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Decision No. 47666

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the application of Asbury Rapid Transit System requesting authority to increase certain fares.

Application No. 33335

Appearances

Don L. Campbell, Bart F. Wade, and Rodney F. Williams, for applicant.
T. M. Chubb, Roger Arnebergh, and T. V. Tarbett, for City of Los Angeles, interested party.
John H. Lauten, for City of Glendale, interested party.
Harmon R. Bennett and Archie L. Walters, for City of Burbank, interested party.
David D. Canning, for Los Angeles Transit Lines, interested party.
Carl F. Fennema, for Downtown Business Mens Association of Los Angeles, interested party.
John Power, for the staff of the Public Utilities Commission.

O P I N I O N

Asbury Rapid Transit System operates an urban passenger bus service within and between the cities of Los Angeles, Pasadena, Burbank, San Fernando, Culver City, and intermediate and adjacent areas. By this application, as amended, it seeks authority to increase certain of its fares.

Public hearing was held before Commissioner Potter and Examiner Bryant on August 20, 1952. The matter is ready for decision. The record shows that advance notices of the hearing were duly posted in applicant's buses and terminals, were published in newspapers of general circulation in the areas served, and were sent to persons and organizations believed to be interested.

Applicant conducts its operations over approximately fifteen routes. The principal services are between downtown Los Angeles and San Fernando Valley, between Pasadena and Hollywood, and between Hollywood and Culver City. The Los Angeles-San Fernando operations are conducted via several routes serving Glendale, Burbank, North Hollywood, Sun Valley, and Pacoima. Applicant has nine fare zones. The single-zone adult fare is 15 cents or one token, the tokens selling at the rate of two for 25 cents. For the second, third, and fourth zones the single-zone fare is increased by 5 cents per zone. For travel involving more than four zones no tokens are accepted, and the one-way adult fares range from 33 cents to 51 cents, according to the number of zones involved. There are lower fares for commutation riders, school students, and children.

Applicant herein seeks authority to discontinue the use of tokens, thereby increasing the one-way adult fares within the first four zones. It seeks authority also to discontinue some of the commutation fares and school fares, and to increase the rates on those which would be retained.

Applicant introduced evidence through its vice president, through the administrative assistant to the vice president, and through the assistant manager of operations. Other evidence was offered by an associate engineer and a senior engineer of the Commission's transportation staff, and by the chief engineer and general manager of the Department of Public Utilities and Transportation of the City of Los Angeles. Representatives of the cities of Glendale and Burbank also assisted in development of the record.

For the year 1951 Asbury Rapid Transit System reported a net operating loss of $52,822.[1] In the present proceeding applicant's witnesses testified that the company's current financial condition is critical, that it has had to borrow substantial amounts of money to meet current expenses, and that these conditions have prevailed despite the fact the management has made all feasible operating economies. As of June 30, 1952, according to the testimony, the company had current liabilities in the amount of $273,495, and current assets of $85,661, representing a ratio of approximately $3.20 in current debts against $1.00 with which to pay them. The administrative assistant to the vice president declared, on the basis of the balance sheet and known increases in operating costs, that the company will be in "desperate financial straits" during the projected rate year.

On the evidence available in January, 1952, the Commission concluded that the fare increase thereafter authorized by Decision No. 46724, supra, would permit Asbury Rapid Transit System to develop reasonable net earnings during the 12 months starting with February 1, 1952. The present application was

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[1] The financial condition and revenue needs of Asbury Rapid Transit System were considered at public hearings in December, 1951, and January, 1952, in connection with Application No. 32284. Decision No. 46724 therein (51 Cal. P.U.C. 456) dated February 5, 1952, which authorized the present fares, discussed in some detail the company's operations, revenues, and expenses from 1945 up to the date of submission of that proceeding. It included company income statements for 1946 through 1950, and forecasts for the year ending January 31, 1953. The entire record in that proceeding was incorporated into the present application by reference. For these reasons it is unnecessary to review or recite herein applicant's operations and finances except as they relate to the immediate past and to the future rate year.

filed on April 21, 1952, and was subsequently amended on July 7 and August 20, 1952. Applicant's vice president testified that the request for increased fares was made necessary by a continuing downward trend of patronage, by a disproportionate use of reduced-rate commutation fares, and by further advances in the costs of operations. The principal cost increases occurred in connection with payroll costs. The witness testified that the increase in this item, including provision for "fringe" benefits, would approximate $50,000 a year. He said that there have been increases also in the price of fuel and in the cost of insurance.

A report on traffic checks, service, and estimated future mileage was submitted by an engineer of the Commission's staff. It was his conclusion that on most of the lines the service has been curtailed to the point that no further schedule reductions should be made. On the three major lines he found what he termed "excess capacity" during the peak traffic periods, and on this account he made a corresponding reduction in estimated vehicular miles for the future year. Applicant's vice president was of the opinion that there should be no reduction in schedules on the basis of present traffic.

