Decision No. 36042.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

An investigation on the Commission's own motion into the operations of BAY CITIES TRANSIT COMPANY, re rates, service and facilities.	Case No. 4612.
In the Matter of Application of the Bay Cities Transit Company, a corporation, to abandon three recently established routes known as follows: Route No. 14-Westside Village Line Route No. 15-W.L.A.-Douglas Plant Line Route No. 16-Rose Avenue-Washington Blvd. Line.	Application No. 24894.

J. E. Anderson and Hector P. Baida, for Respondent, Case No. 4612; and Applicant, Application No. 24894.

Ray L. Chesebro, Gilmore Tillman and Stanley M. Lanham, for City of Los Angeles, Interested Party.

Gibson, Dunn & Crutcher, by Max E. Utt, for Los Angeles Railway Corporation, Interested Party.

C. W. Cornell and H. O. Marler, for Pacific Electric Railway Company and Los Angeles Motor Coach Lines, Interested Parties.

BY THE COMMISSION:

OPINION

The above entitled case was instituted by the Commission on its own motion into the operations of Bay Cities Transit Company,[1] a corporation, for the purpose of determining whether the local passenger tariffs of said respondent, or the classifications, rules and regulations, facilities or practices offered or provided under such tariffs, are in any respect unreasonable, inadequate or insufficient, and for the further purpose of determining whether the

(1) Hereafter referred to as respondent.

equipment, facilities or routing of the motor coaches operated by said respondent are in any respect inadequate or insufficient to afford reasonable accommodation of and the interchange of passengers within the territory served by said respondent.

The above entitled application was filed by Bay Cities Transit Company for authority to abandon motor coach service on its routes known as Route No. 14 - Westside Village Line, Route No. 15 - West Los Angeles-Douglas Plant Line, and Route No. 16 - Rose Avenue-Washington Boulevard Line.

Public hearings in these matters were held by Examiner Gorman at Los Angeles on June 9 and 15, 1942, on the latter date the matters having been duly submitted on written memorandum to be filed; said memorandum now having been filed, the matters are ready for decision. The above two matters were consolidated for the purpose of hearing and decision.

Bay Cities Transit Company serves generally in the area west of the City of Los Angeles, including the Santa Monica, Ocean Park and Venice districts of the City of Los Angeles, with a special service between Santa Monica and the aircraft plants at El Segundo. Part of the residential area of Los Angeles, from the University of California on the north to Venice Boulevard on the south, is also served by motor coach lines of that Company converging along Pico Boulevard to a connection with Los Angeles Railway Corporation's Pico Boulevard rail service at Rimpau Boulevard, which, in turn, provides service from that point to the central business district of Los Angeles. The principal industrial plants served by respondent are the Douglas Aircraft Company in Santa Monica and the aircraft industries in the vicinity of Los Angeles Municipal Airport near El Segundo.

Bay Cities Transit Company's service consists entirely of motor coach lines and the following tabulation gives a brief concept of the magnitude of the operations:

Number of Lines, March 15, 1942	13
Miles of Route, " " "	87.3
Number of Motor Coaches" " "	98
Number of Employees, Dec. 31, 1941	132
Coach Miles Operated, 1941	3,525,177
Operating Revenue, 1941	$483,147
Revenue per Coach Mile, 1941	$ .1371
Operating Expense, 1941 (Company's Books)	$475,757
Operating Expense per Coach Mile, 1941, (Company's Books)	$ .1350

The basic fare of respondent is 5 cents within any one zone and 10 cents between two zones. A commutation ticket is sold at the rate of 25 rides for $2.00, providing the same inter-zone riding and transfer privileges as the 10-cent cash fare. School tickets for students under 21 years of age are provided at rates of one-half the regular 5-cent fare, in quantities of 20 for 50 cents. On the Santa Monica-El Segundo Line the one-way cash fare is 15 cents, supplemented by tickets at a rate of ten rides for $1.25.

Exhibit No. 1 (2) shows that as of December 31, 1941, the books of the respondent indicated an undepreciated investment in tangible property of $407,443, and in intangible property of $20,050. A segregation of these amounts by classes of property is as follows:

Recorded Investment as of December 31, 1941

Item	Amount
Land	$18,431.
Building	10,000.
Fencing	1,868.
Furniture and Fixtures	350.
Motor Coaches	367,317.
Tools and Machinery	9,477.
Franchise Cost	20,050.
Total	$427,493.

