

Decision No. 39303

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the)
LOS ANGELES TRANSIT LINES, a corporation,)
for an order or orders granting permis-)
sion to increase and adjust, and place)
into effect certain fares for the)
transportation of passengers on its)
lines and on lines of Los Angeles Motor)
Coach Lines.)

ORIGINAL

Application No. 27487

Appearances:
(Shown in the Appendix)

CRAEMER, Commissioner:

O P I N I O N

Public hearings were held in this proceeding at Los Angeles, June 26, 27 and 28 and the matter was taken under submission upon the filing of concurrent briefs on or before July 22, 1946. Briefs have been filed and the matter is now ready for decision.

The Los Angeles Transit Lines provides local transportation service to the major portion of the city of Los Angeles as well as to other adjacent cities and the populated areas of the county of Los Angeles. The Pacific Electric Railway Company provides local service to certain sections of the Los Angeles Metropolitan Area. These two companies conduct a joint operation under the name of the Los Angeles Motor Coach Lines. Each possesses approximately a one-half interest therein.

Applicant's fare structure on its rail and motor coach lines is based upon a zone plan. The primary or inner zone extends radially for a distance of approximately six miles from Seventh and Broadway Streets in the city of Los Angeles. Fare zones

beyond the central zone extend for a distance ranging from one to seven miles with certain over-lap privileges.

In this proceeding Los Angeles Transit Lines seeks authority to revise and increase the fare structure on its wholly owned transit lines as well as those of the Los Angeles Motor Coach Lines, on the following basis:

ITEM	PRESENT FARE	PROPOSED FARE
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LOS ANGELES TRANSIT LINES

Intra Zone Fares	7¢ cash or 7¢ token	10¢ cash or 3 tokens for 25¢
Inter Zone Fares		
Between Two Zones	10¢	15¢
" Three "	15¢	20¢
" Four "	20¢	25¢
School Fare	3½¢ 5¢	5¢ 7½¢
Weekly Passes		
Intra Zone	\$1.25	Abolish
System	1.50	"
Joint	1.50	"

LOS ANGELES MOTOR COACH LINES

Intra Zone		
Except Olympic Boulevard	7¢	10¢
Olympic Boulevard	7¢	10¢ cash or 3 tokens for 25¢
School Fare	3½¢ 3½¢	5¢ 6¢
Commutation	7½¢	10¢
Joint Weekly Passes	\$1.50	Abolish
Inter Zone Fares*		
Between Two Zones	10¢	12¢
" Three "	15¢	17¢
" Four "	20¢	22¢
Special	25¢	27¢

* Certain existing fares to remain unchanged as specifically shown in the application.

During the course of the hearing 24 exhibits were introduced, 19 by applicant, 2 by the United States Post Office .

Department, 2 by the Board of Public Utilities and Transportation of the City of Los Angeles and 1 by the Commission's staff. Contained in certain of these exhibits are statements showing the operating results under prevailing conditions as well as the estimates dealing with the probable results that would obtain under different fare structures.

Except for some adjustment in the fare structure applicable to the Los Angeles Motor Coach Lines, the company's Exhibit No. 17 and the Commission's Exhibit No. 23 employ the fare structure as proposed in the application. Exhibit No. 22, presented by the staff of the Board of Public Utilities and Transportation of the City of Los Angeles, is based on the fare structure sought by applicant with the exception that the weekly pass is to be retained at its present level as contrasted with applicant's proposal to discontinue its use. These various exhibits show the estimated annual operating results for the ensuing year to be as follows:

	Applicant's Exhibits		City of	Commission's
Item	Exhibit	Exhibit	Los Angeles	Staff
	No. 12	No. 17	Exhibit 22	Exhibit 23
	Present Fares	Proposed Fares	Proposed Fares	Proposed Fares
Operating Revenue	\$21,677,500	\$24,070,500	\$23,733,000	\$26,500,630
Operating Income	(<u>\$1,155,300</u>)	878,961	341,000	3,510,409

(Red Figure)

* Except with retention of revenue passes.

The primary difference in the annual operating income shown in Exhibit No. 23 as compared with that shown in Exhibit No. 17 results from five major items shown in

(1)
the footnote, amounting to approximately \$2,385,000.

