service adjustments. On the other hand, the staff engineer's figures shown in Table No. 3 covering the staff's alternate recommendations include provision for

the service modifications except for the Commission's conclusion that the off-peak schedules on the transbay "B" rail line should be continued in operation. With this adjustment, however, the engineer's figures would cover the operations with all of the service modifications being authorized herein.

Before developing the estimated annual revenues and expenses for such operations, a number of questions raised by the company relative to the bases for calculating maintenance, depreciation and amortization expenses for the test year must be considered. In regard to maintenance, the company contends that the staff engineer's figures are too low because he gave particular weight to the level prevailing in May 1954, the first full month of operation after the closing of the shops in March and April. Assertedly, some of the maintenance economies reflected by the month of May cannot be continued indefinitely and the average cost of maintenance for the 5-month period consisting of the months of November and December 1953 and January, February and May 1954 would more accurately reflect the costs to be incurred in the test year. However, the engineer's studies disclose that the average number of shop employees per 10,000-vehicle miles working during various months in past years studied by him closely approximated the number on duty during the month of May 1954. On this record, the higher maintenance cost level claimed by the company has not been substantiated.

Applicant's depreciation schedules provide for a 10-year service life on buses for the purpose of calculating annual depreciation charges. On 200 diesel-powered buses, the staff engineer

determined depreciation expense based on a service life of twelve years, extending the undepreciated balance on a straight line, remaining-life basis. The company objected to the engineer's method of basing depreciation expense for the rate year upon an extension of service life combined with the remaining-life theory. It maintained that these buses were ordered with 10-year service life in mind and that there is no evidence that buses of this type have been used more than ten years in operations similar to those of applicant nor in any other types of services.

According to the record, the staff engineer's estimate of service life was based upon study of the equipment and of general experience. Depreciation charges necessarily must be re-examined periodically. The estimation of the remaining life involves the exercise of judgment as to the future effect of wear and tear, obsolescence and public requirements. The remaining life straight-line depreciation method as used by the engineer has the effect of spreading the cost of the vehicles, less depreciation reserve and net salvage, over the expected remaining life. This method tends to correct any under-accruals or over-accruals to depreciation reserve. The evidence is persuasive that a service life of at least twelve years may be reasonably anticipated for the buses in question and that the calculation of depreciation charges on this basis for rate-making purposes is reasonable. It will be used for the purpose of this proceeding.

The Commission has heretofore authorized applicant to amortize over a period of ten years the unrecovered investment in

local rail facilities abandoned in 1948 upon the substitution of bus operations. The authority covered the undepreciated balances together with the net cost of track removal and incidental paving. Witnesses for applicant asserted that the amount allowed in the Commission's estimate of June 1, 1949, for track removal and repaving of streets is insufficient to cover the current costs of this work. According to their calculations, the increased costs would amount to a total of \$229,949 for the remaining fifty-four months of the amortization period, or \$51,100 for the test year ending June 30, 1955. The validity of the anticipated cost levels used in the calculations was not established, however, and no provision therefor will be made.

Upon adjustment of the engineer's estimated operating results for the staff's alternate service proposals shown in Table No. 3 to provide for the changes resulting from the retention of the off-peak "B" line rail schedules, and with the foregoing expenses taken on the bases indicated, the estimated results of operation in the test year ending June 30, 1955, are summarized in Table No. 4 below.⁶ These estimates are reasonable and are hereby adopted as bases for the rate determinations to be made in this proceeding. The rate base shown in such estimates reflects appropriate adjustments giving effect to the extension of the service life of bus equipment and to the elimination of certain rail units from the figures as hereinbefore discussed. This rate base is hereby adopted as reasonable for the purpose of this proceeding.

6

The staff engineer's current studies developed that ten articulated rail units no longer were used and useful in the company's common carrier operations as a result of a steady decline in traffic over a period of years. He eliminated these units from the depreciation schedule and from the rate base and provided in his figures for amortization of the undepreciated book cost of the units amounting to a total of \$52,940 over a period of four years (the remaining book life) and for interest at six per cent on the unrecovered balances. No objection was raised to the engineer's treatment of these facilities.

