

ORIGINAL

Decision No. 45115

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the)	
LONG BEACH MOTOR BUS COMPANY for)	
authority to discontinue the use of)	Application No. 31588
the 8-3/4 cent token and to adjust its)	
passenger rates of fare and fare zones.)	

In the Matter of the Application of)	
LONG BEACH MOTOR BUS COMPANY to reroute)	
portions of its Bellflower-Lakewood)	
Route No. 11; to establish its proposed)	Application No. 31808
Seventh Street-Bellflower Route No. 15;)	
and to establish its proposed South)	
Street Route No. 16.)	

Appearances

John Munholland and Willard A. Lee, for applicant.
Irving M. Smith, Joseph B. Lamb and Henry E. Jordan,
for Bureau of Franchises and Public Utilities,
City of Long Beach, interested party.
Carroll Weberg, E. B. Kennedy and Don C. Tierney,
for Bellflower Chamber of Commerce, protestant.
Ben D. Martin, for Bellflower Junior Chamber of
Commerce, interested party.
Hannan J. de Lacy, for Long Beach Chamber of Commerce,
interested party.
Mrs. R. L. Prince, Mrs. Charles B. Paine, Walker Brown,
Mrs. Bernard Sullivan, J. F. McCaffrey, Earl H. Briggs,
D. H. Hughes, King S. Beardsley, Jack Honner,
Mrs. Dorothy Borges, and Mrs. Robert Hayden, for
various civic organizations, interested parties.

O P I N I O N

Long Beach Motor Bus Company, a corporation, operates a passenger stage service within the City of Long Beach and surrounding cities and communities, including Seal Beach, Signal Hill, Lakewood Village, Hynes, Bellflower, and Dominguez. By Application No. 31588 it seeks authority to increase fares and adjust fare zones. By Application No. 31808 it seeks authority to change routes and to establish new routes.

Public hearings were held before Examiner Bryant at Long Beach. The matters were heard separately, but are consolidated¹ for convenience of decision.

Applicant alleges that it has suffered a serious decline in passengers and in revenues during the past year due to causes beyond its control. Assertedly it has tried to compensate for the accelerated loss of patronage by effecting every possible economy, both from the administrative standpoint and from the standpoint of scheduling. The company believes that it has reached the point in service and scheduling adjustments beyond which it should not go if it is to provide a reasonable service. Applicant declares that it is now compelled to request adjustments in its fare structure "that will produce adequate revenues with a minimum cost increase to the users of the service."

Estimates of revenues and expenses under the present and proposed fares were submitted by applicant's general auditor, by the engineer and secretary of the Bureau of Franchises and Public Utilities of the City of Long Beach, and by a transportation engineer of the Commission's staff. The three studies do not cover identical periods, and are in other respects not entirely comparable. In particular, the figures of the company auditor, covering proposed fares and zones, include revenues and expenses from certain routes which were originally contemplated but not finally proposed herein. He believed, however, that his estimate "will give a fairly good idea of the results to be obtained." Differences of judgment by the three witnesses concerning future patronage, mileage, and other factors created other differences in the estimated operating results. The several estimates are summarized in the following tables:

¹Application No. 31588 was heard on September 19 and October 17, 1950. Application No. 31808 was heard on the latter date.

TABLE 1 - PRESENT FARES AND ZONES
(Estimated Operating Results)

	Applicant's Auditor	City of Long Beach Engineer	Commission Engineer
Operating Revenues	\$ 558,100	\$ 566,828	\$ 597,460
Operating Expenses	<u>577,839</u>	<u>575,177</u>	<u>594,990</u>
Net Operating Revenue	\$ <u>(19,739)</u>	\$ <u>(8,349)</u>	\$ 2,470
Income Taxes	<u>-</u>	<u>-</u>	<u>580</u>
Net Operating Income	\$ <u>(19,739)</u>	\$ <u>(8,349)</u>	\$ 1,890
Operating Ratio (Before Income Taxes)	103.5%	101.5%	99.6%
Rate Base	\$ 190,795	\$ 189,573	\$ 175,560
Rate of Return (After Income Taxes)	-	-	1.1%

() - Indicates Loss

Note: Estimates of the Commission engineer in both Tables 1 and 2, are for twelve months ending November 30, 1951; other estimates are for twelve-month periods ending June 30, 1951.