(2) Introduced by Arthur C. Jenkins, Transportation Research Engineer for the Commission.

The financial results of respondent's operations, as reflected by its books for the years 1940 and 1941, are as follows:

Income Statement

	1940	1941
Operating Revenue	$536,035.80	$484,755.47
Operating Expense	440,287.60	396,577.67
Depreciation	13,738.02	20,343.44
Taxes	58,299.14	58,836.43
Total Operating Expense	$512,324.76	$475,757.54
Net Operating Revenue	23,711.04	8,997.93
Net Operating Income	$23,711.04	$ 8,997.93

Said Exhibit No. 1 also shows the results of operations of this respondent, together with a number of recommendations which are as follows:

RECOMMENDATIONS

1. Discontinue all service now operated on motor coach lines as follows:

(a) Line No. 9 - Venice Loop, commonly known as the Broadway and Lincoln Boulevard Line.

(b) Line No. 14 - West Side Village, operating from a terminal loop at Overland Avenue and Pico Boulevard through West Side Village to National and Robertson Boulevards.

(c) Line No. 15 - West Los Angeles-Douglas Plant, operating from the intersection of Sawtelle and Santa Monica Boulevards to a point in the vicinity of the Douglas Aircraft plant.

(d) Line No. 16 - South Lincoln Boulevard, operating along South Lincoln Boulevard between Washington Boulevard and Rose Avenue.

2. Discontinue service on that portion of the Lincoln Boulevard Line No. 3 between Stanford Avenue and West Los Angeles. This line is commonly known as the Lincoln Boulevard-Ocean Park and West Los Angeles Line.

3. Discontinue service on that portion of the Carlyle Avenue Line No. 4, commonly known as Carlyle Avenue-Victoria Avenue Line, from 26th Street along Montana Avenue to 20th Street, thence along 20th Street to the terminal loop at Pico Boulevard.

4. Extend the No. 4 Line along 26th Street between Montana Avenue and Santa Monica Boulevard.

5. Discontinue service on the Carlyle Avenue Line No. 4, commonly known as Carlyle Avenue-Victoria Avenue Line, south of the intersection of Washington Boulevard and Main Street in Venice.

6. Reroute the southern end of Line No. 4 from the intersection of Main Street and Washington Boulevard in a general easterly direction along Washington Boulevard, California Avenue, Lincoln Boulevard, Nowita Place, Penmar Avenue, to Victoria Avenue, thence along the route of the existing No. 4 Line on Victoria Avenue, Walgrove Avenue, Venice Boulevard and Glencoe Avenue.

7. Discontinue service on that portion of the Pico-Palms Line No. 12, commonly known as the Los Angeles-Culver City and Palms via Robertson Boulevard Line, along Charnock Place, between Greenfield Avenue and Sepulveda Boulevard, including the loop along Sepulveda Boulevard, Ocean Park Avenue, and Bentley Avenue.

8. Establish a new terminal loop on the No. 12 Line from Charnock Place, along Greenfield Avenue, Rose Avenue and Veteran Avenue.

9. Increase the base headway on Lines Nos. 5, 6 and 12 from 15 minutes to 20 minutes.

10. Establish a system of skip stops on all lines to be in conformance with stops recognized by other carriers when operating jointly along the same street.

11. Advance the starting time of tripper No. 37, known as extra run, one hour earlier, on the daily except Sundays schedule on the No. 3 Line.

12. Make no change in the existing basic passenger fare of 5 cents.

13. Redesign headsign route designations in conformance with those shown on pages 21 to 23 of this report, each coach to carry a route number as well as a brief route designation.

14. Devise and place in effect a system of recording motor coach miles and ticket sales by individual lines, segregating actual school service separately.

15. Exert an effort to obtain the advantage of gasoline purchase contracts comparable to those obtained by other operators in the same vicinity that provide approximately the same class of service.

16. Develop a more efficient utilization of the equipment of Bay Cities Transit Company and Santa Monica Municipal Lines operating along Pico Boulevard in the interest of increasing the combined load factor and reducing wasteful consumption of rubber and materials.

