

Decision No. 40788

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of Asbury Rapid Transit System, a )  
corporation, for an order granting ) Application No. 28620  
permission to increase and adjust )  
passenger rates and fares. )

Bart F. Wade, attorney for applicant. Roger Arneburg,  
K. Charles Bean, T. M. Chubb, and Thomas V. Tarbet for the City  
of Los Angeles; John H. Lauten and Loren W. East for City of  
Glendale; K. R. Barge for City of Pasadena; Harmon R. Bennett,  
George W. Irving, and Archie L. Walters for City of Burbank,  
protestants. Randolph Kerr for Pacific Electric Railway Company,  
interested party.

INTERIM OPINION AND ORDER

The Asbury Rapid Transit System is a California corporation operating a passenger stage service in Los Angeles and surrounding territory, including the cities and points of San Fernando, Pasadena, Hollywood, Culver City, Ocean Park, Burbank, Glendale, and various other points.

Authority is sought herein to increase fares as set out in Exhibit J attached to the application. Generally speaking, this exhibit proposes increasing the five-cent fares to eight cents and also proposes increasing, by one to nine cents, the present fares which range from 10 to 60 cents. It further proposes a 40-ride school commutation book, the elimination of the present 12-ride

commutation book, and the substitution therefor of 30-ride commutation books.

A public hearing was held at Los Angeles on September 11 and 19, 1947.

Official notices of the hearing were sent to the governing authorities of the County of Los Angeles and of the cities and communities of Los Angeles, Pasadena, Glendale, Inglewood, Burbank, San Fernando, Culver City, and Beverly Hills, as well as to various civic bodies and chambers of commerce in the cities and communities involved; also, the interested passenger stage companies in the area were notified. Notices of the hearing were posted in the busses operated by applicant and published in a Los Angeles newspaper, the Evening Herald and Express.

At the hearing there were appearances from the applicant, the cities of Los Angeles, Glendale, Pasadena, Burbank and the Pacific Electric Railway Company. Applicant's witnesses were its vice president and its manager of bus operations. The testimony of these witnesses and the exhibits they presented indicate that the applicant company is now conducting its operations at a loss. The income from these operations has gradually decreased since July of 1946, and during the months of December, 1946, and March, May, June, and July of 1947, the company has operated at a loss. The reasons advanced for this condition were that the expenses and costs are gradually increasing and that the number of passengers carried per bus mile is decreasing. It was testified that increases in expenses and costs are due to wage increases which actually have been awarded, and to the further fact that the cost of materials and supplies is increasing. The company busses, during the war years, were overcrowded, due to a

shortage of equipment; accordingly, a large number of standees was carried. Since the termination of the war the company has secured additional equipment and added additional schedules in order to provide seats for most of the passengers. This additional equipment has increased the expenses of the company out of proportion to the passenger revenue received. Applicant's testimony indicated that it would be necessary to further increase the service to the extent of approximately 161,000 miles per year. This will entail further expense without any prospect of increasing revenue.

The balance sheet for the applicant company, as of July 31, 1947, showed that during the year 1947 there was a deficit in earned surplus of \$25,447.72. The testimony of applicant's witnesses that the company could not continue operating on the present fares without sustaining a loss was corroborated by testimony of the Chief Engineer and General Manager of the Board of Public Utilities and Transportation of the City of Los Angeles. The inference from this testimony was that some increase in applicant's present fares is necessary, although a resolution of the Council of the City of Burbank, No. 4217, adopted on September 4, 1947, was introduced at the hearing, which resolution unequivocally opposed any increases in the present fares of applicant company.

From a fair view of the testimony and exhibits presented we conclude that applicant company is operating at a loss and that some fare increases are necessary in order to enable applicant to

secure a fair return. In reaching this conclusion we are aware that the unusually heavy losses occasioned during the months of May and June, 1947, were largely due to the temporary condition of a strike. The question at issue in this matter, therefore, appears to concern the extent to which applicant's present fares should be increased.

