

ORIGINAL

Decision No. 40534

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CHARLES B. HOLBROOK, dba HOLBROOK) Application No. 28383
 TRANSIT COMPANY, for an increase in)
 rates.)

Phil Jacobson for applicant

POTTER, COMMISSIONER:

O P I N I O N

Charles B. Holbrook, an individual, doing business as Holbrook Transit Company, seeks authority under Section 63(a) of the Public Utilities Act to establish increased fares and revised fare zones.

A public hearing was held in Los Angeles on June 5, 1947, before Commissioner Potter and Examiner Chiesa. Evidence, oral and documentary, having been adduced and the matter submitted, it is now ready for decision.

Applicant's manager and his accountant testified in support of this application.

The record shows that applicant provides local passenger transportation within and between the Communities of Downey, Bellflower, Bell Gardens, and Downey Manor, operating also to Bell and Huntington Park, but not serving locally within the two latter cities. Four routes are now operated varying in mileage from 3.2 miles on the Downey Manor Line to 14.6 miles on the Huntington Park-Bellflower Line. The routes of Bell Gardens and East Gage Lines

are 7.3 miles and 6.7 miles, respectively. Total route mileage is 31.8. Eleven buses are operated and five additional buses are used as standbys. Applicant owns and maintains his office, garage, and storage yard in Bell, California.

Applicant now has a fare structure consisting of ten zones with a basic fare of seven cents within any one zone in which local operations are permitted (Zones 1 and 2 between Huntington Park and the Los Angeles River are restricted against local transportation). Other fares are 10, 15, 20, and 25 cents, depending on the number of zones traversed. Applicant also provides lower fares for children and members of the armed forces, and commutation tickets are available to adults and school children. Passengers also have free transfer privileges.

Holbrook proposes, by this application, as amended, to consolidate his present ten zones into six zones in order to simplify his fare structure, speed up collection of fares, and reduce the number of disputes and misunderstandings between passengers and operators. The proposed reduction in zones appears to be in the public interest.

Applicant, in his amended application, proposes to increase present one-way fares as follows: 7¢ to 10¢; 15¢ to 20¢; 25¢ to 30¢. Commutation fares⁽¹⁾ will be 8 1/3¢ in the 10¢ zones; 16 2/3¢ in the

(1) It was testified that applicant proposes to replace the 10-ride commutation books with 12-ride punch cards for the 10, 20, and 30¢ fares and that this change would result in a reduction of from 30-54% to 20-30% in the use of this type of fare with a corresponding increase in cash fares.

20¢ zones, and 25¢ in the 30¢ zones. A slight reduction of commutation fare is proposed in the 20¢ fare from the present 17½¢ to 16 2/3¢. Children will be required to pay regular fares unless under five years of age and not occupying a seat to the exclusion of other passengers, and there will be no reduced fares for members of the armed forces. Reduced fares for school children will be continued at a slightly higher level.

In his original application applicant had proposed inter-zone fares of 10, 15, 20, and 25 cents instead of 10, 20, and 30 cents as in the amended application; ⁽²⁾ also, commutation fares were to be provided for the 15¢ and 25¢ fares, which fares were eliminated in the amended application.

Applicant's accountant testified that Holbrook Transit Company had operating expenses for the twelve months ending March 31, 1947, of \$180,329 and that estimated operating expenses for the year ending March 31, 1948, will be approximately \$267,899. Net operating loss, as of March 31, 1947, was \$12,670 and estimated operating loss, under present fares, as of March 31, 1948, is \$38,354. He also testified that applicant would incur a loss of \$11,780 for the 12-month period ending March 31, 1948, under the fare increases proposed in the original application, and that, under the fares proposed in the amended application, a net operating income, before income taxes, of \$9,814 would result.

Applicant's manager testified that increased fares and revised zones, as requested in the amended application, are necessary

(2) The 10-cent basic fare (or 8 1/3-cent commutation fare) covers transportation between points within one zone, or between points within one zone and points in any contiguous zone.

to provide the carrier with sufficient revenues for a fair rate of return; that applicant has agreed to increase employees' wages from \$1.00 to \$1.15 per hour beginning August 1, 1947; that if applicant's business is unionized wages in excess of \$1.15 per hour may be anticipated; that costs of materials and supplies and other expenses of operation have risen materially. He agreed, however, that the trend of passengers appears to be slightly upward for the 12-month period ending March 31, 1948, (estimates of a Commission engineer being approximately 170,000 passengers per month compared with a monthly average of 167,700 for the preceding 12-month period.)