17. Maintain a record of patronage and operations of the Cheviot Hills No. 13 Line and, if no improvement is experienced by reason of the curtailment of rubber tires and impending rationing of gasoline for private automobiles, give consideration to further reduction of service on this line, particularly that portion west of Robertson Boulevard.

18. Establish Carlyle Avenue between 4th and 26th Streets as a boulevard protected by boulevard stop signs.

The Commission's engineer testified that respondent does not maintain a property ledger in which would be recorded additions, betterments and retirements to physical properties, so that it was impossible to determine accurately the historical cost of the properties used and useful in the conduct of respondent's transportation business. He testified further that to determine accurately the historical cost of the properties would have necessitated an inventory and appraisal, the cost of which would not have been justified in this proceeding. He made certain adjustments in the figures revealed by the Company's records to more truly reflect the actual costs, such as the elimination of a lot located in Venice which is non-operative property, additional allowance for tools and machinery, reduction in the cost of motor coaches and reduction in the cost of acquiring rights of predecessor companies.

The Company's records indicated that the historical cost of 98 motor coaches was $367,317. The Commission's engineer, in his estimate, allowed only $214,245 for 73 motor coaches because under his proposed plan of operation the Company would require 61 active coaches and 12 spare coaches. In making this elimination, 25 of the oldest coaches which had been fully depreciated were excluded.

Although the Company had recorded on its books approximately $20,000 for intangibles, the engineer allowed only $550, inasmuch as this was the only amount for which supporting evidence was available, the latter sum appearing to represent legal fees in connection with the acquisition of operating rights on Wilshire and Santa Monica Boulevards.

The estimate presented by the Commission's engineer for Historical Reproduction Cost as of December 31, 1941, of those properties required under the proposed operation was as follows:

Item	Amount
Land	$ 15,000
Building	10,000
Fencing	1,900
Furniture & Fixtures	1,000
Motor Coaches	215,000
Tools and Machinery	11,500
Franchise Cost	550
Total	$254,950

The record shows that if all of the recommendations suggested by the Commission's engineers were effectuated, the estimated financial results of operations for the period June 30, 1942, to June 30, 1943, would be as follows:

ESTIMATED FINANCIAL RESULTS OF OPERATIONS
PROPOSED PLAN OF SERVICE
JUNE 30, 1942, TO JUNE 30, 1943

RATE BASE		
Investment		$256,700
Materials and Supplies		7,000
Working Cash Capital		5,000
Rate Base		$268,700
Accrued Depreciation		$147,000
Rate Base Less Accrued Depreciation		$121,700
FINANCIAL RESULTS		
Operating Revenue		$537,100
Expenses		
Operating and Maintenance	$361,200	
Depreciation Expense	18,500	
Taxes and Licenses	44,500	
Total Expenses		$424,200
Net Operating Revenue		$112,900
RATE OF RETURN		
On Full Historical Cost		42.02%
On Historical Cost Less Accrued Depreciation		92.77%

	Present	Proposed	Decrease
One-Way Route Miles	87.3	72.3	15.0
Number of Lines	13	9	4
Number of Motor Coaches	98	73	25
Motor Coach Miles	3,418,297	2,816,596	601,701

The revenue estimated for the annual period ending June 30, 1943, was taken as the same as that for 1941, adjusted to compensate for the loss incurred by reason of strike conditions during that period and the abandonment and curtailment of service as proposed. Although the trend of revenue experienced during recent months indicates that a substantial increase reasonably can be expected during the next annual period, the engineer did not make any provision for such increase in the above estimate of revenue.

Operating expenses for 1941, which were used as a base for estimating future operating expenses, were first adjusted so as to eliminate certain items which should have been charged to capital accounts, expense items properly chargeable to the personal account of J. E. Anderson, President of respondent, the cost of gasoline paid in excess of a reasonable rate as compared with the contracts of other similar operators in the same area, a reduction in the salary paid to the President, with due recognition to increases experienced in prevailing wage scales, and several other adjustments in miscellaneous items.

