

ORIGINAL

Decision No. 41349

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN CITIES TRANSIT, INC.,)
a corporation, to increase rates)
and fares for the transportation) Application No. 29020
of passengers between points in)
the vicinity of Compton, Los)
Angeles County, California.)

Charles F. Koors, for applicant.

O P I N I O N

Southern Cities Transit, Inc. operates as a passenger stage corporation within Compton, and between certain communities in the vicinity thereof, including Downey, Bellflower, and Paramount. By this application, as amended, it seeks authority to establish increased fares and to make zone changes.

Public hearing was had before Commissioner Huls and Examiner Bryant at Los Angeles on March 4, 1948. The matter is ready for decision.

The present fares, as established on June 9, 1947, are based upon three fare zones. Adult fares are 7 cents, 10 cents, and 15 cents cash per one-way ride, according to the zone or zones involved. Thirty-ride tickets for school children are sold at \$1.50, \$2.10 and \$3.00. Applicant now proposes to consolidate two of the zones, and to establish an adult fare of 10 cents per one-way ride within any zone, with no change in the 15-cent interzone fare or in the school fares.

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By reason of the consolidation of Zones 1 and 2 the pending proposal involves, for rides between those zones, a reduction in school fares and no change in the 10-cent adult fare. In other respects the school fares, and the 15-cent interzone fare, would continue without change. The present fares were authorized by Decision No. 40294, dated May 20, 1947.

Evidence was offered through a representative of the company and an engineer of the Commission's transportation research division. Each witness submitted an exhibit showing financial results of past operations and containing an estimate of results of operation under present and proposed fares for twelve months in the future. Both witnesses made calculations (a) recognizing the existing arrangement under which the company leases virtually all of its bus equipment, and (b) disregarding the lease and considering all of the bus equipment as owned. Although the studies were prepared independently, and by somewhat different methods, the final figures developed in the two exhibits are not materially dissimilar. The following tables show estimated results of operation for twelve future months as submitted by the two witnesses:

TABLE 1 - Considering Bus Equipment as Leased

	AT PRESENT FARES		AT PROPOSED FARES	
	Company Witness	Commission Engineer	Company Witness	Commission Engineer
REVENUE	\$189,233	\$187,940	\$229,686	\$224,260
EXPENSE	226,175	221,588	226,674	222,024
Net Income Before Income Taxes	\$(36,942)	\$(33,648)	\$ 3,012	\$ 2,236
Income Taxes	\$ 21	\$ 21	\$ 734	\$ 249
Net Operating Income	\$(36,963)	\$(33,669)	\$ 2,278	\$ 1,987
Estimated Rate Base	\$ 38,377	\$ 37,700	\$ 38,377	\$ 37,700
Rate of Return	-%	-%	5.94%	5.27%
Operating Ratio	119.52%	117.90%	98.69%	99.00%

TABLE 2 - Considering Bus Equipment as Owned

	AT PRESENT FARES		AT PROPOSED FARES	
	Company Witness	Commission Engineer	Company Witness	Commission Engineer
REVENUE	\$189,233	\$187,940	\$229,686	\$224,260
EXPENSE	220,073	214,996	220,572	215,430
Net Income Before Income Taxes	\$(30,840)	\$(27,056)	\$ 9,114	\$ 8,830
Income Taxes	\$ 21	\$ 21	\$ 2,306	\$ 1,857
Net Operating Income	\$(30,861)	\$(27,077)	\$ 6,808	\$ 6,973
Estimated Rate Base	\$ 81,270	\$ 76,350	\$ 81,270	\$ 76,350
Rate of Return	-%	-%	8.37%	9.13%
Operating Ratio	116.29%	114.40%	96.03%	96.06%

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Bases for the estimates and conclusions of the witnesses were explained in considerable detail in their testimony. In view of the results indicated in the foregoing tables, detailed discussion of the studies is unnecessary. It may be stated briefly that it appears from the record that operations for the year 1947 resulted in a net loss of approximately \$8,000; that despite the fare increase of June 9, 1947, net revenues for the last six months of the year totaled only \$233; that operations for the latest three months (December, January, and February) resulted in a deficit of \$5,110; and that current operating results are reflecting recent increases in important items of expense, including those for wages, fuel, and taxes.

The record leaves no question that the company would sustain serious operating deficits if required to continue service at the present fares. As shown in the foregoing tables, the witnesses are in agreement that, under the existing vehicle lease arrangement, the sought fares would provide an annual profit equivalent to less than six per cent of the estimated rate base, and would result in an operating ratio of approximately 99 per cent. If the lease arrangement were disregarded, substituting depreciation for the lease expense and adding the vehicles to the rate base, the rate of return would not exceed 9.13 per cent according to the highest estimate, and the operating ratio would be about 96 per cent.

From the evidence of record we conclude that the revenues which may be anticipated from the sought fares would not be excessive, nor result in more than a reasonable profit. Aside from the over-all revenues they would produce, the fares appear to be

fairly related to each other and to be generally reasonable.² The proposed consolidation of zones would simplify the fare structure, and appears to be in the public interest. The record shows that timely notice of the hearing was given through the usual notices sent by the Commission's secretary to persons believed to be interested, and through the posting of printed announcements in applicant's vehicles. No one appeared to interpose any objection to the granting of this application.

Upon careful consideration of all of the facts and circumstances of record we conclude and find as a fact that the fares and zone revisions as proposed in the second amended application in this proceeding are justified. The application will be granted.

O R D E R

Public hearing having been had in the above entitled application, full consideration of the matters and things involved having been had, and the Commission being fully advised,

IT IS HEREBY ORDERED that applicant be and it is hereby authorized to establish, on not less than thirty (30) days' notice to the Commission and to the public, increased fares and revised fare zones as follows:

1. Increase intrazone adult one-way fare from 7 cents cash to 10 cents cash.
2. Consolidate present Zone 2 with Zone 1 by expanding present Zone 1 to the boundaries of Imperial Highway on the north, Downey Avenue on the east, and Flower Street on the south.

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A majority of the school children pay higher cash fares in preference to purchasing school commutation tickets. The company witness attributed this preference in some degree to the fact that school tickets are sold only upon personal application at the company offices, accompanied by proper identification. Applicant will be expected to make arrangements, through the schools or otherwise, which will permit more convenient purchase of school tickets.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire 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 23rd day of March, 1948.

R. J. Anderson
Justice F. Coe
Frank H. Lamm
Harold F. Kels
Permitt H. Potter
Commissioners