TABLE No. 4

Adjusted Estimates of the Results of Operations Anticipated if the Service Adjustments Authorized Herein Were in Effect Throughout the Test Year Ending June 30, 1955, Under Present and Proposed Fares.

	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>System Operations</u>		
Revenues	\$12,094,490	\$12,565,290
Expenses	<u>11,575,230</u>	<u>11,577,980</u>
Operating Income	\$ 519,260	\$ 987,310
Income Taxes	<u>263,600</u>	<u>516,000</u>
Net Operating Income	\$ 255,660	\$ 471,310
Rate Base	6,832,500	6,832,500
Rate of Return	3.74%	6.9%
Operating Ratio After Taxes	97.9%	96.25%
<u>Transbay Operations (Rail and Motor)</u>		
Revenues	\$ 4,763,300	\$ 4,868,300
Expenses	<u>4,508,070</u>	<u>4,507,675</u>
Operating Income	\$ 255,230	\$ 360,625
Income Taxes	<u>129,600</u>	<u>188,300</u>
Net Operating Income	\$ 125,630	\$ 172,325
Rate Base	2,882,000	2,882,000
Rate of Return	4.36%	5.98%
Operating Ratio After Taxes	97.4%	96.46%
<u>Local Operations</u>		
Revenues	\$ 7,331,190	\$ 7,696,990
Expenses	<u>7,067,160</u>	<u>7,070,305</u>
Operating Income	\$ 264,030	\$ 626,685
Income Taxes	<u>134,000</u>	<u>327,700</u>
Net Operating Income	\$ 130,030	\$ 298,985
Rate Base	3,950,500	3,950,500
Rate of Return	3.29%	7.57%
Operating Ratio After Taxes	98.23%	96.12%

Conclusions

It is apparent from the operating results summarized in Tables Nos. 2, 3 and 4 that the margin between the revenues and operating expenses anticipated in the test year from the existing fare structure would be inadequate whether the service were continued on the present level or whether it were operated on the curtailed basis proposed by applicant or on the less extensive modifications adopted by the Commission. It is clear that additional revenue is necessary.

The fare increases proposed by applicant for the transbay operations appear to be reasonable and will be authorized. The fare structure sought for the local service, however, includes a proposal to raise the present school fare of seven cents per ride to ten cents and to offer the fare only in books of 20 rides for \$2. The record shows that applicant's patrons object to the multiple ride fare as here proposed. Moreover, the advance of about 43 per cent sought in the school fare is greater than necessary or reasonable. It will not be authorized. With this modification, the fare structure proposed for the local service is reasonable and will be adopted. Upon adjustment of the figures in Table No. 4 accordingly, the authorized fare structure would show the following estimated operating results in the test year for applicant's transbay, local and combined services, which results we hereby find to be reasonable.

	<u>Transbay Operations</u>	<u>Local Operations</u>	<u>Combined Operations</u>
Revenues	\$4,864,200	\$7,589,090	\$12,453,290
Operating Expenses	<u>4,507,675</u>	<u>7,068,905</u>	<u>11,576,580</u>
Net Before Income Taxes	\$ 356,525	\$ 520,185	\$ 876,710
Income Taxes	<u>185,600</u>	<u>270,800</u>	<u>456,400</u>
Net After Income Taxes	\$ 170,925	\$ 249,385	\$ 420,310
Rate Base	2,882,000	3,950,500	6,832,500
Rate of Return	5.93%	6.31%	6.15%
Operating Ratio After Taxes	96.49%	96.76%	96.66%

The future level of service to be provided to the public by applicant requires consideration. The expenses upon which the estimated operating results are based are related to the mileage involved in rendering the service and contemplate, except as modified by the adjustments of the present service authorized in this proceeding, the maintenance of the same route coverage of the territory during the same time coverage of the day as provided during the month of July 1954. Applicant will be required to accord in the future not less than such level of service unless it is authorized by the Commission to make reductions therein.

