

ORIGINAL

Decision No. 45613

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
EASTERN CITIES TRANSIT, INC., a)
corporation, to increase rates and)
fares for the transportation of)
passengers in the vicinity of East)
Los Angeles, Los Angeles County,)
California.)

Application No. 31898
As Amended

Charles Boehm, for Eastern Cities Transit, Inc., appli-
cant. Alva J. Hasty, for the City of Montebello, interested
party.

O P I N I O N

Applicant, engaged in the business of transporting
passengers as a passenger stage corporation in Belvedere
Gardens, Los Angeles County, California, in certain portions of
the City of Montebello and in the City of Whittier and surround-
ing territory, requests authority to increase some of its fares
on less than statutory notice and make certain zone changes.

Public hearings were held before Examiner Rowe in
Whittier on January 24 and March 29, 1951. Oral and documen-
tary evidence was adduced and the matter, on the latter date,
was duly submitted for decision.

Applicant has separate operations in two communities.
It designates its lines in the western portion of the City of
Montebello, and west thereof, as its Belvedere Division. This
Belvedere Division, lying between Indiana Street on the west and
Sadler Avenue on the east, is its present Zone 1, No change is

proposed in the boundaries of Zone 1, which covers 3.2 miles. The Whittier area, presently consisting of Zones 2 and 3, is proposed to be divided into three zones. The Whittier operation is all east of the Rio Hondo River consisting of the City of Whittier and surrounding county territory, including the town of Pico.

Proposed Zone 2 is the central portion of the Whittier area including the business district. It lies between Beverly Boulevard on the north, Whittier Boulevard on the south, Magnolia Avenue on the west, and Painter Avenue on the east. Zone 3 a, as proposed, lies to the west of proposed Zone 2, between the Rio Hondo River on the west, and Magnolia Avenue and Sorenson Avenue on the east. Zone 3 b, as proposed, lies to the east and south of proposed Zone 2, between Painter Avenue (north of Whittier Boulevard) and Santa Fe Springs Road (south of Whittier Boulevard) on the west, and the easterly city limits of the City of Whittier on the east.

Applicant presently operates four bus routes in the Belvedere Division which includes all of Zone 1. Approval is requested of an increase in fare of one cent, from seven cents to eight cents in that area. The present transfer charge of three cents is proposed to be reduced to two cents so as to maintain the over-all charge in that zone of ten cents total fare. No special fare for school children exists or is proposed in Zone 1.

In the Whittier Division applicant proposes a ten-cent fare for transportation within any of the three single zones.

A fifteen-cent cash fare is proposed which will cover transportation between any of the three proposed zones in the Whittier Division, i.e., between Zones 2 and 3 a, between Zones 2 and 3 b, or between Zones 3 a and 3 b.

At the hearing on March 29, 1951, applicant amended its application so as to provide a ten-cent fare for children under eighteen years of age, or attending grade school, entitling them to transportation, without transfer cost, through the entire Whittier area, and over any and all of its four lines operating there. In the Whittier Division there is presently no charge for transfers and no such charge is proposed.

Testimony and exhibits relating to the company's operations were submitted by applicant's treasurer and general manager and a transportation engineer of the Commission's staff. Both witnesses explained in considerable detail the data which they had developed, and which included figures covering present services, analyses of passenger traffic trends, and estimates of future revenues and expenses. Applicant's general manager estimated that, if present fares are maintained throughout 1951, the company's operations would result in a loss of \$42,031, with an operating ratio of 114.74 per cent. The Commission's engineer similarly estimated a loss of \$25,575, with an operating ratio of 108.5 per cent.

The anticipated operating results for 1951, under the proposal, are as follows:

Company Witness

Operating Revenues	\$323,489
Operating Expenses	335,566
Net Operating Loss	12,077

Rate Base	\$104,000
Rate of Return (Loss)	

Operating Ratio	103.73%
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Commission Witness

Operating Revenues	\$332,660
Operating Expenses	322,060
Net Operating Revenue after Taxes	5,040

Rate Base	\$ 68,540
Rate of Return	7.15%
Operating Ratio	97.9%

The company's witness attributed applicant's losses to a declining volume of traffic. He stated that this has been accentuated by the raise in fares recently granted to Los Angeles Transit Lines, effected by the restricting of zones. Applicant acts as a feeder to both the Los Angeles Transit Lines and the Pacific Electric Railway Company. The company's estimate for the year 1951 reflects a loss of \$5,912.93 through the first two months, with an additional expected loss in March and during April, until such time as any increase in fares may be authorized and they may become effective. It was with this in mind that applicant, at the hearing, urged that the Commission authorize the proposed increases on less than the statutory notice.