In the case of Exhibit No. 22, the engineer for the city of Los Angeles stated that it was his objective to show the operating results under the most unfavorable conditions with the view of demonstrating that even under such conditions the company could continue to operate with a small profit, provided it is authorized to increase the fares as requested, except retention of revenue passes at their present level.

(1)

a. Exhibit No. 17 is based upon the assumption that the relation between the use of token and the 10¢ cash fare will be on a basis of 84 and 16 percent respectively, which was the experience in the city of Seattle where applicant's proposed fare is now in effect; whereas Exhibit No. 23 assumes this relation to be 75 and 25 percent respectively, which was the experience in San Francisco subsequent to the time that it established this fare structure May 20, 1946. This difference in token use results in increasing the estimated revenue in Exhibit No. 23 approximately \$300,000 over that shown in Exhibit No. 17.

b. A major difference in these two exhibits results from the fact that Exhibit No. 17 assumes a diminution in traffic resulting from the proposed increased fare, varying from 10 to 30 percent, whereas in the case of Exhibit No. 23, it is assumed that this diminution will amount to 5 percent. These different assumptions have the effect of increasing the estimated revenue in Exhibit No. 23 over \$1,000,000 in excess of that shown in Exhibit No. 17.

c. Exhibit No. 23 makes no allowance for expenses incidental to additional service contemplated by applicant during the ensuing twelve months. The added cost of providing this service was estimated by applicant to amount to approximately \$450,000.

d. Exhibit No. 23 makes no allowance for depreciation of buses to be acquired during the ensuing twelve months. This would increase the depreciation allowance in Exhibit No. 23 by approximately \$235,000.

e. Operating expense allocated to ways and structures is slightly over \$1,000,000 in Exhibit No. 17, whereas in Exhibit No. 23 it is \$600,000.

With respect to applicant's present financial position, its Exhibit No. 9 shows that the current liabilities, including audited accounts and wages payable together with accrued interest and taxes, total \$2,543,056, whereas liquid available assets consisting of cash, Treasury Notes and receivables amount to \$2,132,942, or a deficit of approximately \$400,000 in its cash position. Effective May 1, 1946, the operating expenses of this carrier were increased approximately \$2,000,000 a year as a result of wage increases granted its employees.⁽²⁾

The granting of applicant's request to revise and increase its fare structure was opposed by a representative of the United States Post Office Department. This objection was directed to applicant's plan to abolish the pass form of fare now in effect. It was contended that if the postal employees are required to travel on the proposed token fare of 8-1/3¢, in lieu of employing the present pass privileges which are now available, it would impose an unwarranted financial burden on the postal service.

Representatives from certain organizations participated in the hearing in this proceeding to the extent of cross-examining witnesses, with the objective of supporting their general opposition to any increase in fares.

(2) Applicant stated in effect that, as a result of the settlement of a labor dispute involving an extended strike, it was required to increase wages to employees as of May 1, 1946 in an amount approximating 18%. The operators of applicant's motor coaches and one-man street cars received an increase of 20¢ per hour from \$1.03 to \$1.23. Other employees received similar increases. Applicant's labor costs alone have increased since January 1, 1941 from 67¢ per average man-hour to \$1.186 or 77%. The cost of labor is approximately 55% of applicant's total operating expense. Increasing prices of materials and supplies for the coming year will approximate 15% over the 1945 level.

An analysis of the testimony in this record, dealing with the operating results under the present fare structure, shows that with the increased operating expenses the company does not obtain sufficient revenue to meet the cost of providing a reasonable and adequate service to the public. This conclusion gives due consideration to the fact that certain adjustments should be made in some of the operating estimates presented in this record.

With respect to the estimated operating results that will obtain under different fare structures, the Commission is impressed with the need for more complete and accurate studies of this general problem which may have a material effect on the net operating income. For example, substantial differences exist in the estimates presented by engineers on important subjects, such as the effect an increase in fare will have on the diminution of traffic, and the relation between the use of the 8-1/3¢ token and the 10¢-cash fare. These, with other important items point to the need for a further and more complete study to enable the Commission to prescribe the lowest reasonable rates that can be justified, based on an adequate service.