Forecasts of operating results for the projected rate year ending with September 30, 1953, under present and proposed fares, were submitted by applicant and by the Commission's staff. In addition, the chief engineer and general manager of the Department of Public Utilities and Transportation for the City of Los Angeles introduced an exhibit, based upon the Commission's staff study, showing the estimated results of operation under an alternative basis of fares. The several estimates are summarized in the following table:

TABLE 1

ESTIMATED OPERATING RESULTS
FOR THE YEAR ENDING SEPTEMBER 30, 1953

Item	Present Fares: Applicant	Present Fares: Commission Engineer	Proposed Fares: Applicant	Proposed Fares: Commission Engineer	Alternate Fares See Note
Total Operating Revenues	$1,262,199	$1,262,370	$1,324,415	$1,334,430	$1,327,000
Operating Expenses	$1,301,099	$1,274,408	$1,290,222	$1,273,918	$1,273,385
Burbank Credit*	-	(11,084)	-	(7,639)	(7,639)
Total Operating Expenses	$1,301,099	$1,263,324	$1,290,222	$1,266,279	$1,265,746
Net Operating Revenue (Before Income Tax)	$ (38,900)	$ (954)	$ 34,193	$ 68,151	$ 61,254
Income Tax	-	-	7,266	30,920	25,215
Net Operating Revenue (After Income Tax)	$ (38,900)	$ (954)	$ 26,927	$ 37,231	$ 36,039
Rate Base	$ 620,891	$ 634,513	$ 620,891	$ 634,513	$ 634,513
Rate of Return	-	-	4.3%	5.9%	5.7%
Operating Ratio**	103.08%	100.08%	97.97%	97.21%	97.28%

( ) - Loss

* Adjusted to basis of out-of-pocket losses on Burbank local lines, as explained hereinafter.

** After provision for income tax.

Note: The alternate fares, as suggested by the City of Los Angeles, are those sought by applicant except that token fares would not be discontinued but instead the token rate would be increased from two for 25 cents to seven for $1.00.

As shown in the table, the witnesses were in agreement (1) that continued operation under the present fares would result in a net operating loss, and (2) that earnings under the proposed fares would result in an operating ratio of more than 97 percent. Under these circumstances the various differences in the estimates need not be discussed in the detail which might otherwise be warranted.

Differences in the forecasts of operating revenues were due to matters of opinion concerning the prevailing traffic trend and the probable extent to which passengers would be deflected by the proposed higher fares. Variations in several items of operating cost, particularly under present fares, resulted from differing estimates of the vehicle miles to be operated during the coming year, as follows:

Vehicle Miles

	Under Present Fares	Under Proposed Fares
Applicant	2,642,276	2,602,040
Commission engineer	2,603,674	2,603,674

There is a difference of a few thousand dollars also in the estimates for insurance expense. Applicant has insurance contracts which contain retrospective provisions. Its estimate for the rate year was based upon anticipated premium payments, whereas the staff's forecast was based upon analyses of the average annual net cost of insurance over a period of years. The rate base estimates, as shown in the foregoing Table 1, differ by approximately $14,000. This difference is attributable mainly to the fact that applicant and the staff engineer used different depreciation lives on the motor coaches and that the engineer excluded certain prepayments for taxes, insurance, and rent.

The "Burbank local operating credit," shown as a deduction from expense in the estimates submitted by the Commission staff and by the City of Los Angeles, was not provided for in applicant's estimate. This credit item relates to certain temporary services and route changes within the city of Burbank which were authorized by this Commission subject to the provision that "any financial losses incurred by reason of operations (therein) authorized shall not be used as an argument by applicant before this Commission for increases in fares on the more productive lines of its system."[2] Under that decision any Burbank losses must be borne by applicant and not by patrons of its other services. In the present proceeding applicant argued that the Commission should withdraw the condition quoted above. A witness for the company pointed out that present and proposed local fares within Burbank are the same as those applicable elsewhere on the Asbury system. He testified that the Burbank local lines, although not profitable of themselves, serve as feeder lines to the rest of the system and therefore should be considered for rate purposes in the same category as any of the other local or feeder lines. In general, the company's position in this respect was supported by the City of Burbank and was opposed by the City of Glendale.

The Burbank local operating rights were authorized under emergency circumstances, without a full showing of public need, for a period of nine months only. (See Decision No. 43372, <u>supra</u>.) The authority has been extended from time to time pending completion of arrangements between applicant and the City of Burbank. The authority is now scheduled to expire with November 1, 1952. It is not known whether or not, or under what circumstances, the services are to be continued beyond that date. The evidence is not persuasive that the conditions attendant upon the temporary certification of the Burbank local lines should be modified at this time. Under these circumstances the estimated out-of-pocket

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2 Decision No. 43372 of October 4, 1949, in Application No. 30638 (49 Cal. P.U.C. 134).

losses from those lines will be disallowed as an expense factor in determining applicant's revenue needs in this proceeding.