Estimates showing results of operations under present and proposed fares, from April 1, 1947, to March 31, 1948, were offered by a Commission engineer. This witness's tabulation follows:

	CASE I	CASE II	CASE III
	Under	Under	Under
	Present	Proposed	Proposed
	Fares	By Applicant	By Applicant
	(10 Zones)	(6 Zones)	(6 Zones)
<u>Revenue</u>			
Passenger	\$172,350	\$215,330	\$223,180
<u>Expenses</u>			
Maintenance	41,655		
Transportation	103,230		
Traffic & Adv.	390		
Insurance	14,050		
Administrative	11,065		
Total Operating and Maintenance Expense	\$170,390	\$170,390	\$170,390
Depreciation	17,595	17,595	17,595
Taxes (Other than State and Federal Income)	19,570	20,675	21,095
Total Expenses	\$207,555	\$208,660	\$209,080
Net Operating Income	\$ (35,205)	\$ 6,670	\$ 14,100
Estimated Rate Base	\$ 64,270	\$ 64,270	\$ 64,270
Rate of Return		10.4%	21.9%
Operating Ratio		96.9%	93.7%

(red figure)

It is to be noted that although applicant estimates that he will incur a loss of \$11,780 under the fares proposed in the original application, based upon his estimated rate base of \$46,090,⁽³⁾ the Commission engineer estimates that under the same fares the carrier will operate at a net profit of \$6,670, upon a rate base of \$64,270.

A statement of applicant's financial condition, as of March 31, 1947, shows assets of \$55,831.86, liabilities of \$38,602.93, and net worth of \$17,228.93. Applicant owns other property, non-operative, and has an additional liability of \$25,000, \$18,500 of said indebtedness being secured by a mortgage of chattels covering ten of his buses (Decision No. 40086). It was testified that the monthly installments on the latter obligation will be met by liquidating the nonoperative property.

No one appeared in opposition to this application.

Reviewing this record, consideration has been given to the probable future trend of traffic and various proposed fare adjustments such as increased basic fare, substitution of 12-ride punch tickets, increased commutation fares, elimination of half fares, proposed simplification of zones, proposed increases in employees' wages, increased costs of materials and supplies, and other operating expenses, and this Commission is of the opinion and finds as a fact that applicant is faced with net operating losses unless an

(3) Applicant has estimated his rate base to be \$46,090 and the rates of return for the plans under the original and amended applications (25.6%) and 21.3%, respectively, with operating ratios of (105.9%) and 95.6%, respectively. Said estimates, however, are based on an accelerated computation of depreciation and represent an assigned life of equipment less than the normal life ordinarily assigned to the kind of equipment operated by this carrier.

increase in present fares is authorized; that the fares, on the basis of six fare zones, as proposed by applicant in his original application, will provide a reasonable rate of return and that such fares have been shown to be justified.

Increased fares and revised fare zones, as proposed in the application filed April 28, 1947, will be granted. In other respects the application, as amended, will be denied.

O R D E R

Applicant having filed an application requesting authority to establish increased fares and revised fare zones, a public hearing having been held, and the Commission being fully advised,

IT IS ORDERED:

(1) That Charles B. Holbrook, doing business as Holbrook Transit Company be, and he hereby is, authorized to establish, on not less than ten (10) days' notice to the Commission and to the public, increased fares and revised fare zones, as follows:

DESCRIPTION OF ZONES

- Zone 1: West of the Los Angeles River
- Zone 2: Between the Los Angeles River and Rio Hondo
- Zone 3: Between Rio Hondo and the intersections of 2nd Street & Downey Avenue and Firestone Boulevard & Old River Road
- Zone 4: Between the intersection of Firestone Boulevard & Old River Road and the intersection of Julius Avenue & Hondo Street
- Zone 5: Between the intersection of 2nd Street & Downey Avenue and the intersection of Lakewood Boulevard & Gardendale Street
- Zone 6: South of the intersection of Lakewood Boulevard & Gardendale Street

FARES (IN CENTS) PER ONE-WAY RIDE

Between Zone	Zone					
	1	2	3	4	5	6
" 1	*	10	15	20	20	25
" 2	10	10	10	15	15	20
" 3	15	10	10	10	10	15
" 4	20	15	10	10	10	15
" 5	20	15	10	10	10	10
" 6	25	20	15	15	10	10

*No local transportation authorized

COMMUTATION FARES

Where fare is:	12-Ride Commutation Punch-Ticket	40-Ride Commutation School Tickets
10¢	\$1.00	\$2.00
15¢	1.55	3.20
20¢	2.00	4.00
25¢	2.55	(none proposed)

(2) That the authority herein granted shall expire except to the extent that fares published pursuant to this authority are filed and made effective within ninety (90) days from the effective date of this Order.

(3) That in all other respects the application, as amended, be, and it hereby is, denied.

The effective date of this Order shall be twenty (20) days from the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

Dated at San Francisco California, this 22nd day of July, 1947.

Harold P. Kule
Justin P. Casper
W. H. K. Kull
R. I. Anderson

COMMISSIONERS