TABLE 2 - PROPOSED FARES AND ZONES
(Estimated Operating Results)

	Applicant's Auditor	City of Long Beach Engineer	Commission Engineer
Operating Revenues	\$1,150,941	\$ 627,414	\$ 630,150
Operating Expenses	<u>1,109,036</u>	<u>582,505</u>	<u>596,930</u>
Net Operating Revenue	\$ 41,905	\$ 44,909	\$ 33,220
Income Taxes	<u>14,641</u>	<u>16,049</u>	<u>10,570</u>
Net Operating Income	\$ 27,264	\$ 28,860	\$ 22,650
Operating Ratio (Before Income Taxes)	96.4%	92.8%	94.7%
Rate Base	\$ 190,795	\$ 189,573	\$ 175,560
Rate of Return (After Income Taxes)	14.3%	15.2%	12.9%

Note: Federal income taxes have been recomputed in accordance with the present corporation tax rate for the fiscal or calendar year 1951, (Revenue Act of 1950).

It will be seen from the foregoing tables that the three witnesses were in agreement that the present fares, if continued unchanged for the rate year, would result in substantial operating losses or in negligible net revenues; and that the proposed fares would produce estimated net revenues measured by operating ratios of from 92.8 to 96.4 percent and by rates of return of from 12.9 to 15.2 percent. The company witness stated that the applicant does not have a large rate base for the reason that a number of its busses are rented rather than owned. For this reason he believed that revenue needs of the company should be measured in terms of operating ratio rather than rate of return.

Applicant's proposals herein contemplate numerous changes in fares, fare zones, and routes. Both increases and reductions in fares would result. An 8-3/4 cent token fare, based upon four tokens for 35 cents, would be canceled, leaving the basic 10-cent fare in effect. A two-zone fare of 15 cents would be established, applying in some cases where the existing fare is 20 cents or two tokens, and in other cases where the existing fare is 10 cents or one token. Within a restricted area of downtown Long Beach a special zone would be established within which a reduced fare of 5 cents would apply between the hours of 9:00 a.m. and 4:00 p.m. on business days, applicable on any line without transfer privilege. It was explained that the 5-cent fare is designed to stimulate off-peak travel within the shopping area, and incidentally to relieve vehicle congestion and community parking problems.

The proposals herein are part of an over-all plan under which applicant company and Long Beach City Lines, an affiliated corporation operating busses solely within the limits of the City of Long Beach under city jurisdiction, would maintain identical fares for parallel routes and comparable services. In general the proposals

were not opposed, and in many respects they were specifically endorsed by civic associations and other interested parties. The record shows that the Long Beach Bureau of Franchises and Public Utilities and the City Council have considered and approved the plan insofar as operations of applicant within the city are concerned, and have authorized corresponding changes in the fares and zones of Long Beach City Lines. The plan was favored by Long Beach Retailers Associated, Lakewood Chamber of Commerce,² Lakewood Gardens Civic Association, Lakewood Park Sales, and others.

As an exception to the general approval, however, the fare and zone changes in the Bellflower areas were strongly opposed by the Bellflower Chamber of Commerce and by residents of that and adjacent communities. Resolutions were submitted on behalf of various organizations objecting to the requested changes on the Bellflower routes and supporting an alternate plan suggested by the Bellflower Chamber of Commerce.³ Several witnesses testified in opposition to the company proposal and in support of the alternative plan. In general the opposition was based upon the belief that the fares sought by applicant would tend to isolate Bellflower and to cause residents of the Lakewood area to shop in Long Beach in preference to Bellflower.⁴

² Others were the Lakewood News Times and Jack Honner, a resident of the Lakewood area. The Long Beach Chamber of Commerce endorsed the system of zone fares in principle, without recommendation as to the schedule of fares.

