

ORIGINAL

Decision No. 42268

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 PASADENA CITY LINES, INC., for an ) Application No. 29607  
 order granting permission to increase )  
 its passenger rates of fare. )

JOHN W. HOLMES, for applicant; E. BURTON NOBLE, for City  
 of Pasadena; ORAN W. FOX for Chamber of Commerce of Pasadena;  
P. A. ERICKSON for Board of Public Utilities and Transporta-  
 tion of the City of Los Angeles

O P I N I O N

Pasadena City Lines, Inc. operates a local bus service in the City of Pasadena, and vicinity and also between Pasadena and the cities of Arcadia and Monrovia. By this application it seeks authority to increase its basic local passenger fare from 7 cents with a token rate of 4 tokens for 25 cents, to 10 cents with a token rate of 5 tokens for 35 cents. An increase in the school commutation fare from 40 rides for \$2.00 to 40 rides for \$2.40 is also sought. Present zone limits will be maintained, with a fare of 10 cents to be charged for the first zone, plus 5 cents for each additional zone with token rate applying in the first zone. Free transfer would be continued.

A public hearing was held at Pasadena on October 20, 1948, and evidence, oral and documentary, having been adduced the matter was submitted for decision.

Applicant alleges that, because of constant decline in passenger traffic and an increase in the costs of labor, equipment, materials, and supplies, its financial condition is being seriously affected and that it has been unable to compensate for the reduced earnings through operating economies.

Applicant's general auditor and a Commission engineer presented evidence showing the results of operation and estimated results that would obtain under different fare structures. A tabulation of their evidence follows:

PROJECTED INCOME STATEMENTS					
	12 Months Ending August 31, 1949		12 Months Ending October 31, 1949		
	Applicant's Exhibit #9		P.U.C. Exhibit #12		
	Present	Proposed	Present	Proposed	P.U.C. Staff Estimated
	Fares	Fares	Fares	Fares	Fares
	7¢ Cash	10¢ Cash	7¢ Cash	10¢ Cash	10¢ Cash
Item	Tokens 4/25¢	Tokens 5/35¢	Tokens 4/25¢	Tokens 5/35¢	Tokens 3/20¢
Revenue	\$514,000	\$1,042,900	\$895,570	\$1,039,480	\$993,570
Expenses*	923,215	934,822	884,690	888,960	887,600
Net Before Income Taxes	(9,215)	108,078	10,880	150,520	105,970
Oper. Ratio	101%	92.69%	98.79%	85.52%	89.33%
Income Taxes	-	31,798	#	55,960	38,090
Net Income	(9,215)	76,280	10,880	94,560	67,880

\* Includes depreciation and operating taxes.

# No income taxes payable as company has interest credit of \$11,000 on Equipment Loans.

The estimates of gross revenue were in substantial agreement. However, estimates of operating expenses varied approximately \$46,000. The principal variance was in the following items:

Acct. No.		Applicant	P.U.C. Staff
4220	Drivers' wages & bonuses	\$355,000	\$336,500
4520	P.L. & P.D. Insurance	43,877	37,650
4660	Mgmt., Superv., & Acctg.	43,300	38,970
5200	Oper. Taxes & Licenses	85,250	79,285

In determining Account No. 4220, the Commission engineer considered a speed-up in schedules beginning in June of this year which, in his opinion, has lowered cost of operation per coach-mile. Applicant's figures for insurance and management were not supported by substantial evidence. Management and supervisory services should not be credited for higher revenue resulting from an increase in fares. No evidence was presented to show the comparative value of such services before and after the proposed fare increase. Likewise, it was not established that the

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insurance risk would be greater as a result of higher fares. It is reasonable to assume that such risk would vary with the trend of the number of passengers carried which, the evidence shows, will be slightly downward. The difference in the amounts shown in the two exhibits for the item of Management, Supervision and Accounting, Account No. 4660, stems from the fact that the company witness employed a percentage of the gross revenue in accordance with a contractual agreement with its parent company, whereas in the allowance for this item as shown in the estimate presented by the Commission's staff there is no additional allowance over the present payments for these services, as it assumed the increased revenue would not impose any additional expense on the parent company. The variance in operating taxes and licenses shown in Account No. 5200 is due, principally, to the interpretation to be given to recent legislation effecting reductions and credits in certain taxes and fees.