Applicant's witnesses presented exhibits estimating the probable results of operations under the present fare structure. This testimony indicated that, for the year commencing August 1, 1947, the probable losses, if operations were continued under the present fare structure, would amount to approximately \$169,000. This estimate was contested by testimony introduced by the Chief Engineer of the Department of Public Utilities and Transportation of the City of Los Angeles, which testimony indicated that the probable results of operation under present fares for the year commencing August 1, 1947, would be a loss of \$53,700. Under the proposed fares applicant estimated it would sustain a loss of approximately \$13,600 for the ensuing year while the testimony of the Chief Engineer of the Department of Public Utilities and Transportation for the City of Los Angeles indicated that, under the proposed fares applicant would make a net operating profit of between \$63,000 and \$126,000, depending upon the amount of passenger deflection resulting from the increased fares.

It was contended by the City of Los Angeles that the proposed fares would result in too great an increase, particularly in view of the fact that the parties had not had an adequate opportunity to make a complete study of the condition of applicant com-

pany. It was further contended that inasmuch as this proceeding is for an emergency increase, the principal objective should be to place applicant's operation on a paying basis rather than to give consideration to a satisfactory rate of return which should be determined as a result of a more complete study.

The City of Los Angeles introduced testimony concerning the general business index in the area, which index did not indicate any anticipated substantial increase in items of expense. Partly for this reason the City's estimate as to expenses for the ensuing year was approximately \$91,000 less than was applicant's estimate. The City's estimate of anticipated revenue did not vary seriously from that of the applicant, there being a difference of approximately \$25,000 with a total estimated revenue of approximately \$1,400,000.

An exhibit of the City showed the depreciated rate base of applicant's properties to be \$585,800. While applicant did not present definite figures as to a rate base, the City's figure is in substantial agreement with items appearing on the balance sheet and other financial data of applicant.

It was the City's contention that the only rate changes which should be granted applicant at this time should be to eliminate all commutation fares where the one-way fare is 15 cents or less. Such proposal would result, according to the testimony, in a net operating income of \$17,700. Considering the size of applicant's operation, such an income would not be adequate.

An engineer for the Public Utilities Commission presented testimony as to the probable results that would obtain from the

application of a fare structure based upon applicant's proposal, with certain modifications. The modifications suggested were (1) an increase of the present 5-cent zone fare to 7 cents instead of to 8 cents as proposed by applicant, and (2) certain minor adjustments in the proposed commutation fares, for the purpose of eliminating odd cents. This testimony indicated that the fare structure considered would result in a net return of approximately 8% on a rate base of \$585,000.

This record shows that subsequent to the wage increases granted in the early part of 1947, applicant's operations have been conducted at a loss. During the four months' period March to June, 1947 inclusive, according to the applicant's showing, the operating losses amounted to \$32,500. Testimony offered by the City of Los Angeles witness corroborated the statement that the operations cannot be conducted at a profit under the existing fares.

Applicant contends that even with the proposed increased fares in effect, its earnings will be insufficient to defray the cost of providing the services. Based upon a deflection of 7% as a result of the increased fares, the operating loss would amount to \$13,600 annually, or an operating ratio of 101.0%. Applicant's position is that the increased fares will materially reduce the operating loss pending the time the matter can be further investigated.

On the other hand, testimony introduced by the City of Los Angeles shows that the increased fares, if put into effect, would result in a net profit of \$126,000 or an operating ratio of 91.6% for the year ending July 31, 1948. This would result in a

return of approximately 20% on the depreciated rate base. This estimate does not provide for any deflection in traffic as the result of increases in fares. The City's witness further stated that if there was a diminution of traffic to the extent of 7%, the net return would be approximately \$63,000 and the operating ratio would be 95.5%. It was his judgment, however, that any diminution would not exceed 1 $\frac{1}{2}$ %.

The estimates presented by the Commission's staff show, that applying certain adjustments to the proposed rate structure, which are discussed above, applicant would earn a rate of 8% on the depreciated rate base, assuming a diminution of 7% in the volume of traffic as a result of increased fares.

A careful review of this record impels the conclusion that applicant has justified some increase in its rate structure on an interim basis, pending the time further study can be made of this operation. It is concluded that applicant has justified increasing its fare structure to the extent shown in the following order. In the interest of eliminating further operating losses, it appears to be in the public interest to permit this carrier, within a reasonably short period of time, to increase its fares to the extent authorized. To that end, the increased fares may become effective on or after October 19, 1947, on one (1) day's notice to the public.