³ Resolutions were submitted by Bellflower Chamber of Commerce, Bellflower Junior Chamber of Commerce, Mayfair Civic Association, Bellflower Board of Realtors, Rotary Club of Bellflower, Kiwanis Club of Bellflower, Lions Club of Bellflower, Optimist Club of Bellflower, Knights of Pythias, Pythian Sisters Bellflower Temple No. 112, Bellflower Rebekah Lodge No. 370, J. E. Olmstead Relief Corps.No..138, Harry T. McLane Auxiliary No. 1387 of Veterans of Foreign Wars, Blue Star Mothers of America No. 9, Bellflower Sportswomen's Club, Bellflower Sportsman's Club, Inc., and Bellflower Moose Lodge No. 583.

⁴ Lakewood is an unincorporated area lying between Long Beach and Bellflower. The record shows that the area is currently experiencing one of the greatest housing developments in the world. It was estimated that the resident population will increase by more than 50,000 persons within the near future.

From a large part of Lakewood, applicant's proposal would have the effect of reducing the fare to Long Beach and of increasing the fare to Bellflower. The resulting fares would be the same to either destination, but the distance to Bellflower would be considerably shorter. One witness pointed out that under applicant's proposal a fare of 15 cents would be established for a two-mile ride from a central point in the Lakewood area to Bellflower, whereas from the same point a 10-cent fare would apply to other business districts for distances ranging from four and one-half to six miles, and a 15-cent fare would apply to downtown Long Beach for distances in excess of 11 miles.

The counter suggestion of the Bellflower Chamber of Commerce would establish, between proposed Zones 2 and 3, a so-called "overlap" zone of approximately two miles in length in lieu of a half-mile overlap zone sought by the company. The principal effect of the alternative plan would be to maintain a single-zone fare between Bellflower and much of the Lakewood area, without disturbing the company's fare proposals otherwise.⁵

The record is clear that if present fares are continued applicant will receive little or no net revenues, or will suffer substantial operating losses. Increased revenues have been shown to be essential if adequate services are to be maintained. The proposed fares, zones, and routes as proposed in these proceedings appear to be reasonable and in the public interest except as they relate to the Bellflower-Lakewood area hereinbefore discussed. In that particular respect the sought fares appear to be unduly discriminatory. The alternative proposal of the Bellflower Chamber of Commerce would result in more equitable fares and somewhat lesser revenues than those sought by the company.⁶

⁵The overlap zone proposed by the Bellflower Chamber of Commerce is defined hereinafter. In other respects the zones would be as set forth on applicant's Exhibit No. 7.

⁶The amount of the revenue difference cannot be determined precisely upon this record, but it appears that the resulting net revenues would be sufficient and not excessive.

Upon careful consideration of all of the facts and circumstances of record we are of the opinion and find that the increased fares and zone changes as sought in Application No. 31588, modified by establishing a Zone 2-3 overlap zone extending between Ashworth Street on the north and Harvey Way on the south, are justified; and that public convenience and necessity require the changing of present routes and the establishment of new routes as proposed in Application No. 31808. The applications, with the modifications indicated, will be granted. In view of the evident need for increased revenues, applicant will be authorized to make the changes effective on less than statutory notice.

O R D E R

Public hearings having been held in the above-entitled applications, full consideration of the matters and things involved having been had, and the Commission being fully advised,

IT IS HEREBY ORDERED that Long Beach Motor Bus Company be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, increased and revised fares and revised fare zones as specifically set forth in detail in Application No. 31588, except that between proposed Zones 2 and 3 on the Bellflower Boulevard, Clark Avenue, and Lakewood Boulevard routes applicant shall establish an overlap zone extending from Ashworth Street on the north to Harvey Way on the south.

IT IS HEREBY FURTHER ORDERED that Long Beach Motor Bus Company be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, revised, substituted, and additional routes as specifically set forth in detail in Application No. 31808.

IT IS HEREBY FURTHER ORDERED that, in addition to the customary filing and posting of tariffs and time schedules, applicant shall give not less than five (5) days' notice to the public by distributing and posting in its busses a printed explanation, or, if feasible, a small map of the areas involved, or both, showing clearly the new fares, fare zones, and routes.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

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

Dated at San Francisco, California, this 12th day of December, 1950.

R. J. [Signature]
Justin J. [Signature]
Joseph [Signature]
Harold [Signature]
Marionette [Signature]
Commissioners