The above estimate of operating expenses does not include any allowance for federal income tax or excess profits tax, inasmuch as the engineer took the position that such taxes should be paid out of profits and, in his opinion, were not proper operating expenses.

A detailed audit of the respondent's books was made by John F. Donovan, Senior Accountant of the Commission's Department of Finance and Accounts, and his report of such audit was introduced in evidence.

The audit includes the results of a detailed examination of the operating expenses of respondent for the year ending December 31, 1941, with a summary of results. It appears from this summary that the operating expenses of the respondent included questionable items in excess of $15,000, most of which should have been normally omitted from operating expense accounts. Of the above, the sum of

$1,757 belonged in capital accounts; the sum of $1,688 in the personal account of J. E. Anderson contained $991 of a wholly personal nature, the balance consisting of partial business expenses; $9,639 was listed as bookkeeping errors; $950 appeared as unsupported items, and $1,408 as extraordinary repairs.

It appears that respondent has been conducting his operations with a minimum of office help whose duties consist of routine accounting procedure and keeping records in the very simplest forms.

Expenditures are not currently segregated between operating expenses and capital, thereby making it extremely difficult to prepare a financial analysis for any stated period. Expenditures, as they occur, properly distributed by primary accounts, would immediately reveal this operator's financial status without necessity of an extensive examination embracing each individual voucher. In this particular respect, it appears from the condition of Bay Cities Transit Company's records, as disclosed by the analysis, that respondent has carried economies respecting his accounting practice to a fault and should be directed to inaugurate a set of books in accordance with the Uniform System of Accounts for operators of his class. In this connection, all wholly personal items must be entirely eliminated from the Company's expenditures.

Mr. Donovan recommended certain changes in the methods of respondent's accounting procedure which appear justified and desirable, and are as follows:

1. That the company be directed to keep its accounts in conformity with the Uniform System of Accounts for Class 1 Common and Contract Carriers for Passengers, prescribed by the Interstate Commerce Commission.

2. That the company revise its accounting records and procedure for the purpose of establishing a better control over the distribution of its purchases and payrolls. Its bookkeeper is now supplied with insufficient information to distribute properly to the appropriate accounts the company's expenditures. As a result,

charges are made to wrong accounts. Operating expense accounts have been charged with the cost of additions and betterments and with the cost of materials and supplies and with the cost of services for the benefit of the company's officers and employees.

3. That the company establish a cross reference between its invoices and its check register. Invoices are presently filed by vendor's name and in case of a recurring charge it is impossible to determine in which month the invoice was paid.

4. That proper controls be put into effect to record gasoline and lubricating oil inventories. Because of the lack of such controls, differences exist between bookkeeping records of gasoline and oil consumed as compared with the consumption shown in a memorandum record.

While admittedly some increase in operating expenses will be incurred by this procedure, the company is in a position, and should be required, to keep records accordingly.

Respondent's Counsel stated that Bay Cities Transit Company was agreeable to the acceptance of all of the Commission's engineer's recommendations with a slight modification of Recommendations Nos. 3 and 4.

Representatives of the City of Los Angeles objected to the abandonment of Line No. 9 and the proposed rerouting of Line No. 4 in the Venice area, and were also of the opinion that the Commission should order some rate reduction, particularly in view of the earning position of the Company.

Other than the suggestions made by City of Los Angeles and respondent, no protest was offered at the hearings to any of the recommendations.

The Commission's engineer's recommended plan of operation is designed to fill existing service needs as determined at the time the study was made, with a view toward conserving equipment and rubber wherever possible, which is consistent with the present endeavors of the Office of Defense Transportation. Certain base headway increases were recommended so as to improve load factors, thereby obtaining a more efficient use of vehicles in service.

The design of such schedules included in the plan is in no way a static item but must, in accordance with the dictates of good management, be altered to fit fluctuations in traffic demands. At the time of the study the headways proposed were sufficient to provide a reasonable service but, with a substantial change such as that likely to occur under national rationing of gasoline, immediate supplementary service with a subsequent adjustment in headways would be necessary. The present seriousness of the rubber situation makes it imperative that each operator so design his schedules that buses will operate at nearly full-seated loads during off-peak hours. This modification of operating standards is not an effort to improve the financial status of the operator but is a present necessity caused by the desperate need for conserving rubber, equipment and man power.