A review of this record supports the conclusion that applicant is entitled to some immediate emergency and temporary relief in the way of increasing its fare structure to meet the substantial increase in its operating expenses resulting primarily from recent increases in labor costs. In reaching this conclusion the Commission is impressed with the urgent need for a comprehensive transportation survey to develop all phases of applicant's operations and the rate and transportation problem in the Los Angeles Metropolitan Area. This general problem involves revision of methods of providing local transportation incident

to both modernization of the system and adjusting the operations to coordinate with major highway improvements.

A further need for such a comprehensive survey is supported by the fact that Pacific Electric Railway Company is now before the Commission seeking authority to increase its system fare structure which includes the Los Angeles Metropolitan Area. While that carrier's application was heard on a different record, it appears that the Commission should review the transportation problem from the standpoint of rates and service, as related to these two carriers, in one major investigation. To this end the Commission is instituting an investigation on its own motion to inquire into all phases of this local transportation problem in the Los Angeles Metropolitan Area.

Upon this record the Commission finds that the fare structure on the Los Angeles Transit Lines and those of the Los Angeles Motor Coach Lines should be increased to the level set forth in the following order, which provides that the applicant's request to increase the present 7¢ cash and token fare will be increased to 10¢ cash with 3 tokens for 25¢ and in all other respects the application should be denied.

The following form of order is recommended.

O R D E R

Public hearings having been held in the above-entitled application, the proceeding submitted and the evidence and briefs thoroughly considered, and good cause appearing,

IT IS ORDERED that Los Angeles Transit Lines is authorized to establish on its lines and those of the Los Angeles Motor Coach Lines on not less than five days' notice to the

Commission and to the public the following changes in its fare structure:

1. Increase the present 7-cent cash fare to 10-cents.
2. Increase the present 7-cent token fare to 3 tokens for 25-cents.

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

IT IS FURTHER ORDERED that the authority herein granted shall be void unless the fares authorized herein are published, filed and made effective within 60 days from the effective date of this order.

The effective date shall be twenty days from the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 31 day of July, 1946.

Harold Anderson
Justus F. Walker
Francis A. Davis
Joseph P. Powell
Harold P. Hule
COMMISSIONERS

APPENDIX

GIBSON, DUNN & CRUTCHER, by S. M. HASKINS, W. M. TAYLOR
and MAX EDDY UTT, for Los Angeles Transit Lines and
Los Angeles Motor Coach Lines.
C. W. CORNELL, for Pacific Electric Railway Company.
ROGER ARNEBERG E, for City of Los Angeles.
K. CHARLES BEAN, for Board of Public Utilities and
Transportation, City of Los Angeles.
CLYDE WOODWORTH, for City of Inglewood.
SANFORD GOLDNER, for National Citizens Political Action
Committee, C.I.O.
JOHN B. HARMON and C. O. BURGIN, for Office of Price
Administration, San Francisco.
MAYER G. ROYAL, for 14th Congressional Democratic Club.
DAVID B. TROTH, for All of the Garden Variety of Los
Angeles Citizenry.
JAMES E. WYNNE, for U. S. Post Office, Los Angeles.
JOY A. WINANS, for Municipal League of Los Angeles, also
Peoples Lobby of California.
CLARA McDONALD, for Peoples Lobby of California.
JAMES L. DAUGHERTY, National Representative, Utility
Workers Union of America.
E. L. PARKER, for Local 1420 Utility Workers Union of
America (Legislative Representative.)
LAWRENCE MENDELSON, for National Lawyers Guild.
P. H. LESTER, for Peoples Lobby.
LOUIS SCHWARTZ, for News Boys Union, C.I.O.
HELEN S. FLEMING, for Women's International League.
EARL S. CRAIG, for Public Affairs Forum.
RUTH P. JACKSON, for Los Angeles Committee for no transit
fare increase.
A. T. T. TWIGG, District Price Attorney and BENJAMIN
CHAPMAN, Sr. Price Attorney, for Office of Price
Administration, Los Angeles.