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December 31, 1936

Mr. Latimer

Mr. Schreiber

The Status of the Pacific Electric Railway Company
under the Railroad Retirement Act of 1935.

The Pacific Electric Railway Company was organized September 1, 1911,
as a consolidation of:

Pacific Electric Railway Company (1901)
Los Angeles Pacific Company
Los Angeles Interurban Railway Company
Los Angeles & Redondo Railway Company
San Bernardino Interurban Railway Company
Riverside & Arlington Railway Company
San Bernardino Valley Traction Company
Redlands Central Railway Company.

The Pacific Electric Railway Company (1901) was incorporated November
14, 1901, as a consolidation of:

Los Angeles and Pasadena Electric Railway Company
Pasadena and Mount Lowe Railway
Pacific Electric Railway Company of Arizona
East Ninth Street Railway
Temple Street Cable Railway
Brooklyn Avenue Railway
Santa Ana and Orange Railway Companies.

On March 17, 1936, Mr. Earl R. Steer, an Examiner for the Interstate
Commerce Commission, in Railway Labor Act Docket No. 14, Pacific Electric
Railway Company, discussed in a proposed report the fact that the
Southern Pacific Company acquired complete control of the Pacific Electric
Railway Company (hereinafter referred to as "the Company") in 1911 and
had combined their services in the interest of economy. He stated in part:

"The president of the Southern Pacific is chairman
of the board of directors of the Pacific Electric,
and he is consulted on all major questions of policy.
When capital expenditures are to be made or money is
needed by the Pacific Electric, it goes to the Southern
Pacific, and the latter has advanced to the former over
\$30,000,000 on open account.

"The record indicates that the Southern Pacific acquired the Pacific Electric to serve as a feeder for its system. The operations of the Pacific Electric have not been profitable in recent years, but of course it has a value to the Southern Pacific in increasing the traffic of the system.

" * * * while the passenger revenue of the Pacific Electric predominates over its freight revenue, the volume of its freight traffic is greater than that of any other electric railway whose status has been considered under the Railway Labor Act."

He concluded that the Pacific Electric Railway Company (1) was not a street, interurban or suburban electric railway; and (2) that it was operated as a part of a general steam-railroad system of transportation.

The second conclusion of the proposed report was challenged, and the Interstate Commerce Commission, on May 8, 1936, decided without oral argument to eliminate that conclusion from its opinion because the first finding was in itself sufficient to exclude the Pacific Electric Railway Company from the exemption proviso of Section 1 of the Railway Labor Act.

In discussing the commercial character of the Pacific Electric Railway Company, the Commission spoke of the "volume" of its freight traffic. The passenger revenue always exceeded the freight revenue. In 1911, the freight revenue was over one-half million dollars, but the passenger revenue was nearly \$4,000,000. In that year (1911) the company already had:

Non-electric freight cars	813
Employees	3,542
Freight and express car mileage	2,074,418

From that period on, the commercial character of its operation is evident from the information illustrated on the following page:

Year Ending June 30 ⁷	Passenger Revenue ⁹	Freight ⁷ Revenue ⁹ **	Non-electric freight cars	Employees	Freight, mail ¹³ express car ¹¹ mileage ⁷ (including mail) ¹⁶	Passenger ⁹ car mileage ¹¹
1912	\$ 6,677,289.08	\$ 1,097,254.54	1,098	4,899	3,539,937 ⁹ (frt. only) ¹⁴	23,780,821
1914	7,366,661.40	1,203,956.31	1,228	4,893	4,234,288	26,553,127
1916	6,707,708.59	1,626,600.35	1,101	4,170	6,285,402	24,955,904
<u>Year</u> <u>1918</u>	7,469,558.62	2,350,678.89	1,149	4,253	4,888,581	28,384,419
1920	10,829,804.47	3,753,302.20	1,166	5,935 (not incl. mail) ¹⁴	5,267,659 ⁹ (incl. mail) ¹⁴	28,382,145
1923	14,516,318.11	6,056,648.65	1,529	6,261	8,656,245	31,411,749
1927	12,166,609.20 *	6,029,595.07 *	2,767	6,497	9,924,932	26,116,561 (all rail) ¹⁰
1931	9,210,399.88 *	2,990,844.18 *	2,256	4,245	5,497,249	22,892,890 (all rail)
1935	5,469,820.17	2,329,995.46	2,243	4,108	4,638,106	17,971,073 (all rail)

* Includes 1/2 revenue of Los Angeles Motor Bus Company

** Exclusive of mail, express or switching revenues

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The Pacific Electric Railway Company has been found by the Interstate Commerce Commission not to fall within the exemptions in the Locomotive Inspection Act and Section 1(22) of the Interstate Commerce Act.

The commercial character of the Company before 1911 is first discovered in Poor's Manual of Railways for 1902. It shows that the Company had completed and had placed in operation as of August 1902:

	Passenger and mail cars	98
	Freight cars	15
	Trailers	13
	Construction power cars	3 (being constructed)
Also	Standard-gauge tracks laid with 60-pound "T" rail	48.65 miles
	3-foot, 6-inch gauge tracks laid with 43- and 50-pound "T" rail	<u>72.21</u> miles
	Total trackage operated	120.86 miles

Volume 80 of the Commercial and Financial Chronicle, under date of January to June 1905, at pages 65 and 788, shows that as early as October 1903, a Mr. H. E. Huntington, who was one of the directors of the Southern Pacific Company, owned 50 per cent of the stock in the Pacific Electric Railway Company and the "Kuhn-Loeb-Harriman interests in Southern Pacific" became connected with Mr. Huntington in the control of this Company. In its reports to the Interstate Commerce Commission for the years 1906 to 1910, inclusive, the Southern Pacific showed ownership of 50 per cent of the stock in the Pacific Electric Railway Company, and in 1911 it showed absolute control of the latter Company.