It is generally recognized that the diminishing reservoir of private transportation will shortly result in an abnormal burden on the public transit systems, and it appears highly probable that the transportation of workers to war industries will require the utilization of many added vehicle miles in the near future. The operations of the respondent have in some instances been conducted through the generous expenditure of unnecessary miles, where public appeal has been created by frequency of service rather than modern design in equipment. Walking distances have been shortened by proximity of routes which have in some instances resulted in detracting patronage from stronger lines.

The engineer's report indicates that a substantial excess of service after 6:00 P.M. was being afforded the public and, under present conditions, such service cannot be justified. While it is apparent that certain inconveniences will be experienced as a result of the curtailments, it must be recognized that this country is in a precarious position in regard to securing essential eqhipment and replacement parts in the transit industry and it is to the interest of all concerned that existing facilities be utilized to the maximum. The Commission has frequently ruled in past proceedings that under normal conditions a walking distance of one-quarter mile was not unreasonable, and this distance will of necessity be substantially extended before the present emergency has passed.

Objection has been raised to the proposed rerouting of Line No. 4 from Main Street along Washington Boulevard to California Street and the elimination of Line No. 9 in the Venict district, claim being made that the Venice shopping center will be entirely by-passed and the transfer connection to the No. 1 Line eliminated. This, in a measure, is true but would be offset by a shorter running time and decreased mileage. It appears, however, that through the relocation of the present transfer point from Venice Way on the south side of the Post Office to the north corner of Windward Avenue and Main Street, forming a terminal loop for Line No. 1 about the structure located within the intersection, a transfer could be satisfactorily effected and the Venice shopping district be made available to patrons of the No. 4 Line. The foregoing change would result in the elimination of several unnecessary awkward turns in the present route of Line No. 4 and appears to be in the public interest.

A review of the record indicates that Line No. 9 has been operated mainly as a large one-way loop through territory which could be readily served by a slight rerouting of Line No. 4. This line clearly performs an inefficient duplication of service and, with the proposed reroutings of Line No. 4, the abandonment should be made.

Lines Nos. 14 and 16 were placed in service on January 12, 1942, under authority of Decision No. 34262, dated June 3, 1941. By Application No. 24894 Bay Cities Transit Company seeks to abandon these two lines. The City of Los Angeles has indicated that it has no objection to such abandonment and from the data submitted it is apparent that public usage has never justified the operation of either.

Line No. 15 was placed in operation at the same time and under the same authority as Lines Nos. 14 and 16 to provide service between West Los Angeles and the Douglas Aircraft Plant at Santa Monica. Applicant has sought permission to abandon this line due to light patronage. The City of Los Angeles has indicated that it has no objection to said abandonment and the Commission's engineers have excluded this line from their recommended plan of operation. Testimony at the hearing indicated, however, that one morning and one evening trip to the Douglas Aircraft Plant were well patronized, thereby providing necessary transportation for defense workers, and it appears that service on this particular line should be continued, particularly for those schedules where experience shows a need for service. Applicant will not be authorized to abandon this line and its representatives, in conjunction with representatives of Douglas Aircraft Company and the engineers of this Commission, should prepare a study for the purpose of determining what service may be necessary to afford adequate transportation service to this essential war industry.

In accordance with the data developed on usage for Line No. 3, it appears that the service between Stanford Avenue and West Los Angeles is not necessary to meet the public transportation needs and should be abandoned. With the inauguration of skip stops, it may be possible to extend the operation of this route as far as Wellesley Drive without the use of an additional unit, in which case it would be desirable from the public standpoint to so extend this route.

Respondent has indicated a desire to discontinue service on Line No. 4 between 26th Street at San Vicente Boulevard and 20th Street at Pico Boulevard. The Commission's engineers recommended the discontinuance of service on that portion of the line between 26th Street at Montana and 20th Street at Pico Boulevard, and the establishment of a new route from 26th Street at Montana Avenue along 26th Street to a terminal loop at Santa Monica Boulevard. Both plans have been considered carefully and it is the Commission's belief that the citizens in the northwest portion of the City of Santa Monica are entitled to, and should be provided with, a cross-town connection similar to that proposed in the recommended plan for a more direct route between that section and the West Los Angeles and Westwood districts.

