

ORIGINAL

Decision No. 41076

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 the BAY CITIES TRANSIT COMPANY for)
 an order granting an increase in)
 fares.)

Amendment to
 Application No. 28517

Hector P. Baida for applicant. Esther Shandler for "No Bus Fare Increase Committee"; Stanley R. Decker for International Association of Machinists, Local 1578; Victoria Van Buren and Mildred Rogers for Santa Monica Chapter of Progressive Citizens of America; Lenora Block, Santa Monica Chapter, American Veterans' Committee; Ruth Brent for Jewish Peoples' Fraternal Order, and David Grant, Chairman, Santa Monica Club Communist Party, protestants. Royal M. Sorensen, City Attorney for City of Santa Monica; R. W. Russell for Roger Arnebergh and T. M. Chubb, City of Los Angeles; Clark H. Sturm for K. Charles Bean, Board of Public Utilities and Transportation of the City of Los Angeles, interested parties.

O P I N I O N

The Bay Cities Transit Company a California corporation, operates a passenger stage service in and between the Cities of Los Angeles and Santa Monica. Authority is sought herein to increase fares as follows:

FARE STRUCTURE

	<u>PRESENT</u> <u>FARES</u>		<u>PROPOSED</u> <u>FARES</u>
One-zone fare	5 cents		10 cents
Two-zone fare	10 "		15 "
Tokens	6 for 25 " (1)	3 for 25 "	" (4)
Comm. Tickets - 25 rides for 200	" (2)	15 rides for 200	" (5)
School Tickets 20 " " 50	" (3)	20 " " 100	" (6)
Santa Monica-El Segundo	15 "		25 "
10-ride tickets "	125 "		200 "

- (1) Each token good in lieu of any 5-cent fare, or two tokens in lieu of any 10-cent fare.
- (2) Commutation tickets may be used in place of 10-cent cash fares.
- (3) School tickets good in lieu of 5-cent cash fares.
- (4) Each token good in lieu of any 10-cent fare.
- (5) Commutation tickets may be used in place of 15-cent cash fares.
- (6) School tickets good in lieu of 10-cent cash fares.

A public hearing was held at Santa Monica on September 17, 1947, before Examiner Syphers. A petition requesting a further hearing was filed September 29, 1947, which request was granted by this Commission's order of October 7, 1947. This further hearing was held at Santa Monica on October 22, 1947, before the same examiner. On this date the case was submitted and the parties were given five days to file concurrent briefs. A brief was filed on behalf of protestants. A third hearing was held December 4, 1947, at Santa Monica before the same examiner, the case was again submitted and the parties given until 5:00 p.m. December 9, 1947, to file briefs. Protestants filed a supplemental brief.

At the first hearing applicant presented testimony showing that the company was operating at a loss, amounting to \$13,468.93 for August, 1947. For the year ending July 31, 1947, applicant company suffered a net loss of \$31,324. These losses were occasioned by additional costs resulting from an increase in the California fuel tax of 1½ cents per gallon, an increase of 1 cent per gallon in the cost of gasoline, a Los Angeles city tax of 2½% on gross receipts, retroactive to January 1, 1947, and a Santa Monica city tax of 2% on gross receipts, effective July 1, 1947. Another item presented to account for the losses was the additional depreciation resulting from the fact that twenty new motor coaches were placed in operation April 1, 1947. This testimony was supplemented at the third hearing by a showing of further losses. For the ten months' period from January 1, 1947, to October 31, 1947, the applicant's losses total \$87,913.97. The losses have been particularly heavy during the last four months of this period amounting to \$58,260.99. The losses for November, 1947, were estimated to be \$16,770.00 or an average daily loss of \$559.00.

Testimony and exhibits analyzing applicant's operations and forecasting probable results of continued operations under the present rates, and, also,

under the proposed rates, were presented by two witnesses - one, a certified public accountant testifying for applicant, and the other, an engineer of the Public Utilities Commission.

The following table is derived from exhibits presented at the hearing:

	<u>Total Operating Revenue</u>	<u>Total Operating Expenses</u>	<u>Net Operating Revenue *</u>
<u>APPLICANT</u>			
Aug. 1, 1946 - July 31, 1947	\$ 960,012.65	\$ 991,336.65	(\$ 31,324.00)
<u>Oct. 1, 1947 - Sept. 30, 1948</u>			
Present fares	960,000.00	1,147,195.41	(187,195.41)
Proposed fares (10-cent base, tokens 3 for 25 cents)	1,350,300.00	1,156,295.41	194,004.59
<u>COMMISSION ENGINEER</u>			
<u>Oct. 1, 1947 - Sept. 30, 1948</u>			
Present fares	959,000.00	1,123,845.00	(164,845.00)
Proposed fares (10-cent base, tokens 3 for 25 cents)	1,356,940.00	1,133,135.00	223,805.00

* Before state and federal income taxes

(Red figure)

The principal variations between the estimates of applicant and the Commission engineer are largely due to a difference in estimated expenses. The applicant has allowed a salary of \$20,200 and expenses of \$5,500 for one general officer of the company, who is also the principal stockholder, while the engineer allowed a \$12,000 salary and \$1,200 expenses. Other minor differences exist in the estimates of various expense items. The two projections as to the results of operations under the proposed fares are, however, reasonably close.

Applicant's figures as to its estimate of operations under proposed fares result in an operating ratio of 85.63%, while the engineer's figures result in an operating ratio of 83.5%.