Poor's Manual of Railroads for 1904 reports that the Pacific Electric Railway Company had completed as of July 1, 1904, 175.77 miles of standard-gauge and 3-foot, 6-inch, gauge trackage.

The Company filed its first annual report with the Interstate Commerce Commission in 1908, and in that year it operated 443.59 miles of all tracks.

Poor's Manual of Railroads for 1907 reports the Company as using:

Passenger cars	80
Trail cars	4
Observation car	1
Express and mail cars	11
Incline cars	2
Other electric cars	6
Horse cars	2
Box cars	2
Flat cars	40
Express cars	8
Miscellaneous cars	14

The Official Guide of Railways for January 1907, under the heading of "Pacific Electric Railway Company and the Los Angeles Interurban Railway Company," carries the following statements:

"The Greatest Electric Railway System in the World";
"20 freight trains daily";
"Handle standard railway equipment";
"U. S. Mail, Wells Fargo Express over all lines".

This publication discloses that the Company had connections with the Southern Pacific, the Atchison, Topeka and Santa Fe., the San Pedro, Los Angeles and Salt Lake, the Wilmington Transportation Co. (Catalina boats), and the North Pacific S. S. Co. In the June issue of this same publication the following statements, among others, appear in the Company's advertisement:

"Standard gauge equipment interchanged with above mentioned lines";
"Regular freight service established";
"All lines are standard gauge, except Los Angeles to San Pedro (via Gardena)".

And that the Company has:

"Standard gauge track connections as follows:

Los Angeles - - with Southern Pacific Ry. Co., Atchison
Topeka and Santa Fe Ry. and San Pedro,
Los Angeles and Salt Lake Ry.,
Long Beach - - with Southern Pacific Ry. Co., and San
Pedro, Los Angeles & Salt Lake Ry.,
Dodgeville - - with Southern Pacific Ry. Co."

In October 1907, the Company executed a freight power of attorney to the San Pedro, Los Angeles & Salt Lake Railroad, and filed freight concurrences with the same road covering rates between California and Utah and all points north and east thereof. In 1908, the Company filed a concurrence with the Southern Pacific Company effective November 30, 1908, covering freight movements via, to, and from points on the Company's lines.

It filed its own freight tariffs with the Interstate Commerce Commission effective January 1909. The Company did not file its own passenger tariffs until April 1911.

In an article appearing in the Electric Traction Weekly, dated September 18, 1909, Vol. V, No. 58, page 965, under the heading of "Freight Business of Pacific Electric Company", there appears the following:

"It should be said in the first place that the Pacific Electric Company has had faith in the possibilities of this branch of the business and has not gone about it in a half hearted way.
* * * Agencies are maintained in 32 cities and towns."

The growth of the Company's commercial business from 1908 to 1911 may be seen from the following comparisons:

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	<u>1908</u>	<u>1909</u>	<u>1910</u>
Freight revenue (exclusive of mail, express or switching revenue)	\$ 170,451.82	\$ 264,244.14	\$ 444,564.65
Passenger revenue	2,909,497.46	3,588,288.51	4,142,822.05
Freight, mail and express car mileage	749,343	1,095,839	1,926,263
Passenger car mileage	10,131,975 (incl.mail)	12,913,790 (incl.mail)	14,687,617 (incl.mail)
Number of employees	2,496	3,396	3,639
Non-electric freight cars	208	282	563

There were no reports filed with the Interstate Commerce Commission prior to 1908, but it may be inferred from the statements in the Official Guide of Railways for January 1907 that the Company had a considerable freight traffic before that advertisement. It may also be said that the Company was engaged in freight transportation in August 1902 when it already possessed 16 freight cars. Though there are no records of the Company's operations between 1902 and 1907, it may be assumed that its freight business grew and developed steadily from 1902 until it was extensive enough to enable it to hold itself out in January 1907 as having a daily freight service composed of twenty freight trains and as having interchange connections with steam railroads. In 1902 it already operated 16 freight cars over 120.86 miles; in 1903 it was already controlled by a director of the Southern Pacific Company and by the "Kuhn-Leob-Harriman interests in Southern Pacific"; in 1904 it operated 175.77 miles; in 1906 the Southern Pacific admitted owning 50 per cent of the stock in the Pacific Electric Railway Company, and in 1907 the Pacific Electric Railway Company boasted of "20 freight trains daily". This was evidently not a miraculous and sudden creation in January 1907, but rather a growing enterprise which began in August 1902.

I am, therefore, of the opinion that the Pacific Electric Railway Company was more than a street, interurban or suburban electric railway from August 1, 1902, to date, and should be excluded from the exemption proviso of Section 1(a) of the Railroad Retirement Act of 1935 for that period.

I recommend that service rendered to the Pacific Electric Railway Company on or after August 1, 1902, be credited under the Act, but that service rendered to it prior to August 1, 1902, should be disallowed for the present.