One public witness from the Belvedere Division appeared at the January hearing, and protested the increase in the Belvedere area, and intimated that the raise in fares in that locality was sought in order to support the Whittier Division, which is a separately operated system. The substance of her plea was that in this period of rising prices this one-cent increase constituted one more burden to an already burdened public. She also criticized the service, and took the position that the notices posted on the buses were inadequate to advise the public properly of the proposed increase, especially in the area where many people of Mexican descent were unable to read English.

These contentions will be discussed briefly in their reverse order. A Commission engineer testified that he had discussed the effect of the notice with passengers, and had found that few had noted or read it. He recommended large type, and, since many riders in the Belvedere area had told him they did not read English, he suggested that the notice be printed in both English and in the Mexican or Spanish language. As a result of this testimony, the hearing held March 29, 1951, was properly noticed by new publication and by posting notices of a proper size of type in the buses. In addition, notices in the Spanish language were posted in buses in the Belvedere area.

The same public witness appeared at the March hearing, but no additional persons appeared in response to the proper notices. However, this same witness produced petitions signed by 225 residents of the Belvedere area who, according to the

language of the petitions, represented others in their families aggregating 681. These petitions stated that the signers protested the contemplated fare increase in view of the present "high prices of the ordinary necessities of life and the many taxes already being paid by" them. Such was stated to be "staggering to the regular family income", and this increase in bus fare would, it was stated, "entail another hardship".

The record demonstrates that the revenues applicant is likely to obtain from the Belvedere operation will be inadequate to meet the increased operating costs at the present fare. As a consequence, considering this area alone, an increase in fare is justified. The one-cent increase proposed does not appear to be unreasonable nor to entail undue hardship. This increase appears to be just about the minimum. Its effect is diminished by the decrease in transfer cost. There is no evidence of record to support any alternative plan of further decreasing the cost of transfers in that area, or of requiring reduced fares for school children. The testimony of applicant's witness is supported by that of the Commission's engineer, who estimates that, under present fares, the Belvedere operation alone would produce a loss of \$6,870 for the current year.

Since the proposed increase in the Belvedere area is justified, without regard to the more urgent needs in the Whittier area, it cannot be validly asserted that the raise is requested in order to support the operation in the latter area. According to the estimate of applicant's treasurer and general manager, under proposed fares the Belvedere operation will

produce a net income of only \$1,147 during the current year. This certainly is insufficient to justify a claim that that area is unduly burdened in order to support operations in the Whittier area. The Commission engineer's estimate of \$10,290 net income in the Belvedere area, under proposed fares, cannot be considered as absolutely unassailable. In proceedings of this kind, involving the fares of carriers similar to applicant, the estimating of future traffic with any degree of certainty is difficult. This stems from the fact that passenger travel is influenced by a wide variety of forces. A revision of applicant's estimates, entered at the March hearing, showed fewer passengers during January and February than were anticipated. This would tend to reduce the estimated net income. Although the above figure of net income indicates a return of 20.8 per cent on a rate base of \$49,430 and operating ratios of 94.2 per cent and 95.9 per cent before and after income taxes, respectively, for the Belvedere operation, it should be borne in mind that the buses used in this operation are operated under lease from a management company. If these buses were to be considered as wholly owned by applicant company, the corresponding rate of return would become 14.2 per cent on a rate base of \$88,860 with operating ratios of 93.0 per cent and 95.0 per cent before and after income taxes, respectively. Further the Commission engineer pointed out that if consideration were given to a rate base predicated on a 50 per cent depreciated condition of the properties, the rate of return would become 8.9 per cent in the case where buses are considered on a leased basis and 9.0 per cent if the equipment were to be considered as wholly owned by applicant.

