

Decision No. 47156

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
GLENDALE CITY LINES, INC. requesting) Application No. 33041
authority to increase certain of its)
rates of fares.)

Appearances

- C. H. Hasbrouck, G. H. Hook, William A. Baker and Glenn S. Gordon, for applicant.
- John H. Lauten, for City of Glendale, interested party.
- T. M. Chubb and H. M. Kauffman, for the Board of Public Utilities & Transportation, City of Los Angeles, interested party.
- Harmon Bennett, for the City of Burbank, interested party.
- C. E. Ferguson, for Pacific Electric Railway Company, interested party.
- Don L. Campbell, for Asbury Rapid Transit, interested party.
- J. T. Phelps and T. A. Hopkins, for the Transportation Department, Public Utilities Commission of the State of California.

O P I N I O N

Glendale City Lines, Inc. is engaged in the operation of an urban passenger bus service within the City of Glendale, and between Glendale and adjacent areas in the cities of Los Angeles and Burbank. By this application, as amended, it seeks authority to establish increased fares. Applicant alleges that a continuing downward trend in passenger traffic and further substantial increases in the costs of operation make necessary another increase in fares.¹

¹ Certain token fares were cancelled on September 17, 1951, under authority of Decision No. 46147, dated August 28, 1951, in Application No. 32325 (51 Cal. P.U.C. 79).

Notices of public hearing were posted in applicant's vehicles, published in newspapers of general circulation in the area served, and sent by the Commission's secretary to persons and organizations believed to be interested. The public hearing was held before Commissioner Mitchell and Examiner Bryant at Glendale on April 9, 1952.

Applicant introduced evidence through two of its principal officers. Two engineers of the Commission's transportation staff offered evidence relating to the company's finances, operations and services. Counsel for the Commission's staff and representatives of the cities of Glendale, Los Angeles and Burbank participated in the proceeding and assisted in the development of the record.

Applicant has three fare zones. It seeks authority herein to increase the single-zone fare from 10 cents to the basis of a 12½-cent token or 15 cents cash. Two tokens would be sold for 25 cents. The multiple-zone fares are, and would continue to be, based upon an additional 5 cents for each additional zone. An increase is proposed also in the school commutation fares. The present and proposed fares are set forth in the footnote below.²

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	<u>Present</u>	<u>Proposed</u>
<u>Adult Cash Fares</u>		
Within one zone	10¢	15¢
Additional zones (each).....	5¢	5¢
<u>Adult Token Fares</u>		
Within one zone	None	2 for 25¢ (12½¢)
Additional zones (each)	None	5¢
Children's Fares (5 to 12 years of age)		10¢
<u>School Tickets (40 rides)</u>		
Within one zone	\$2.40 (6¢)	\$2.60 (6½¢)
Between two zones	\$3.20 (8¢)	\$3.40 (8½¢)

The company received net earnings during the year 1951.³ The witnesses were in agreement, however, that if applicant were required to continue operating at present fares it would suffer a substantial net loss for the coming year. The record shows that the company has experienced a persistent downward trend in patronage. Since the fares were last studied by the Commission in August, 1951, fewer passengers have been carried in each weekly period than in the corresponding period for the prior year. Both the company and the staff witnesses forecast a continued downward trend, resulting in a reduction in revenue. Their estimates of operating expenses, except for an increase in drivers' wages, were based upon present services and bus mileages and upon current costs of materials, supplies and services.⁴ The company revenues and expenses as recorded for 1951, and the company and staff estimates for the rate year ending April 30, 1953, assuming continuation of the present fares, are summarized in Table 1 which follows:

³ Details will be shown hereinafter. The company's income statements for prior years are set forth in Decision No. 46147, supra.

⁴ The drivers' wages are under negotiation. An increase of 10.7 cents an hour, which has been offered by the company but not yet accepted by the employees, was included in the estimates of record. The wage adjustment would be retroactive to April 1, 1952. The amount of the increase, on an annual basis, was estimated by the company at \$8,500 and by the staff engineer at \$8,800.

