

Decision No. 46339

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 Long Beach Motor Bus Company for )  
 authority to discontinue a special )  
 5¢ fare zone between the hours of ) Application No. 32773  
 9:00 a.m. and 4:00 p.m. on business )  
 days within a restricted area of )  
 downtown Long Beach. )

Appearances

John Munholland, for applicant.

A. G. Jordan, for Bureau of Franchises, City of Long Beach,  
 interested party.

Glenn Newton, Engineering Division, Transportation Department,  
 Public Utilities Commission of the  
 State of California.

O P I N I O N

Long Beach Motor Bus Company, a corporation, operates a passenger stage service within and between the City of Long Beach and adjacent cities and communities, including Seal Beach, Signal Hill, Lakewood Village, Paramount and Dominguez. It seeks authority to cancel, on less than statutory notice, a special fare applicable within a specified area within the City of Long Beach.

Public hearing of the matter was held before Examiner Abernathy at Long Beach on October 19, 1951. Evidence was submitted for applicant by the general auditor and by the general superintendent of applicant's management company and by the local superintendent of applicant's operations. A representative of the Bureau of Franchises of the City of Long Beach also appeared as a witness and otherwise participated in the proceeding.

Applicant's basic fares are 10 cents, 15 cents and 20 cents per ride, depending upon the zone or zones involved. The fare involved herein is a reduced fare of 5 cents which applies for the transportation of passengers within the central area of Long Beach between the hours of 9:00 a.m. and 4:00 p.m. daily except Sundays and holidays. According to applicant's witnesses, the fare was established January 1, 1951 by applicant and by Long Beach City Lines, an affiliated company which provides passenger stage service wholly within the city limits of Long Beach, in the anticipation that it would stimulate off-peak travel and would relieve vehicle congestion and community parking problems in down-town Long Beach. Notwithstanding the fact that the reduced fare was advertised widely by applicant and by the Long Beach City Lines, and was also publicized by various civic organizations, public response to the fare has fallen short of expectations. Assertedly, there has been neither sufficient increase in off-peak travel to offset the reduction in revenues from establishment of the lower fare, nor has traffic congestion been noticeably alleviated. Applicant alleges that under the circumstances the reduced fare is unduly discriminatory and that cancellation of the fare is necessary to remove the discrimination and also to provide additional funds to offset decreases in passenger revenues and increases in operating expenses.

Applicant's witnesses testified that their company and the Long Beach City Line both have been and are continuing to experience a declining trend in passenger volume. They submitted exhibits to show that the number of revenue passengers transported by both companies during 1950 was 11.6 percent less than that for the previous year and that for the first 9 months of 1951 the total volume was 7.8 percent less than for the corresponding period of 1950. Although

a lesser rate of decline in passenger volume has been experienced during 1951, the witnesses saw no basis for concluding that the downward trend would not continue for an indefinite period in the future.

The witnesses also testified that applicant and the Long Beach City Lines have been confronted with a substantial increase in operating expenses as a result of renegotiation of the wage contract with their employees. They explained that agreement had been reached with the union representing their drivers and mechanics that as of October 25, 1951 the wage rates would be increased 8 cents an hour. They estimated that this increase would add \$19,500 annually to applicant's wage costs and would correspondingly add \$28,185 to the costs of Long Beach City Lines. Cancellation of the reduced fare is sought by applicant to mitigate the adverse effect of the wage increases upon applicant's earnings. The witnesses estimated that cancellation of the reduced fare would result in an annual increase of \$8,189 in their company's revenues.<sup>1</sup> Applicant's revenues and expenses for the first nine months of 1951 were reported as follows:

Operating Revenues	\$584,527
Operating Expenses	<u>542,947</u>
Net Operating Revenues	\$ 42,580
Income Taxes (a)	<u>15,415</u>
Net Income	\$ 27,165
Operating Ratio, before income taxes (b)	92.7%
Operating Ratio, after income taxes (b)	95.4%
(a) Calculated figure, based on 1951 tax rates.	
(b) Calculated figure.	

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<sup>1</sup> They similarly estimated that cancellation of the reduced fares by Long Beach City Lines would increase that company's revenues by \$22,119 annually.

Applicant's witnesses said that the increase in wage expense has caused the affiliated company, the Long Beach City Lines, to seek authority from the City of Long Beach to cancel the reduced fare, insofar as it applies to the operations of that carrier, and that the city, by appropriate ordinance authorized the fare cancellation as of October 25, 1951. They said that applicant and the Long Beach City Lines both operate over the same routes with the same type of equipment and that the maintenance of different levels of fares by the respective carriers for the same transportation will be extremely confusing to the public and the cause of much difficulty. They asked that applicant be permitted to effect the cancellation of the reduced fare as soon as possible in order that these undesirable results may be avoided. This request was supported by the representative of the Bureau of Franchises of the City of Long Beach who submitted in evidence a copy of the ordinance in question.

The record shows that notices of the hearing in this matter were posted in applicant's buses and were published in a newspaper of general circulation in the Long Beach area. In addition the Commission's secretary sent notices to persons and organizations believed to be interested. No one appeared at the hearing in opposition to granting of the application.

The evidence is convincing that under present expense levels and revenue trends applicant's earnings are approaching the point that they will not suffice to provide reasonable compensation for the services involved. Although the financial statements covering operations for the first nine months of 1951 reflect earnings of \$27,165, after taxes, and an operating ratio of 95.4 percent, the earnings, after taxes, would have been no more than \$16,581 with a corresponding operating ratio of 97.2 percent had the increased wage

rates been in effect throughout the period. In view of the downward trend of passenger travel, and in view of recent increases in income tax rates, of which official notice is taken, it appears that the operating results which may be reasonably expected for a comparable period in the future would be even less favorable. Applicant's earning position would not be substantially improved with cancellation of the reduced fare. The contribution to net earnings would be something less than \$4,150, after taxes, and would produce operating results as indicated by an operating ratio of 96.6 percent. Clearly, excessive earnings would not result from cancellation of the reduced fare.

Applicant offered but very little in the way of probative evidence to support its allegation that the reduced fare is unduly discriminatory. Nevertheless, it seems clear that, in view of the failure of additional traffic to materialize as was expected when the reduced fare was established, the fare is unduly low in relation to applicant's other fares. It appears that adjustment of the reduced fare to a basis commensurate with the other fares should be authorized.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds as a fact that cancellation of the reduced fare is justified. The application will be granted. Because of applicant's need for additional revenues to meet increased operating costs and in order to avoid unnecessary difficulties arising from differences between applicant's fares and those of Long Beach City Lines, the order hereinafter will be made effective immediately and applicant will be authorized to make the necessary amendment to its tariff on less than statutory notice.

O R D E R

Public hearing having been held in the above-entitled application, the evidence received therein having been fully considered, and good cause appearing,

IT IS HEREBY ORDERED that Long Beach Motor Bus Company be and it is hereby authorized to amend its tariff, on not less than five (5) days' notice to the Commission and to the public, so as to cancel therefrom provisions relating to the application of a five (5) cent fare for transportation between points within the area bounded on the north by Anaheim Street, on the east by Orange Avenue, on the south by Ocean Boulevard, and on the west by Pico Avonue, all in the City of Long Beach.

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

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 as of the date hereof.

Dated at Sacramento, California, this 25<sup>th</sup> day of October, 1951.

A. F. Anderson  
 President  
Justin J. Casner  
Harold J. Huls  
Peter E. Mitchell

Commissioners