

**ORIGINAL**

Decision No. 53123

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of BAY CITIES TRANSIT COMPANY for) Application No. 30009  
an order granting an increase in )  
fares. )

Hector P. Baida, J. E. Anderson, and T. Cedric Browne for applicant. Willis A. Frambach for Associated Students of U. C. L. A.; Mrs. M. L. Booth and Mrs. Vergus Dempster for University High School P.T.A.; J. Earl Coons for Santa Monica Chapter of Disabled American Veterans; Mrs. Scott Kidd for Venice High School P.T.A.; Mrs. P. C. Silverstone for Washington Street School P.T.A.; Mrs. Lewis Heinely for John Muir School P.T.A.; Mrs. Reldin Penney for McKinley School P.T.A.; Mrs. George Drake for Franklin School P.T.A.; Mrs. Wendell Taylor for Brentwood School P.T.A., protestants. Charles Timmons, Dexter Culbertson, F. W. Clayton, and Arthur J. Schwartz, in propria personae; and P. A. Erickson for the 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, operating a passenger stage service in and between the Cities of Los Angeles and Santa Monica, seeks herein to increase its fares as follows:

	<u>FARE STRUCTURE</u>	
	<u>Present</u> <u>Fares</u>	<u>Proposed</u> <u>Fares</u>
1-zone fare	10¢	10¢
2-zone fare	15¢ (1)	15¢ (1)
Tokens	3 for 20¢	Eliminate
Commutation Tickets	15 rides for 200¢	Eliminate
School Tickets	20 rides for 80¢	20 rides for 120¢ (2)
Sta. Mon.-El Segundo	25¢ & 10-ride tickets for 200¢	25¢ & 10-ride tickets for 200¢
Children under 12 Yrs.	1/2 of one-way fare	Eliminate
Children under 5 Yrs. where such fare is over 5 cents	--	Free of charge when accompanied by parent or guardian. The number of children so carried not to exceed 2 for each paying passenger.

(1) An additional 5 cents for each additional zone.  
(2) School tickets good in lieu of 10¢ cash fares, available only to students under 21 Yrs. of age, attending a tuition-free institution of learning, and valid only on regular school days between the hours of 7 a.m. and 4:30 p.m.

A public hearing was held at Santa Monica on May 9, 1949, before Commissioner Huls and Examiner Syphers, at which time evidence was adduced and the matter was submitted.

The owner and general manager of applicant company testified that, in October of 1948, the passenger revenue of this company commenced to decline and that this decline has continued up to the present time. Furthermore, the expenses of the company have increased during this same period due, principally, to a wage increase of 4 cents an hour for drivers, covering the period from June 1, 1948, to December 31, 1948, and 8 cents an hour thereafter. This, according to the testimony, increases the expense of the company approximately \$32,000 a year.

A certified public accountant presented testimony and exhibits (Nos. 2 & 3) for applicant company, which exhibits show that the revenues of the company decreased approximately 10.6% for the first quarter of 1949 as compared to the corresponding period for 1948. Furthermore, these exhibits show that the company is now operating at a loss. This same witness presented an estimate of future returns under the present fares and under proposed fares. According to this estimate, under present fares the operations would result in an operating ratio of 107.34% or a net loss of \$79,755; under the proposed fares, as set out in applicant's amended application, the operations would result in a net income of \$42,442, before taxes and \$26,770 after taxes. This would provide a rate of return of 7.86% and an operating ratio of 96.50%. This witness also presented an estimate as to the return which would result from the original proposal of applicant in this matter, before the amendment, and this estimate, likewise, showed the operations would result in a loss. The difference

between the original proposal and the amended proposal of applicant lies in the fact that, under the amended proposal, all token fares will be eliminated, whereas, under the original proposal, tokens would be sold at the rate of 3 for 25 cents.

A transportation engineer for the Public Utilities Commission presented testimony, and Exhibits Nos. 4a & 4b, which showed the results of a study of applicant's operations and, also, presented estimates as to the results of future operations under applicant's proposals and also under certain variations of these proposals.