The Commission engineer indicated at the January hearing a need for a study by the Commission staff of applicant's service and facilities, with the thought that perhaps operating or equipment changes might eliminate the necessity for a raise in fares. Another Commission engineer made an investigation and study of applicant's service and facilities, and submitted a report thereon at the March hearing. This report stated that applicant's "routes provide local service to commercial houses, shops, markets, and schools located in each of the areas, and also connect with through motor coach services of Los Angeles Transit Lines and Pacific Electric Railway Company. From an inspection it was found that the buses are clean and well maintained. It was also observed that the garage facilities are orderly and well equipped for normal maintenance and running repairs".

This report contained the following conclusions:

(1) Eastern Cities Transit, Inc. is providing a reasonably adequate service in its Belvedere and Whittier Divisions, and the operation is being conducted in an efficient manner.

(2) No recommendations may be made for changes in present schedules or routings that would have a material effect on the financial results of operation.

(3) Major extension of service at this time into new territory would not improve the earning position of the company.

(4) The mileage that will be operated during the next year on both the Belvedere and Whittier Divisions will not materially change, even considering some loss in patronage that might result from a fare increase.

The record is clear that applicant's operations will result in substantial losses if the proposed fares are not authorized. This is particularly true in the Whittier area, and to a lesser degree in the Belvedere Division. Applicant's witness and the Commission's engineer differed somewhat in their estimates of the net revenues which would accrue under the requested fare increases because of their differences in forecasts of passenger traffic and differences in various expense allocations. Under either estimate, however, it appears that applicant's earnings from the fares sought to be approved would not be excessive. Upon careful consideration of all the facts and circumstances of record, the Commission finds as a fact that the fares as proposed in the above application are just and reasonable. The fares proposed are justified, and consequently the application will be granted. In view of applicant's evident need for increased revenues, the requested authority to establish the fares proposed on less than statutory notice will also be granted.

O R D E R

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

IT IS HEREBY ORDERED that Eastern Cities Transit, Inc. be, and it hereby is, authorized to establish, on not less than five (5) days' notice to the Commission and to the public, increased fares and revised fare zones as follows:

(1) Increase intrazone one-way fare in Zone 1 from seven cents cash to eight cents, where no transfer is required. Fix a ten-cent cash fare entitling passengers in Zone 1 to transfer from one line to another line in said Zone 1.

(2) Cancel Zones 2 and 3 in the Whittier Division, and in their place establish Zone 2 as lying between Beverly Boulevard on the north, Whittier Boulevard on the south, Magnolia Avenue on the west, and Painter Avenue on the east, Zone 3 a as lying between Rio Hondo River on the west and Magnolia Avenue and Sorenson Avenue on the east, and Zone 3 b as lying between Painter Avenue (north of Whittier Boulevard) and Santa Fe Springs Road (south of Whittier Boulevard) on the west and the easterly city limits of the City of Whittier, California, on the east.

(3) Establish a cash fare of ten cents within Zone 2, Zone 3 a, and within Zone 3 b.

(4) Establish a cash fare of fifteen cents between Zones 2 and 3 a, between Zones 2 and 3 b, and between Zones 3 a and 3 b.

(5) Establish a ten-cent fare for children under eighteen years of age, or attending grade school, entitling the holder to transportation in the entire Whittier Division.

IT IS HEREBY FURTHER ORDERED that the five (5) days' notice to the public, provided for in the preceding ordering paragraph, shall be posted in applicant's buses, and shall be a suitable notice describing how the fare increases and decreases and zone changes will affect the service to the public, and shall include a map of the area involved, clearly showing where the fare changes will apply.

IT IS FURTHER ORDERED that the authority to increase and modify fares, and to modify zones, as herein granted, shall lapse unless the changes authorized in this order are published, filed, and made effective within sixty (60) days after the effective date of this order.

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

Dated at South Pasadena, California, this 24th day of April, 1951.

R. J. Dunderberg
Justus J. Casner
Harold P. Hula
Samuel J. Patten
John L. Mitchell
COMMISSIONERS