

Decision No. ⁴²⁹³³~~42933~~

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
INGLEWOOD CITY LINES, a corporation,)
for an order granting permission to) Application No. 27774
increase its local fares for the) (First Supplemental)
transportation of passengers.)

In the Matter of the Application of)
INGLEWOOD CITY LINES, a corporation,)
for an order granting permission to) Application No. 30073
increase its local fares for the)
transportation of passengers.)

Vernon P. Spencer for applicant.
Robert Russell for Department of Public Utilities and
Transportation, City of Los Angeles, interested party.

O P I N I O N

By Decision No. 40967, dated November 25, 1947, in First Supplemental Application No. 27774, Inglewood City Lines was authorized to increase certain passenger fares, subject to such modifications as may be found to be appropriate after further hearing.

In Application No. 30073 the same carrier seeks authority to make further changes in its fares.

A public hearing in both proceedings was held before Examiner Bradshaw at Los Angeles on May 5, 1949, on a consolidated record.

The interim increases authorized by Decision No. 40967 for rides within a single zone were: adult one-way fare, from 10 cents or 4 tokens for 25 cents to 10 cents or 3 tokens for 25 cents; one-way children's fare from 5 to 7 cents; and 20-ride

student tickets from \$1.00 to \$1.40. The following increases were also authorized for application between any two contiguous zones on Lines Nos. 2, 3 and 6: one-way children's fare from 10 to 14 cents; and 10-ride student tickets from \$1.00 to \$1.40.

Applicant now seeks to cancel the present token rate of 3 rides for 25 cents, leaving a straight 10-cent adult one-way fare in effect. It also proposes, contingent upon receiving authority to cancel the present token rate, to provide for transfer privileges on all connecting routes. Applicant further desires to abandon the sale of school tickets and in lieu thereof issue tokens for student fares.

Testimony, including a number of exhibits, was presented by applicant's president. It appears that during 1947 operating revenues amounted to \$254,985 as compared with operating expenses of \$262,062. The operating ratio was 103.77. The net loss for the year is reported as having been \$7,404. The increased fares authorized in Decision No. 40967 became effective December 15, 1947. According to similar data for the year 1948, operating revenues amounted to \$281,480, while operating expenses were \$274,096, the operating ratio being 97.37. The net profit after income taxes is shown as \$5,591. The following figures were given as reflecting the results of operations during the first 3 months of 1949; operating revenues, \$66,929; operating expenses, \$66,218; operating ratio, 98.94; and net profit after provision for income taxes, \$452.

Applicant's president referred to instances in which the service on certain routes had been increased since the prior decision, including the consolidation of 2 routes which make it

no longer necessary for some passengers to change from one bus to another or to pay an additional fare. It was stated that although certain improvements were contemplated at the time the earlier application was filed, the increased fares did not produce a sufficient return to complete the program. According to the testimony, some expenditures for improvements were made and two coaches were acquired in 1948 to replace older equipment. The witness testified that a building for use as a garage and office is contemplated and that arrangements are being made to obtain 7 new buses under a purchase contract. He declared that route changes to provide better service or eliminate unnecessary operations have been made wherever feasible.

An exhibit of record indicates that 724,095 passengers were carried during the first three months of 1949, as contrasted with 797,213 during the corresponding months of the previous year. Applicant's president attributes the decrease to (1) cancellation of aircraft contracts by the Government, (2) the colder weather which prevailed during the early part of the present year, and (3) general economic conditions.

Applicant does not believe that the proposed changes in fares will result in a decrease in traffic. Its president expressed the opinion that the effect of the cancellation of the token fare will be offset by the proposed transfer privilege. An increase in traffic due to development of the areas served is not anticipated. An exhibit was presented setting forth the witness' estimate of revenues and expenses under the present and proposed fares for the 12 months beginning June 1, 1949. A summary of the forecast follows:

	<u>Based on Present Fares</u>	<u>Based on Proposed Fares</u>
Operating Revenue	\$275,476	\$301,765
Operating Expenses	287,044	288,331
Net Operating Income	\$(11,568)	\$ 13,434
Operating Ratio	104.2%	95.6%
Net Profit After Income Taxes	\$(13,968)	\$ 8,276

() Denotes Loss

An engineer employed in the Commission's transportation department presented a report in which he estimated the results of applicant's operations under the present and proposed fares for the 12 months ending May 31, 1950. A forecast of operating results was also made predicated upon the establishment of several other bases of fares. A recapitulation of the engineer's conclusions appears in the following table:

<u>Bases of Fares</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net Income Before In- come Taxes</u>	<u>Operating Ratio</u>	<u>Net Income After In- come Taxes</u>
Present Fares	\$267,120	\$274,500	(\$7,380)	102.8%	(\$7,405)
Proposed Fares	283,650	274,800	8,850	96.9%	6,680
<u>Alternate Bases</u>					
9¢ - No Tokens	263,050	274,430	(11,380)	104.3	(11,405)
10¢ - 5 Tokens for 45¢	277,960	274,690	3,350	98.8	2,560
10¢ - 4 Tokens for 35¢	276,810	274,680	2,130	99.2	1,630
10¢ - 6 Tokens for 50¢	273,970	274,620	(650)	100.2	(675)

() Denotes loss.

An estimated rate base of \$101,220 was considered by the engineer to be appropriate. On this basis, the proposed fares would yield a rate of return of 6.6 per cent. The return under the alternate bases of 10 cents or 5 tokens for 45 cents and 4 tokens for 35 cents would be 2.5 and 1.6 per cent, respectively. According to the engineer, the present fares and the other alternate bases would not yield any return during the period for which the estimates were made.

No one opposed the granting of the authority sought by applicant.

In view of the slight differences in the forecasts of probable earnings made by applicant's president and the Commission's engineer, a discussion of the details wherein they differed is unnecessary. Under the most optimistic view of the situation revealed by the record, that is, by accepting as correct applicant's anticipated future revenues and the operating expenses as computed by the Commission's engineer, the difference between revenues and expenses under the present fares would be less than \$1,000 per annum. Under the proposed fares the difference would be slightly less than \$26,900, equivalent to an operating ratio of about 91 per cent.

It is clear from the record that the interim fares authorized by Decision No. 40967, as modified by the fare structure now proposed by applicant, are necessary to produce a safe margin between future revenues and expenses. Prescription of either one of the alternate bases considered by the Commission's engineer does not appear to be warranted. The increases in fares authorized by this decision are hereby found to be justified.

Authority to use tokens for student fares instead of issuing tickets is unnecessary. The purpose of the change is to utilize tokens now on hand and eliminate the cost of printing tickets. It is not proposed to establish the new practice until 90 days after the cancellation of the present token fare becomes effective. The necessary tariff amendment may be filed on 30 days' notice to the Commission and the public.

O R D E R

A public hearing having been had in the above-entitled proceedings and based upon the evidence received and the conclusions and findings set forth in the preceding opinion,

IT IS ORDERED:

1. That Inglewood City Lines be and it is hereby authorized to cancel, on not less than 5 days' notice to the Commission and the public, its present one-way fares of 3 tokens for 25 cents and simultaneously to provide for the issuance of transfers good for one continuous ride between points on its several lines.

2. That, except as modified in the preceding paragraph, the interim fares authorized in Decision No. 40967 shall be continued in effect until changed or modified by further order.

This order shall become effective 20 days after the date hereof.

Dated at Los Angeles, California, this 1st day of June, 1949.

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COMMISSIONERS