The keen interest shown in applicant's financial and operating problems by the representatives of the various communities attending the prehearing conference held in this matter is a clear indication of the importance of the transportation services of Key System Transit Lines to the people of such communities. The Commission is prompted to point out that there is a definite need in instances where transportation companies find themselves in poor earning position for acquainting the public and public officials with the problems involved. In this case, the interest displayed in the stability of the operations presents an opportunity for developing needed additional patronage and for the solution of other problems

through cooperative action by management and community leaders which should be fully explored by Key System Transit Lines.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that the fare increases and service adjustments sought in this proceeding are justified to the extent indicated in the foregoing opinion and as provided by the order which follows and that in all other respects applicant's proposals have not been justified.

ORDER

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Key System Transit Lines be and it is hereby authorized, on not less than five days' notice to the Commission and to the public, to establish increased fares as follows:

A. Transbay Fares

1. Establish a cash fare of 50 cents between San Francisco and points within the Central Zone, including Bridge Toll and Federal Transportation Tax as follows:

Rail -	Net Fare	43.8636
	Bridge Toll	1.75
	10% Federal Tax	<u>4.3864</u>
	Total Cash Fare	50.00 Cents
Motor Coach -	Net Fare	43.1818
	Bridge Toll	2.50
	10% Federal Tax	<u>4.3182</u>
	Total Cash Fare	50.00 Cents

2. Establish a cash fare of 60 cents between San Francisco and points within Zone 2, including Bridge Toll and Federal Transportation Tax as follows:

	Net Fare	52.2727
	Bridge Toll	2.50
	10% Federal Tax	<u>5.2273</u>
	Total Cash Fare	60.00 Cents

3. Establish a cash fare of 70 cents between San Francisco and points within Zone 3, including Bridge Toll and Federal Transportation Tax as follows:

Net Fare	61.3636
Bridge Toll	2.50
10% Federal Tax	<u>6.1364</u>

Total Cash Fare 70.00 Cents

B. Local Fares

1. Establish single zone fare of 20 cents cash, or five tokens for 90 cents with transfer privilege to any point within zone to which fare applies.
2. Establish interzone cash fares as follows:
 - (a) Two contiguous zones 30 cents, or one token and 10 cents.
 - (b) Three contiguous zones 35 cents.
 - (c) Four contiguous zones 48 cents.

Over-rides beyond zone to which fare has been paid will be subject to 13 cents additional fare per zone.

- C. In all respects other than specifically set forth above, all rates, rules, regulations and privileges presently in effect shall remain unchanged.

IT IS HEREBY FURTHER ORDERED that Key System Transit Lines be and it is hereby authorized to make the service changes as proposed and described in the application, as amended, and in Exhibits Nos. 3 and 4, filed in this proceeding, subject to the following exceptions:

(a) The changes proposed in the present schedules operated on the transbay "B" rail line shall not be made.

(b) The motor coach service to be substituted for night, Saturday and Sunday rail schedules on the transbay "C" rail line shall be operated to or to the immediate vicinity of the present terminus of the rail service in Oakland. The motor coach service shall provide the same number of schedules as offered on rail service.

(c) The remaining three schedules in each peak period on the transbay motor coach "J" line shall be adjusted to equalize as far as practicable the passenger load per bus.

(d) The service on the portion of the transbay motor coach "L" line from 6th and MacDonald to Point Richmond shall not be discontinued as proposed.

(e) In effecting the authorized service changes on the transbay motor coach "K" and "R" routes the night service on such routes up to 9:00 p.m. shall be supplemented so there will be no standees on any schedule and all night schedules on the "R" line shall continue to operate into Hayward instead of being turned back at 150th Street as proposed.

(f) The change proposed in the service on local line 14 shall not be made.

(g) On local line 60, the Saturday and Sunday schedules between the hours of 10 a.m. and 6 p.m. shall be continued for a trial period as indicated in the foregoing opinion.

(h) On local line 78, except for discontinuance of night and Sunday service along San Pablo Avenue between MacDonald and Rheem Avenues, the other service changes proposed shall not be made.