TABLE i

Item	Company Book Record 1951	Estimates for Rate Year Ending April 30, 1953	
		Applicant <u>AT PRESENT FARES</u>	Commission Engineer
<u>Operating Revenues</u>			
Passenger	\$ 296,201	\$ 255,620	\$ 259,800
Special Bus	3,661	3,600	3,700
Advertising	4,267	4,000	4,200
P.E.Ry. Agreement	-	(1)	14,000(1)
Other Operating Revenue	1,181	1,000	1,100
Total Operating Revenue	\$ 305,310	\$ 264,220	\$ 282,800
<u>Operating Expense</u>			
Equipment, Maintenance and Garage	\$ 63,290	\$ 59,200	\$ 58,100
Transportation	150,140	152,300	151,500
Traffic Solicitation and Advertising	1,117	1,900	1,600
Insurance and Safety	14,858	13,500	17,300
Administrative & General	24,873	22,425	24,000
Depreciation	29,139	19,508	13,700
Operating Taxes & Licenses	28,221	24,200	24,500
Operating Rents	(1,460)	-	-
Total Operating Expenses	\$ 310,178	\$ 293,033	\$ 290,700
Other Income	\$ 23,613	\$ 14,000(1)	(1)
Other Expenses	\$ 4,572	-	-
Net Before Income Tax	\$ 14,173	\$ (14,813)	\$ (7,900)
Income Tax	\$ 4,200	-	-
Net After Income Tax	\$ 9,973	\$ (14,813)	\$ (7,900)
Operating Ratio	*	105.3%	102.8%
Rate Base	*	\$ 64,950	\$ 78,300
Rate of Return	*	None	None

(1) \$14,000 to accrue from Pacific Electric Railway Company was treated by company auditor as "other income" and by Commission engineer as "operating revenue". For further explanation of this item see Decision No. 40890 (47 Cal. P.U.C. 529) and Decision No. 46147 (51 Cal. P.U.C. 79).

* Not calculated.

() Red figure or Loss

Applicant and the Commission's staff submitted also estimates of the results which the company would experience for the future year at the proposed fares. The estimates do not differ greatly.⁵ The revenue figures, which depend largely upon judgment in forecasting the number of revenue passengers, differ by less than two percent. The expense estimates differ by only one percent. The principal difference in the expense items is found in vehicle depreciation. The company is accruing depreciation upon the basis of an eight-year bus life, and developed its expense estimates accordingly. The Commission engineer adjusted future depreciation charges to the basis of a ten-year service life. For reasons set forth in Decision No. 46147, wherein the matter was discussed more fully, the engineer's depreciation estimate will be used herein.

The average rate base for the rate year was estimated at \$64,950 by the company witness and at \$78,300 by the staff engineer. Under either figure the depreciable properties are recorded at less than 15 percent of their original cost. It appears that the properties, principally buses, are well maintained and in good operating condition. Applicant's witnesses urged that the company's earnings be judged by the ratio of expenses to revenue rather than by the rate of return on

⁵ The areas of difference were limited because the Commission recently discussed and disposed of various controversial matters. (Decision No. 46147, supra.)

the subnormal rate base.

The Commission engineer submitted also an estimate of the results which would obtain under an alternative fare basis. Under this plan the tokens would sell at ten for \$1.00 instead of two for 25 cents, and the fares in other respects would be as proposed by applicant.

The several estimates of operating results for the future year, under the proposed and alternate fares, are set forth in the following Table 2:

TABLE 2

Estimated Results for Rate Year Ending April 30, 1953
At Proposed and Alternate Fares

Item	Fares Proposed By Applicant		Alternate Fares
	Applicant	Commission Engineer	Commission Engineer
<u>Operating Revenue</u>			
Passenger	\$ 293,450	\$ 298,500	\$ 285,300
Special Bus	3,600	3,700	3,700
Advertising	4,000	4,200	4,200
P.E.Ry. Agreement (1)	-	14,000	14,000
Other Operating Revenues	<u>1,000</u>	<u>1,900</u>	<u>1,500</u>
Total Operating Revenues	\$ 302,050	\$ 322,300	\$ 308,700
<u>Operating Expenses</u>			
Equipment, Maintenance and Garage	\$ 59,200	\$ 58,100	\$ 58,100
Transportation	152,300	151,500	151,500
Traffic, Solicitation and Advertising	1,900	1,600	1,600
Insurance and Safety	13,500	17,300	17,300
Administrative and General	22,425	24,000	24,000
Depreciation	19,508	13,700	13,700
Operating Taxes and Licenses	<u>25,180</u>	<u>24,500</u>	<u>24,500</u>
Total Operating Expenses	\$ 294,013	\$ 290,700	\$ 290,700
Other Income (1)	\$ 14,000	-	-
Net Before Income Tax	\$ 22,037	\$ 31,600	\$ 18,000
Income Tax	\$ 6,600	\$ 11,600	\$ 5,900
Net After Income Tax	\$ 15,437	\$ 20,000	\$ 12,100
Operating Ratio (2)	95.1%	93.8%	96.1%
Rate Base	\$ 64,950	\$ 78,300	\$ 78,300
Rate of Return (2)	23.8%	25.5%	15.5%

- (1) See Table 1 for explanation.
(2) After provision for income taxes.
* Not calculated.