ORDER

Application as above entitled having been filed and public hearing having been held thereon, the matter having been submitted, the Commission being fully advised in the premises, and good cause appearing,

IT IS ORDERED that Asbury Rapid Transit System be, and it hereby is, authorized to establish, on or after October 19, 1947, on not less than one (1) day's notice to the Commission and to the public, the rates, fares, and charges as set out in Appendix A attached hereto and by reference made a part hereof.

IT IS FURTHER ORDERED that the authority herein granted shall be void except to the extent that the rates and charges published pursuant to this authority are filed and made effective within sixty (60) days from the effective date of this Order.

The effective date of this Order shall be October 17, 1947.

Dated at San Francisco, California, this 6<sup>th</sup> day of October, 1947.

Harold P. Kule

Justin F. Craven

W. H. Howell

R. T. Johnson

Commissioners

APPENDIX AFARE STRUCTURE

Present One-way Adult Fare	Authorized One- way Adult Fare	Authorized 30-ride Commutation Book	Authorized 40- ride School Commutation Bk.
\$0.05	\$0.07	----	\$1.75
.10	.12	----	----
.11	.12	----	3.00
.15	.17	4.60	4.00
.19	.22	----	----
.20	.22	5.90	5.25
.22	.25	6.50	6.00
.23	.26	----	----
.24	.28	----	----
.25	.28	7.10	6.75
.27	.30	7.50	7.20
.28	.32	----	----
.30	.35	8.60	8.50
.34	.39	----	----
.35	.40	9.60	9.50
.39	.45	----	----
.40	.45	10.50	10.50
.41	.47	----	----
.43	.49	----	----
.46	.53	----	----
.50	.58	----	----
.52	.60	----	----
.56	.64	----	----
.60	.69	----	----

(a) Thirty-ride commutation books will be sold, by agents only, for use of bearer within 30 days from date of sale. Thirty-ride commutation books will apply to or from the same limits as one-way fares named herein.

(b) Forty-ride school commutation books will be limited to 30 days from date of sale and will be sold, by agents only, and only upon presentation of certificate or order signed either by the principal or teacher of school attended and only during months schools are in session; and will be honored only for transportation of the individual whose signature appears on the book when presented with both covers intact and only between the hours of 6:00 A.M. and 6:00 P.M. on school days only.

EXCEPTION 1: No thirty-ride commutation books or forty-ride school books will be sold for passage to or from points west of Hollywood, nor to or from points on the Mt. Wilson Division.

EXCEPTION 2:		MT. WILSON DIVISION			
		ONE-WAY FARES IN CENTS			
BETWEEN	Los Angeles	Pasadena (Depot)	Switzerland Jct.	Red Box	
AND					
Switzerland Jct.	75	50			
Red Box	100	75	25		
Mt. Wilson	125	100	40	25	

EXCEPTION 3:		INVER-DIVISION FARES	
		ONE-WAY FARES IN CENTS	
BETWEEN		Mt. Wilson	
AND			
Hollywood		135	
Santa Monica or Ocean Park		169	

EXCEPTION 4:		INGLEWOOD (HOLLYWOOD TURF CLUB) DIVISION	
		RESERVED SEAT SERVICE	
TO		ROUND-TRIP FARES	
Inglewood (Hollywood Turf Club)		(In Cents)	
FROM			
Hollywood		125	
Beverly Hills		94	
Culver City		63	

EXCEPTION 5:		BURBANK-HOLLYWOOD DIVISION	
		(Via Magnolia Park)	
		ONE-WAY FARES IN CENTS	
BETWEEN		Hollywood (Depot)	
AND			
Burbank (Depot)		17	
Buena Vista St. and Magnolia Ave.		17	

EXCEPTION 6:		BURBANK-HOLLYWOOD DIVISION	
		(Via Olive Avenue)	
		ONE-WAY FARES IN CENTS	
BETWEEN		Hollywood (Depot)	
AND			
Burbank (Depot)		17	
Lamer St. and Olive Ave.		17	

EXCEPTION 7:		HOLLYWOOD-BURBANK DIVISION	
		(Via Barham Boulevard)	
		ONE-WAY FARES IN CENTS	
BETWEEN		Hollywood Way and San Fernando Road	
AND			
Hollywood (Depot)		17	
Cahuenga Blvd. and Highland Ave.		17	