The City of Los Angeles objected to Recommendation No. 12 of Exhibit No. 1,[3] contending that any rate of return similar to that set forth as an estimate for the proposed plan should result in a fare reduction. It should be pointed out that a full realization of the estimated results of operation included in Exhibit No. 1 is contingent upon the culmination of several factors not previously experienced, certain of which may involve difficulties in immediate accomplishment.[4] From the testimony of the Commission's engineers, no allowance was included for an additional clerical force needed to redesign the auditing system of respondent in accordance with the Commission's Uniform System of Accounts and other accounting controls recommended in Exhibit No. 2 in this proceeding.

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(3) Make no change in the existing basic passenger fare of 5¢.

(4) One of the factors (Recommendations Nos. 9 and 16) contemplates operating savings through an increase in base headway from the present 15 minutes to a proposed 20 minutes for Lines Nos. 5, 6 and 12. This can be satisfactorily realized only by coordinated schedule arrangement with the Santa Monica Municipal Bus Lines operating on Pico Boulevard. Another factor (Recommendation No. 15) presupposes expenses predicated upon substantially lower gasoline contract.

Under the operations conducted for the year 1941, a review of the record indicates that respondent received a rate of return of 4.3% on an estimated Full Historical Cost rate base and 12.3% on an estimated Historical Cost Less Accrued Depreciation Basis, wherein no provision has been made for Income Taxes and no revision is made in the salary of the President and General Manager. On the same basis, except for changing the above mentioned salary in accordance with recommendations of the Commission's engineers, the corresponding rates of return would have been 7.1% and 20.3%, respectively.

It is recognized that the above criteria must be supplemented with other considerations before arriving at any conclusion. In the first place, possible operating economies tending to increase efficiency would materially raise these rates of return in the future. The period during which the above rates were determined included 35 days of strike with consequent lowering of revenues, during which time overhead expenses continued and efficiency was lowered.

This same year, however, witnessed a transition in wage scales of drivers and mechanics, the payroll of whom accounted for approximately one-half of all operating expenses of the respondent. Two 5-cent-per-hour raises were granted, the first during May and the second during August. The average wage rate for the year 1941 was considerably lower than that in effect during the latter portion of the year and, with a subsequent 10-cent-per-hour wage increase granted in June of 1942, the present operating expense rate can be expected to materially exceed that experienced in 1941. Regarded from this angle alone, the future rates of return would tend to be substantially reduced below those shown.

Increases in operating revenue, brought about by abnormal future patronage, do not in themselves necessarily indicate an increased rate of return, as they may be more than offset by accompanying rises in operating expenses, but it appears from this record that various methods recommended in Exhibit No. 1, providing a greater utilization of existing facilities, will result in greatly improving the financial results.

The Commission's engineer testified that, taking present conditions into consideration, it would not be logical to reduce the basic rate of this carrier below 5 cents, pointing out, among other things, that, with the competitive aspects of the territory involving the established 5-cent fare in effect on the other two major carriers, such a reduction on the respondent's part might seriously jeopardize the operations of the latter two. No allowance was made in the estimate of operating expenses to provide for payment of income and excess profits taxes, it being his view that these items, while legitimate expenses, were not properly chargeable to operating expenses but should be paid from profits by the respondent.

This witness further testified that although the volume of traffic experienced at the time the check was conducted could be adequately handled by the 73 coaches included in the estimate, any material traffic increase would require supplementing this number with additional units. The 25 extra units from which the respondent might draw, being fully depreciated, would lower the rate of return on a Full Historical Cost Rate Base but would have no bearing upon the rate of return on an Historical Cost Less Accrued Depreciation basis.

Another factor materially affecting the future net operating revenue, and consequently the rate of return, is found in slight changes which might occur in wage scales. The witness estimated that a 10-cent-per-hour increase over the prevailing rates, when applied to the proposed plan, would increase operating expenses approximately $40,000 annually.