From the evidence it is clear that an increase in the fares of Glendale City Lines, Inc. must be authorized if the public is to be assured that the essential services will be maintained. The witnesses are in agreement that revenues under the existing fares, at the expected traffic levels, will not suffice in the coming year to meet the necessary costs of operation.

Counsel for the staff urged that serious consideration be given to the alternative fare basis, which, as shown in the foregoing Table 2, would produce an estimated net revenue of about \$12,000. The company representative, however, declared that the alternative basis would not provide sufficient earnings for the company to operate successfully and carry on the necessary functions. He feared that the percentage of token usage under a fare of 15 cents cash and ten tokens for \$1.00 would be greater than estimated by the engineer, in which case the revenues would be reduced still further. He pointed out also that a serious problem of collection and handling would be introduced if applicant were required to issue tokens having a value other than $12\frac{1}{2}$ cents. This was necessarily so, he said, because another transportation company in the area operates on a $12\frac{1}{2}$ -cent token fare, using tokens identical in size with those of Glendale City Lines, Inc.⁶ He was of the opinion that it would be virtually impossible to cope with problems which would be inherent in the issuance of multiple-valued tokens within the Glendale area.

The recent history of Glendale City Lines, Inc. is one of declining patronage and decreasing service. The persistent reduction

⁶ He referred to Pacific Electric Railway Company. Tokens of the same diameter, sold at two for 25 cents, are used also by Asbury Rapid Transit System and Los Angeles Transit Lines. Moreover, joint fares are maintained between Glendale City Lines, Inc. and Pacific Electric Railway Company. The joint tariff provides that one Pacific Electric token will apply in lieu of a 15-cent fare or in lieu of the initial 15 cents in payment of interzone fares of 20 cents or more.

in passenger travel is illustrated in the footnote below.⁷ Furthermore, the record shows that a particularly sharp reduction in riding has taken place within the past six months. Should the decline continue in greater degree than forecast by the Commission's staff, the revenues for the rate year would necessarily be less than anticipated in the estimates.

It is unnecessary to discuss herein the relative merits of various methods of appraising the reasonableness of earnings. In reaching its conclusions this Commission considers all available data, without limitation or restriction to any single formula. It is clear that the rate base constructed from applicant's books does not represent the true operating condition of the properties. On the books these properties are largely depreciated, but the fact is that with them applicant is performing a satisfactory public service. It follows, therefore, that by reason of this understatement of the rate base, the true rate of return is correspondingly less than that hereinbefore indicated.

Upon consideration of all of the evidence of record, and in light of the recent history of this company, the Commission concludes and finds as a fact that the additional revenues sought in this proceeding are reasonably required if there is to be assurance that the necessary public transportation services will be maintained. Under these circumstances the increased fares proposed by applicant in this proceeding are justified. Establishment of such fares will be authorized, and applicant will be directed not to make any further reduction in or curtailment of any of its services without the express approval of this Commission.

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The following is a tabulation of the revenue passengers carried in each calendar year from 1946 through 1951:

<u>Year</u>	<u>Passengers</u>
1946	6,482,320
1947	5,821,991
1948	5,107,465
1949	4,129,945
1950	3,755,251
1951	3,425,149

O R D E R

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

IT IS HEREBY ORDERED that Glendale City Lines, Inc. be and it is hereby authorized to establish, on not less than ten (10) days' notice to the Commission and to the public, the following changes in fares:

- (a) Increase the present single-zone cash rate of fare from ten (10) cents to fifteen (15) cents.
- (b) Establish a single-zone token rate of fare of 12½ cents, tokens to be sold at the rate of two tokens for 25 cents.
- (c) Increase the present single-zone school commutation rate of fare from forty (40) rides for \$2.40 to forty (40) rides for \$2.60.
- (d) Increase the present two-zone school commutation rate of fare from forty (40) rides for \$3.20 to forty (40) rides for \$3.40.
- (e) No change shall be made in zone boundaries, nor in the additional fare of five (5) cents applicable for each additional zone traveled beyond the initial zone.

IT IS HEREBY FURTHER ORDERED that, in addition to the required filing and posting of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. Such notices shall be posted not less than ten (10) days before the effective date of the fare changes, and shall remain posted until not less than twenty (20) days after said effective date.

IT IS HEREBY FURTHER ORDERED that applicant shall not reduce or curtail any of its routes, schedules or services as provided on the date of hearing in this matter, and as shown in detail in Table 2, Exhibit 2 of record in this proceeding, without the express approval of this Commission.

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IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) 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 19th day of May, 1952.

A. J. Zimmerman
President
Justice F. Casper
Herbert D. Patten
John E. Blahnik
Commissioners