Decision No. 40040 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Highland Transit, Inc., a California Corporation, to increase rates and fares for the transportation of passengers.	Application No. 28120
In the Matter of the Application of Robert Landier (La Rambla Bus Line) to increase passenger fares and alter rules and regulations between San Pedro, City of Los Angeles and La Rambla.	Application No. 28130

Appearances

In Application No. 28120 -

Herbert Cameron, for applicant; Roger Arnebergh and T. M. Chubb, for the City of Los Angeles; and George M. Stephenson for Robert Landier, interested parties.

In Application No. 28130 -

George M. Stephenson, for applicant; Roger Arnebergh and T. M. Chubb, for the City of Los Angeles; and Herbert Cameron, for Highland Transit, Inc., interested parties.

O P I N I O N

Highland Transit, Inc., a corporation, and Robert Landier, an individual, are engaged in the transportation of passengers by motor bus as passenger stage corporations, as defined in the Public Utilities Act, within and in the vicinity of San Pedro in the Los Angeles harbor area. By these applications they seek authority to increase their adult one-way fares from five cents to seven cents, and to make a two-cent increase in fares for school children.

Public hearings were had before Examiner Bryant in Los Angeles on January 30 and 31, 1947, briefs have been filed, and the matters are ready for decision.[1]

[1] The two applications were heard and submitted on separate records, and each will be decided on its own merits. Because certain phases of the two operations have points in common, they are considered in this single decision as a matter of convenience.

According to evidence received in these proceedings, applicants have experienced substantial increases in direct operating expenses and are unable to earn sufficient revenues to cover costs of operation. Financial schedules submitted as exhibits indicate that both applicants suffered operating losses during the past year, and that greater losses are to be expected if present fares are maintained. Cost of labor, applicants' principal expense item, advanced materially during 1946. Exhibits and testimony of applicants' witnesses indicate that during that year wage rates of drivers employed by Highland Transit, Inc. rose 20 cents to $1.10 per hour and that the rate scale for drivers employed by Robert Landier rose 26 cents to $1.21 per hour. Wages for other classes of labor were also increased. In addition to the direct increases, labor costs were augmented by other factors such as more liberal vacation privileges, higher rates for overtime, and higher expenditures for other labor items. Moreover, increases in other operating expense items, including parts and supplies, gasoline and oil, and insurance, were experienced during 1946.

Looking to 1947, applicants predicted that operating expenses would increase further. A witness for Highland Transit, Inc. testified that since the first of the year his company has had to observe a higher rate of pay for overtime, and has had to assume additional compensation insurance. He stated that the company is negotiating a new labor contract under which higher wages are probable. Robert Landier expected that he would soon have to make another increase in his drivers' wages. Both applicants said that gasoline prices advanced one-half cent a gallon in January, and they expected that fuel costs would be further increased by at least 1½ cents a gallon through additional taxes currently being considered by the state legislature.

Witnesses for both Highland Transit, Inc. and Robert Landier testified that present terminal facilities are inadequate and that capital expenditures will be required during 1947 to provide improved or additional facilities. They pointed out that depreciation expense on the terminal improvements would increase the year's cost of operation. A witness for Highland testified also that his company would find it necessary to add two buses to its fleet, and that it had determined that such buses should be acquired under lease arrangement. The witness asserted that the cost of leasing the buses should be considered in estimating operating expenses for 1947.

In addition to the anticipated increases in operating costs, applicants expected a reduction in passenger volume. Both companies declared that the trend had been downward in 1946, and estimated that during 1947 there would be a further reduction in passenger volume of 5 per cent at present fares and of about 10 per cent at the proposed fares.

A transportation research engineer of the Commission's staff introduced and explained exhibits covering studies he had made of applicants' operations. According to his studies, both companies incurred losses in 1946, and would suffer substantial losses in 1947 if required to maintain the present fares. He introduced calculations showing the estimated 1947 revenues under present fares, proposed fares, and an intermediate fare basis.

Representatives of the City of Los Angeles participated in both proceedings, examined witnesses, and introduced a report on operations of bus companies in the San Pedro area as submitted to the Board of Public Utilities and Transportation of Los Angeles by its chief engineer and general manager. The report indicates that applicants are incurring deficits, recommends that fare changes pending before the Board in connection with local lines under its jurisdiction be coordinated with whatever fares may be authorized by this Commission in these proceedings, and suggests that fare increases be limited to a definite period within which the operators should seek economies through coordination of their services. The City of Los Angeles did not take a position with respect to the fare level which might be required by the applicants. No other parties participated in these proceedings. No one opposed the granting of the applications.

The records in these proceedings leave no question that both applicants are in need of increased revenues. According to applicants' figures, Highland Transit, Inc. lost $17,581 for the calendar year 1946, and Robert Landier lost $10,076 in operating his La Rambla Line for the fiscal year ended November 30, 1946. Highland furnished estimates to show that at present fares its net operating loss for the year ending January 31, 1948, would be $22,796, and that under the fares proposed the net operating revenues would be only $558. Similar estimates submitted by Robert Landier for the year ending November 30, 1947, indicate anticipated operating losses on the La Rambla Line of $15,518 under present fares, and $3,258 under proposed fares.

According to estimates of the Commission engineer, after modifications conceded at the hearing to reflect factors of which he was not apprised when making his studies, the net operating revenues for the year 1947, at the proposed fares, would be $5,810 for Highland and $3,662 for the La Rambla Line.[2]

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2 Differences between the estimated operating results supplied by applicants for 1947 and the more favorable results foreseen by the Commission's engineer may be accounted for by the fact that the engineer's estimates covered slightly different periods than those used by applicants; that the engineer employed different bases for his calculations; and that the engineer did not give weight to future operating factors which applicants believed to be reasonably imminent and certain.

Giving consideration to all of the factors involved, we conclude that the fares proposed by applicants herein will be reasonable, will not produce excessive revenues, and are necessary to maintenance of the services involved. Upon careful consideration of all of the facts and circumstances of record, we are of the opinion and find as a fact that the increased fares proposed in these applications are fully justified.

No time limitation will be attached to the fares, as suggested by the engineer for the City of Los Angeles, inasmuch as the fares are subject to revision at any time upon a showing of changed conditions. Highland Transit, Inc. and Robert Landier will be expected to effect operating economies within their control, and to cooperate in eliminating any unnecessary duplication of services or overlapping of service areas.

O R D E R

The above entitled applications having been heard and submitted, full consideration of the matters and things involved having been had, and the Commission being fully advised,

IT IS HEREBY ORDERED that Highland Transit, Inc. and Robert Landier, doing business as La Rambla Bus Line, be and they are hereby authorized to establish, on not less than ten (10) days' notice to the Commission and to the public, the following increased fares:

1. Increase present one-way cash fare of 5 cents to 7 cents.

2. Increase present school fares to basis of a $1.50 ticket good for 30 one-way rides, without privilege of transfer to other lines, for use only by students of high school grades or lower, valid only on school days between 7:00 a.m. and 5:00 p.m.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void except to the extent that the fares published pursuant to this authority are filed and made effective within ninety (90) days from the effective date of this order.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 4th day of March, 1947.

Harold P. Huls

Justus F. Craemer

Ira H. Rowell

R. E. Mitchell

Kenneth Potter

Commissioners