The record indicates that obsolescence has overtaken the major number of vehicles of this operator's fleet. These should be replaced through a systematic program in normal times. The respondent, through a partially offsetting high standard of overhauling and maintenance, has successfully retained the greater portion in practical operation suitable for emergency conditions now encountered but, with the return to normal conditions, the public has a right to expect, and sound operating practice should dictate, a replacement with units of more modern design and of sufficient public appeal to attract patronage, if the respondent desires to continue in operation.

It was pointed out in the testimony that a reasonable, normal replacement of equipment in this property would require an annual purchase of 10 to 12 units, estimated to cost from six to seven thousand dollars each. Inasmuch as practically all of respondent's equipment, except for 12 units, may be fully depreciated by the time the National emergency is over, provision should be made to finance the purchase of new equipment at that time. The inability of the operator to secure new units at this time should be no deterrent in setting aside a liquid fund for the specific purpose of acquiring such equipment when it is again made available.

It appears from this record that the operations of respondent can be rearranged in a manner whereby substantial economies will be effected and, under the present rates, the amount of net operating revenue realized would be more than sufficient to yield a fair rate of return.

A substantial portion of respondent's equipment is relatively old and, in comparison to the equipment utilized by other carriers operating in the same area, it is of a sub-standard nature.

Under these circumstances, it appears equitable that the respondent establish a reduced fare in the form of tokens or tickets selling at six for 25 cents.

In view of the transportation requirements in this defense area, respondent should effectuate the following suggestions.

1. Establish a plan of operation that will provide increased operating efficiency so that the useful service lives of presently-owned vehicles will be extended to their utmost. This will include:

    (a) Continuous supervision of operation to determine that all unnecessary vehicle miles are eliminated.

    (b) Continuous inspection to determine that schedules are designed so as to maintain high load factors throughout the service period.

2. Establish accounting procedure in conformity with the recommendations set forth in Exhibit No. 2.

3. Establish a fare of 6 tokens or tickets for 25 cents.

In all other respects, the Commission believes that the recommendations contained in Exhibits Nos. 1 and 2 are in the public interest.

O R D E R

Public hearings having been held, the matter having been duly submitted and the Commission being fully apprised,

IT IS HEREBY ORDERED:

I. That Bay Cities Transit Company is hereby authorized to operate over the following routes in lieu of the routes presently operated on these lines:

ROUTE NO. 1 - SANTA MONICA BOULEVARD LINE

Commencing at the intersection of Main Street and Windward Avenue in the City of Los Angeles, thence via Windward Avenue, Speedway, Pier Avenue, Main Street, Pico Boulevard, Ocean Avenue, Santa Monica Boulevard, Westwood Boulevard, Le Conte Avenue and Hilgard Avenue to the University terminal in the vicinity of Strathmore Drive, returning via the reverse of the above route to the point of beginning.

ROUTE NO. 3 - LINCOLN BOULEVARD LINE

Commencing at the intersection of Wellesley Avenue and Montana Avenue in the City of Los Angeles, thence via Montana Avenue, Lincoln Boulevard, Santa Monica Boulevard, Fourth Street, Broadway, Lincoln Boulevard, Rose Avenue, Speedway, Pier Avenue and Washington Boulevard to Rose Avenue, returning via Rose Avenue and the reverse of the going route to the point of beginning.

ROUTE NO. 4 - CARLYLE AVENUE LINE

Commencing at the intersection of Twenty-sixth Street and Santa Monica Boulevard in the City of Santa Monica, thence via Twenty-sixth Street, San Vicente Boulevard, Twenty-fifth Street, Carlyle Avenue, Ninth Street, San Vicente Boulevard, Fourth Street, Hill Street, Main Street, Windward Avenue, Riviera Avenue, Westminster Avenue, Washington Boulevard, California Avenue, Lincoln Boulevard, Nowita Place, Penmar Avenue, Victoria Avenue and Walgrove Avenue to Venice Boulevard, returning via Venice Boulevard, Glencoe Avenue, Victoria Avenue and the reverse of the going route to the point of beginning.

ROUTE NO. 12 - PICO-PALMS LINE

Commencing at the joint terminal of the Los Angeles Railway Company and Bay Cities Transit Company at

Rimpau and Pico Boulevards in the City of Los Angeles, thence via Pico Boulevard, Robertson Boulevard, Venice Boulevard, Bagley Avenue, Exposition Boulevard, Tabor Street, Overland Avenue, Charnock Road and Greenfield Avenue to Rose Avenue, returning via Rose Avenue, Veteran Avenue, Charnock Road and the reverse of the going route to the point of beginning.