The Commission engineer presented testimony indicating that the estimated rate base would be \$543,550. This figure was attacked by protestants upon the basis that it included the value of 25 new busses which had not been purchased by the applicant. However, at the third hearing in this matter applicant presented a contract, which was received in evidence as Exhibit No. 9, which contract showed that applicant company was definitely committed to the purchase of 25 new busses. Further testimony presented at the hearing indicated that these busses would be delivered during the first quarter of 1948, probably during the month of February. In view of the fact that applicant has made a definite commitment, it appears proper to make allowance for the value of these new busses in the rate base, at least for that part of the year 1948 during which they will be in operation.

A further objection to the rate base was raised in the supplemental brief of protestants in that it contained the sum of \$9,710, representing the salvage value of 30 busses which had been completely depreciated and for which the company had made no provision for salvage value. It is true that this Commission has held that it is improper to charge duplicate depreciation on equipment (Mare Island 44 CRC 802,806; Southern California Freight Lines et al 45 CRC 233, 239; California Street Cable Railway Co. 45 CRC 384,394).

Also an attack was made on the amount of the rate base charging that the Commission engineer had made excessive allowances for leasehold improvements and for the value of land and other fixed assets, and materials and supplies. The testimony of applicant shows the net book value as of July 31, 1947, of all fixed assets, including land, to be \$399,976.73. The engineer's estimate shows an amount of \$25,308.00 for land and \$407,601.00 for other fixed assets as of August 1, 1947, or a total of \$432,909.00. For the purposes of this decision, we are inclined to accept the lower figure submitted by applicant.

Also we are inclined to discount the allowance of \$20,000 for materials and supplies, as used in the rate base computation, since here again applicant's records show a lesser figure of \$15,981.66 as of August 31, 1947. However, in considering this rate base it must be pointed out that the 25 busses which applicant has now contracted to purchase, as evidenced by the contract submitted as Exhibit No. 9, will be \$48,237.50 greater than the figure previously used as the estimated cost of these busses in computing the rate base. This figure more than offsets the disallowed items in the estimated rate base as presented by the engineer.

Testimony was presented by the engineer as to various alternate proposals (1). One of these proposals, based on a 10-cent cash fare and three tokens for 20 cents with a 4-cent fare for school children, would result, it was estimated, in a total operating revenue of \$1,209,815, total operating expenses of \$1,129,700, and a net income, before taxes, of \$80,115. Such a return would provide an operating ratio of 93.4%.

Protestant presented testimony of numerous public witnesses to the effect that an increase in fares would work a financial hardship upon those members of the public who ride applicant's busses. On the other hand, a fair

<u>Basic Fare Structure</u>	<u>Operating Ratio</u>	<u>Rate of Return</u>
5¢ Cash, Tokens 6/25	117.2	-
7¢ " No tokens	99.4	0.9
10¢ " Tokens 3/25	83.5	24.7
10¢ " " 4/25	96.3	5.0
10¢ " " 7/50	87.6	17.6
10¢ " " 5/35	90.3	13.5
10¢ " " 3/20	93.4	8.8
8¢ " No tokens	92.5	10.1
8¢ " " "	91.2	12.0
9¢ " " "	84.9	22.2
8¢ " Tokens 4/25	97.6	3.7
9¢ " " 4/25	95.2	6.3
10¢ " " 3/20 (2nd zone 2 tokens)	90.6	12.9
10¢ " " 4/25 (2nd zone 2 tokens)	93.2	9.1

view of the evidence impels the conclusion that applicant is presently operating at a loss and has no prospects for a profit under the present fares. To require a public utility to operate at a loss would be contrary to the established principles of law.

An attack was made upon the applicant's forecast as to the results of operations for the ensuing year ⁽²⁾ on the grounds that the testimony was presented not by a transportation engineer or expert in that particular field, but rather by a certified public accountant. This attack, in the form of a motion to strike the forecast, was not made at the time the exhibit was received in evidence at the first hearing, but rather was made at the second hearing on October 22, 1947.

It is true that a forecast as to results of future operations of a utility is a matter of opinion and should properly be presented by expert testimony. However, the forecast here under consideration was corroborated to a large degree by the forecast of the Commission engineer, who properly qualified as an expert and whose qualifications were not challenged. Also, there was supporting testimony from the owner of applicant company, who has had many years' experience in the operation of the bus line.

It was from an analysis of both forecasts, and after giving consideration to all the testimony presented, as well as briefs filed, that we reach our conclusions herein.

Upon full consideration of the testimony we find that applicant has failed to justify all of the increases proposed. However, we do find that applicant is entitled to some relief and on this record the fares authorized in the following order are hereby found to be justified.

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Exhibit No. 1, pp. 1 to 20, inclusive.

O R D E R

Application as above entitled having been filed, a 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 the Bay Cities Transit Company be, and it hereby is authorized to establish on one (1) day's notice to the Commission and to the public:

- (1) increased local one-way fares of 10 cents in lieu of present 5-cent cash fares;
- (2) increased one-way fares of 15 cents cash in lieu of present interzone 10-cent cash fares;
- (3) increased token fares of three for 20 cents in lieu of present fares of six for 25 cents;
- (4) increased commutation fares of 15 rides for \$2.00 in lieu of present fares of 25 rides for \$2.00;
- (5) increased school fares of 20 rides for \$0.80 in lieu of present fares of 20 rides for 50 cents, such fares to be available only to students under twenty-one years of age attending a tuition-free institution of learning, and valid only on regular school days between the hours of 7:00 a.m. and 4:30 p.m.;
- (6) increased fares of 25 cents or 10 rides for \$2.00 between Santa Monica and El Segundo in lieu of present fares of 15 cents or 10 rides for \$1.25.

IT IS FURTHER ORDERED that the authority herein granted shall expire 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 twenty days from the date hereof.

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

Harold Hula
Justin F. Gammes
Harold Russell
R. J. Murray
COMMISSIONERS