(i) The Saturday service on local line 91 between the hours of 10 a.m. and 5 p.m. shall be continued for a trial period as indicated in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that, concurrently with the establishment of service adjustments authorized in this proceeding and continuously thereafter, unless otherwise authorized by the Commission, applicant shall provide ^{no less} ~~the same~~ frequency of service and the same route coverage of the area during the same time coverage (the period extending from the first to the last schedule operated) of the day as were provided in the month of July 1954 except as modified by the service curtailments and other service changes authorized in this proceeding. *EGM*

IT IS HEREBY FURTHER ORDERED that applicant shall post and maintain (1) notices in its terminals and vehicles of the increased fares herein authorized and (2) notices in its terminals, in its vehicles operating over and at the principal stops along each affected route, of the service changes herein authorized. Such notices shall

be posted at least ten days prior to the effectiveness of the increased fares or service changes, as the case may be, and shall remain posted for a period of twenty days after the said effective dates.

IT IS HEREBY FURTHER ORDERED that in all other respects Application No. 35309, as amended, be and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 5th day of OCTOBER, 1954.

Robert E. Mitchell
President

Justus Z. Calmer

Kenneth Potts

Gene Higgins

Ray G. Huttenner
Commissioners

APPENDIX "A"

List of Service Curtailments Proposed by Key System Transit Lines

Transbay Rail Lines

"B" Line - cut back all but peak-hour service at Broadway and West Grand Avenue permitting transfers from that point over the rest of the route.

"C" Line - substitute motor coach service for the rail schedules at night and on Sunday.

"E" Line - substitute motor coach service for the night and Sunday rail schedules.

Transbay Bus Lines

"G" Line - operate shuttle service to train connection at 40th and San Pablo except during morning and afternoon peak periods.

"H" Line - same as proposed for "G" line.

"J" Line - discontinue one round-trip in morning and one one-way trip in evening.

"L" Line - cut back to 6th Street and MacDonald Avenue at other than peak periods and reschedule.

"R" Line and "K" Line - consolidate at other than weekday peak periods and eliminate late night service at outer ends.

East Bay Local Motor Coach Lines

No. 17 - discontinue Saturday, Sunday and night service and morning shuttle service.

No. 39 - discontinue night and Sunday service.

Nos. 46-87 - eliminate service to downtown Oakland at other peak periods and drop night and Sunday service.

No. 14 - discontinue portion of line between 14th and Adeline and Eleventh and Broadway.

No. 50 - discontinue night, Saturday and Sunday service.

No. 55 - discontinue night and Sunday service.

No. 56 - discontinue early service on Saturday and Sunday mornings.

No. 59 and No. 76 - discontinue late service weekdays and Saturdays and discontinue early morning and late night service Sundays.

East Bay Local Motor Coach Lines (Continued)

- No. 60 - discontinue night, Saturday and Sunday service.
- No. 64 - discontinue late night trips weekdays, Saturdays and Sundays.
- No. 65 - discontinue early morning trips weekdays and Saturdays and discontinue service all day Sunday.
- No. 68 - discontinue night service weekdays, early morning trips and night service on Saturdays and all service all day Sunday.
- No. 72-C - discontinue night service weekdays and discontinue service all day Saturday and Sunday.
- No. 72-M - turn back one-half of the service at Sixth Street in Richmond.
- No. 74 - discontinue night service weekdays, early morning and night service on Saturday and discontinue service all day Sunday.
- No. 77 - discontinue early morning trips weekdays and service all day Saturdays. Operate additional schedules in middle of day weekends.
- No. 78 - discontinue operation on San Pablo Avenue between Rheem Avenue and MacDonald Avenue and discontinue early trips Sunday morning.
- No. 79 - operate on 40-minute instead of 30-minute headway and turn back at High Street and Fernside Boulevard, Alameda, on Saturdays and Sundays and discontinuing service to Bay Farm Island Saturdays and Sundays.
- No. 83 - discontinue night service weekdays and all service Saturdays and Sundays.
- No. 91 - discontinue Saturday service and adjust early morning and late night weekday service.
- No. 92 - discontinue service.

END OF APPENDIX "A"