The above rerouting authority is made subject to the filing of a time schedule in triplicate on at least ten (10) days' notice to the Commission and the public.

II. That Bay Cities Transit Company be and it is hereby authorized to abandon all motor coach service on the following lines, and to cancel all tariffs and time schedules in conformity therewith:

LINE NO. 9 - BROADWAY AND LINCOLN BOULEVARD

Commencing at the intersection of Venice Way and Pacific Avenue in the City of Los Angeles, thence via Pacific Avenue, Windward Avenue, Riviera Avenue, Westminster Avenue, Fourth Avenue, Broadway, Seventh Avenue, California Avenue, Lincoln Boulevard, Rialto Avenue, Penmar Avenue, Nowita Place, Lincoln Boulevard, Venice Boulevard, Electric Avenue, Rialto Avenue, Washington Boulevard, Westminster Avenue, Riviera Avenue and Venice Way to the point of beginning.

LINE NO. 14 - WESTSIDE VILLAGE.

Commencing at the intersection of Robertson Boulevard and Kincardine Avenue in the City of Los Angeles, thence via Robertson Boulevard, National Boulevard, Rose Avenue, Overland Boulevard (jog approximately 200 feet), Rose Avenue, Kelton Avenue, National Boulevard, Overland Avenue to Pico Boulevard, returning via Pico Boulevard, Manning Avenue, Ayres Avenue, Overland Avenue, National Boulevard, Kelton Avenue, Rose Avenue, Overland Avenue, Rose Avenue, National Boulevard, Livonia Avenue, Kincardine Avenue to Robertson Boulevard, the point of beginning.

LINE NO. 16 - SOUTH LINCOLN BOULEVARD

Commencing at the intersection of Rose Avenue and Lincoln Boulevard in the City of Los Angeles, thence via Lincoln Boulevard, Elm Street, Walnut Avenue to Washington Boulevard and returning via Washington Boulevard, Lincoln Boulevard, Flower Avenue, Seventh Avenue, Rose Avenue to Lincoln Boulevard, the point of beginning.

III. That Bay Cities Transit Company:

(1) Revise its local passenger tariff C.R.C. No. 12 by inaugurating therein provision for the sale of six tokens or tickets for 25¢, each to be honored with the same privileges as the current 5¢ cash fare, subject to the following condition:

Applicant shall file in triplicate, and make effective within a period not to exceed thirty (30) days after the effective date of this order, on not less than ten (10) days' notice to the Commission and the public, a tariff or tariffs constructed in accordance with the requirements of this Commission's General Orders and containing passenger rates identical with those now in effect, except for the inclusion of the token or ticket fares hereby ordered.

(2) Establish a system of skip stops on all lines outside of central business districts based upon a standard of from 660 feet to 1000 feet between stops. Where other carriers are operating jointly along the same street it is desirable that the newly established stops be located at points recognized by the other carriers wherever possible.

(3) Maintain its accounts in conformity with the Uniform System of Accounts for Class 1 Common and Contract Motor Carriers of Passengers prescribed by the Commission.

(4) Revise its accounting records and procedure for the purpose of establishing a better control over the distribution of its purchases and payrolls.

(5) Establish a cross reference between its invoices and its check register.

(6) Establish proper controls to record gasoline and lubricating oil inventories.

(7) Exert a sincere effort to effect the other recommendations contained in Exhibit No. 1, not in conflict with this order.

(8) Shall file within a period not to exceed sixty (60) days from the effective date hereof a written statement as to its compliance with the recommendations contained herein or reasons for failure to comply therewith.

IV. That Application No. 24894, in all other respects, be and the same is hereby denied.

The Commission reserves the right to make such further order or orders in this proceeding as may appear just and reasonable and to revoke this authority if, in its opinion, public convenience and necessity demand such action.

For all other purposes the effective date of this Order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 15th day of December, 1942.

Justus F. Craemer

C. C. Baker

Franck R. Havenner

Richard Sachse

Commissioners.