

Decision No. 41921

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
HIGHLAND TRANSIT, INC., for authority)	
to increase rates and fares for the)	
transportation of passengers between)	Application No. 29243
points in and adjacent to San Pedro,)	
City of Los Angeles, State of California.))	

Appearances

Charles F. Koors, for applicant.
Thomas V. Harbett, for Roger Arnebergh and T. M. Chubb,
 City of Los Angeles, interested parties.
Earl Newberry, interested party.

O P I N I O N

Highland Transit, Inc., is engaged in the transportation of passengers by motorbus as a passenger stage corporation within and in the vicinity of San Pedro in the Los Angeles harbor area. By this application it seeks authority to increase its adult one-way fare from seven cents to ten cents. There are no round-trip or token fares, either present or proposed. No change is proposed in fares for school children.

The application was submitted at a public hearing held before Examiner Bryant at San Pedro on June 18, 1948. The matter is ready for decision.

Evidence in support of the application was introduced by applicant's treasurer and assistant general manager. This witness offered and explained an exhibit setting forth profit and loss statements, a balance sheet, details of expenses, vehicle-miles operated, passengers carried, valuation of properties, rate base, depreciation schedules, and estimated results of future operations under present and proposed fares. According to applicant's book figures, as set

forth in the exhibit, a net operating loss was experienced in each month from June, 1947, to April, 1948, inclusive. Total operating loss for the twelve months ending with April, 1948, was \$7,261. For the latest available five months, ending with May, 1948, there was suffered an operating loss of \$3,445. Referring to future operations, this witness estimated that if present fares were continued there would be a loss of \$11,937 in the next twelve months. At the proposed fares he believed the company would develop a net income of \$1,246 for the year, resulting in an operating ratio of 97.5 per cent and a rate of return of about 4 per cent.

An estimate of the results of operation under present and proposed fares for a future year was submitted also by a transportation engineer of the Commission's staff. As developed by this witness, the annual loss at present fares would be \$11,545, and the net income under proposed fares would be \$1,780, resulting in an operating ratio of 96.9 per cent and a rate of return of 5.6 per cent. Included in his exhibit were the estimated results of operation under several alternative fare bases, none of which appeared sufficient to meet the cost of performing the service.

As indicated in the foregoing explanation, the estimates as submitted by the company officer and by the Commission engineer do not differ materially in their final results. For comparative purposes the figures are summarized in the following table:

ESTIMATED OPERATING RESULTS FOR TWELVE FUTURE MONTHS

	<u>Under Present Fares</u>		<u>Under Proposed Fares</u>	
	<u>Applicant Witness</u>	<u>Commission Witness</u>	<u>Applicant Witness</u>	<u>Commission Witness</u>
Revenue	\$53,406	\$54,830	\$67,418	\$68,830
Expenses	\$65,318	\$66,350	\$65,758	\$66,710
Net before income tax	<u>(\$11,912)</u>	<u>(\$11,520)</u>	\$ 1,660	\$ 2,120
Operating Ratio	122.3%	121.0%	97.5%	96.9%
Net after income tax	<u>(\$11,937)</u>	<u>(\$11,545)</u>	\$ 1,246	\$ 1,780
Rate Base	\$31,522	\$31,940	\$31,522	\$31,940
Rate of Return (Red Figure)	-	-	3.95%	5.6%

There is some indication in this record that Highland Transit, Inc., as well as other lines in the San Pedro area, may have approached the point of diminishing returns beyond which increased revenues, however necessary, cannot be secured through increased fares. ¹ No one contended, however, that authority to establish the proposed increased fares should be withheld at this time. The evidence shows beyond question that Highland Transit, Inc. has experienced substantial operating losses for many months, and that further substantial losses must be expected if present fares are continued for the future. The sought fares, according to the estimates of record, would permit applicant to earn a net income of less than \$1,800, after income taxes, for an annual period. The resulting operating ratio would approximate 97 per cent; the rate of return would be 5.6 per cent as estimated by the Commission engineer, and 3.95 per cent as estimated by applicant. It is clear, we believe, that the proposed increased fares cannot be expected to result in excessive revenues.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds as a fact that the fare increase proposed by Highland Transit, Inc., in this proceeding is justified. The application will be granted.

A public witness, testifying on his own behalf as one of the riders of the line, said that it was his purpose to bring out the fact that increases in fares alone will not solve the transportation problem. He favored a study to be made to consolidate and reroute the services in San Pedro. The Commission engineer was of the view that "a general reorganization of all of the lines involved in the area, if such were possible, would probably result in a solution of the present situation." Applicant's vice president said, "I will confess.... that we do not know where we are going from here. If this fare increase.... does not produce the revenue we have anticipated.... I don't know what the situation is going to be."

O R D E R

Public hearing having been had in the above entitled application and based upon the evidence received at the hearing and upon the findings and conclusions set forth in the preceding opinion,

IT IS HEREBY ORDERED that Highland Transit, Inc., be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, in lieu of its present fare of seven cents cash, a one-way adult fare of ten cents cash, applicable between any two points on its authorized lines.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire 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 3rd day of

August, 1948.

A. J. Duran

Robert J. ...

Harold ...

Penelope ...

COMMISSIONERS