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

	<u>TOTAL OPERATING REVENUE</u>	<u>TOTAL OPERATING EXPENSE</u>	<u>NET OPERATING REVENUE (1)</u>
<u>Applicant</u>			
Present Fares	\$1,086,100	\$1,165,855	\$ (79,755)
Proposed Fares-Orig. Appl.	1,158,472	1,167,610	( 9,138)
Proposed Fares-Amend. Appl.	1,211,207	1,168,765	42,442
<u>Commission Engineer</u>			
Present Fares	1,125,870	1,187,390	(61,520)
Proposed Fares-Orig. Appl.	1,211,690	1,189,400	22,290
Proposed Fares-Amend. Appl.	1,263,480	1,190,610	72,870
Alternate Proposal of 10¢ cash, 4 tokens for 35¢ (red figure)	1,235,020	1,189,940	45,080
✓(1) before taxes:			

From a comparison of these estimates, it will be noted that the differences between the estimates of operating expenses, as estimated by applicant's witness and by the Commission engineer, are not great. The principal difference lies in the administrative expenses and, specifically, in the salaries and expenses of the general officers.

It will be noted that the Commission engineer's estimate of future revenues is higher than that of the company witness.

This difference lies in a variation of method used by the two witnesses. Applicant's witness used a flat 10% deflection in estimating the decrease in passengers which would result from an increase in fares. The Commission engineer based his estimate of revenue on an analysis of traffic by the various lines and routes operated. This analysis indicated that the Santa Monica line of the Bay Cities Transit Company shows a downward trend, whereas the Palms-Robertson line shows an increase. Certain other lines such as the Soldier's Home, Wilshire, and University lines, show a fairly constant revenue. It was upon a comparison of all of these trends on the individual lines that the Commission engineer arrived at an estimate of the revenue.

In this case, we are inclined to the view that the analysis of revenue, by lines, will present a more accurate picture than the flat 10% deflection. This conclusion has been arrived at after an analysis of the testimony in this case relating to the types of passengers transported and a description of the localities through which the various lines operate.

Using this estimate of future income, we find that applicant's amended proposal, as set out in the table above, would produce a rate of return of 12.8% and an operating ratio of 94.2%. The alternate case proposed by the Commission engineer would produce a rate of return of 8.2% and an operating ratio of 96.3%. In this connection, it should be noted that both applicant's witness and the Commission engineer used identical rate bases.

Considerable testimony was presented by other witnesses, all relating to the conditions under which applicant's buses operate and to the hardships which will allegedly result from an increase

in fares. Numerous specific protests as to any increase in school fares were presented. However, an analysis of all the testimony presented in this record indicates that the present school fares are not sufficient to adequately defray the expenses incident to that type of transportation; therefore, some increase in these fares will be granted, but it is not believed that applicant should be permitted to increase these fares from the present rate of 20 rides for 80 cents to the proposed rate of 20 rides for \$1.20. This belief is particularly borne out by the estimate of the Commission engineer that, under the alternate proposal, set out above, applicant would receive a rate of return of 8.2%. The authorization of 20 school rides for \$1.00 will tend to slightly decrease this rate of return.

After consideration of all the testimony presented in this matter, we conclude that applicant is presently operating at a loss and is, therefore, entitled to some increase in its present fares; however, we further find that applicant is not entitled to all of the increase requested in its amended application. The fares authorized in the following order are hereby found to be justified.

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 Bay Cities Transit Company be, and it hereby is, authorized to establish, on one day's notice to the Commission and to the public, the following fares:

- (1) increased token fares of 4 for 35¢ in lieu of present fares of 3 for 20¢;
- (2) the elimination of the present commutation tickets authorizing 15 rides for \$2.00;
- (3) increased school fares of 20 rides for \$1.00 in lieu of present fare of 20 rides for 80¢; such fares to be available only to students under 21 years of age, attending a tuition-free institution of learning and valid only on regular school days between the hours of 7 a.m. and 4:30 p.m.;
- (4) elimination of the present tariff provision providing that children under the age of 12 years pay one-half the one-way fare where such fare is over 5 cents;
- (5) the inclusion of a tariff provision providing that children under 5 years of age, when accompanied by a parent or guardian, shall be transported free of charge; the number of children so carried not to exceed two for each paying passenger;
- (6) all other fares and charges are to remain as at present.

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.

In all other respects Application No. 30009 shall be denied.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 12<sup>th</sup>  
day of July, 1949.

R. E. Morrison  
Justice J. Casper  
Justice H. L. Jones  
Harold K. Hills  
Frederic H. Potter  
COMMISSIONERS