With respect to the estimated token use in combination with a 10-cent cash fare as employed by the staff in its Exhibit No. 12, it is apparent that the ratio between the token and cash fare is understated. This exhibit shows the estimated token use to be 70% in the case of a 7¢ token sold in blocks of 5 for 35¢ and 80% in the case of a 6-2/3¢ token sold in blocks of 3 for 20¢ in combination with a 10-cent fare in each case. The record shows that under the present fare structure of 7¢ cash in combination with a 6-1/4¢ token sold in blocks of 4 for 25¢ the token use is 77% of the adult cash fares. From this we conclude that in the case of a 10-cent cash fare in combination with a 6-2/3¢ token sold in blocks of 3 for 20¢ the token use would amount to 90% of the adult fares. Therefore, a fare structure of 10¢ cash with a token rate of 3 for 20¢ would result in an operating ratio of 93.34% before income taxes and 95.55% after income taxes.

The revised fare structures set forth in the foregoing table adopt 10¢ as the cash fare in combination with different token fares. The establishment of a 10-cent base fare would result in an increase of 3¢ in the cash fare which is equivalent to an increase of 43%, whereas the token rider's increase would amount to approximately 7% if a 6-2/3¢ token is employed and 12% in the case of a 7¢ token. Such a substantial increase to the cash rider is not justified on this

record. As a substitute fare it would appear that a 7-cent cash or token fare would be more equitable to the general public. A computation shows that a 7-cent cash or token fare will produce practically the same revenue and in turn same operating ratio as would be the case with a 10-cent cash fare in combination with 3 tokens for 20 cents based on a token use of 90%.

Upon the evidence of record we conclude that the revenue of the Pasadena City Lines, Inc., under its present fare structure, is insufficient to meet the cost of providing an adequate service and that some relief in the form of increased fares has been justified. We find that the fares proposed by applicant have not been justified. On the other hand, a fare of 7 cents cash or token, together with a school commutation fare of 40 rides for \$2.40, appears reasonable and has been justified, and we so find.

The City of Pasadena has suggested certain service improvements such as discontinuance of over-crowded busses, elimination of some skip-stops, employee discourtesy and more frequent and regular service. A Commission engineer testified that a survey of the company's operations had been made, and specific recommendations for improvement were outlined which would require additional trips during peak hours on Lines Nos. 1, 2, 3, and 4 (Exhibit No. 11). The estimated expense of providing for these recommendations was included in the forecast of expense presented by the Commission's staff. It appeared that the company is aware that improvements are needed and that it is prepared to meet its obligations in this respect. To this end the company will be required to report to this Commission within sixty (60) days from the effective date of this order as to its compliance therewith.

#### ORDER

The above-entitled application having been heard and submitted, the Commission being fully advised in the premises, and good cause appearing.

#### IT IS ORDERED:

- (1) That Pasadena City Lines, Inc., be, and it hereby is, authorized to establish, on not less than five (5) days' notice to the Commission and to the

public, the following fares within and between its present fare zones:

ADULT FARE

Intrazone:

Cash fare 7 cents  
 or Token fare (5 tokens for 35¢) 7 cents

Interzone:

Cash fare 7 cents or 1 token for the first zone plus 5 cents for each additional zone.

School Commutation Fare 40 rides for \$2.40

Transfers Free

Children's Fare Free when under 5 years of age and accompanied by an adult.

(2) That Pasadena City Lines, Inc., shall make the service improvements set forth in Exhibit No. 11 and shall report to the Commission within sixty (60) days from the effective date of this order as to its compliance therewith.

(3) That Pasadena City Lines, Inc. shall join with representatives of the City of Pasadena and this Commission's staff and attempt to work out an agreed program on the matter of adjusting scheduled stops along the routes and report to this Commission within sixty (60) days from the effective date of this order the results thereof.

(4) That the authority herein granted shall expire unless all fares herein authorized are published, filed, and made effective within ninety (90) days from the effective date hereof.

(5) That in all other respects the above-entitled application is denied.

The effective date of this order shall be December 3, 1948.

Dated at San Francisco, California, November 27<sup>th</sup>, 1948.

R. B. [Signature]  
Grant [Signature]  
Harold [Signature]  
W. [Signature]

COMMISSIONERS