The differences in the several estimates are not substantial in their net effect. The record is clear that Asbury Rapid Transit System must have additional revenues if the public is to be assured of a continuity of the necessary transportation services rendered by this company. For the purpose of this decision we hereby adopt the estimate submitted by the Commission engineer of operating results at proposed rates for the future year, as summarized in the foregoing Table 1.

The witness for the City of Los Angeles suggested, as an alternative to granting the application in full, that applicant establish a token rate of seven for $1.00, and that in other respects the proposed fares be authorized. He conceded that the estimated operating ratio under his alternative fare plan would not provide a sound financial basis. It was his opinion, nevertheless, that tokens are desirable as a convenience and stimulus to travel, and he thought it possible that in actual experience the suggested token fares would develop net earnings as great as, or greater than, would applicant's proposed fares. The Commission engineer, on the other hand, thought that the use of tokens would be relatively greater than anticipated by the City of Los Angeles, and that the revenues would be correspondingly less.

Asbury Rapid Transit System has suffered operating losses for the past several years and is not currently on a sound financial foundation. The proposed fares, under the most favorable forecast of record, would not permit excessive earnings and would leave but a narrow margin between gross operating revenues and expenses. Under these circumstances this Commission will not require the company to experiment with another form of token fare, as suggested by the City of Los Angeles.

The fares hereinafter authorized have been justified on this record. The Commission hereby finds the anticipated rate of return of approximately six percent, when considered in relation to an operating ratio of 97 percent, after income taxes, to be fair and reasonable for Asbury Rapid Transit System.

The authorized fares differ from applicant's proposal in two respects only, neither of which will have any material effect upon the earnings. Among the school fares which the company seeks to discontinue is a 40-ride book which sells for $5.25, resulting in an average fare of 13.13 cents per ride. The record shows that 102 of these books were sold during the year 1951. The applicable fare upon cancellation would be 30 cents per ride. The proposed increase in this fare is disproportionate, and would place an excessive burden upon the students affected. The cancellation of this school fare will not be permitted, but the company will be authorized to increase the price of the book to $6.00. This modification will have but a negligible effect upon the revenues.

The other exception to applicant's proposal relates to the redemption of tokens. The company seeks authority to redeem tokens within thirty days after the effective date of the decision herein by payment at the rate of 25 cents for two tokens and 10 cents for one token. It is our conclusion that fairness to the patrons requires that the tokens be redeemed at any time during the remainder of 1952, and that single tokens and those presented in excess of multiples of two be redeemed at the rate of 12 cents each rather than 10 cents. The order will so provide.

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 Asbury Rapid Transit System 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:

1. Increase adult one-way fares as follows:

Present	Authorized
15 cents or token	15 cents
20 cents or token plus 5 cents	20 cents
25 cents or token plus 10 cents	25 cents
30 cents or token plus 15 cents	30 cents
33 cents (no token)	33 cents
35 cents (no token)	35 cents
42 cents (no token)	42 cents
46 cents (no token)	46 cents
51 cents (no token)	51 cents

2. Increase certain commutation fares and discontinue others as follows:

Present	Authorized
30 rides for $6.20	Discontinue
30 rides for $7.55	Discontinue
12 rides for $3.60	Discontinue
12 rides for $3.75	Discontinue
12 rides for $4.50	12 rides for $4.75
12 rides for $5.00	12 rides for $5.25
12 rides for $5.50	12 rides for $5.80

3. Increase certain school fares and discontinue others as follows:

Present	Authorized
40 rides for $2.00	40 rides for $3.00
40 rides for $3.00	40 rides for $4.00
40 rides for $4.00	40 rides for $4.50
40 rides for $5.25	40 rides for $6.00
40 rides for $7.00	Discontinue
40 rides for $8.50	Discontinue
40 rides for $9.50	Discontinue
40 rides for $10.00	Discontinue
40 rides for $10.50	Discontinue

IT IS HEREBY FURTHER ORDERED that, upon cancellation of the token fares, the sale and acceptance of tokens shall be discontinued. For a period of thirty (30) days thereafter, bus operators of Asbury Rapid Transit System shall redeem for cash all of applicant's tokens presented to them in numbers not exceeding 16, and Asbury Rapid Transit System shall redeem for cash all tokens presented at its offices on or before December 31, 1952. Tokens presented in multiples of two shall be redeemed at the rate of 12½ cents each. Single tokens and tokens presented in excess of multiples of two shall be redeemed at the rate of 12 cents each.

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 the fare changes, redemption value of tokens, and redemption procedures. 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 the authority herein granted shall expire unless exercised within sixty (60) days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED that in all other respects Application No. 33335, as amended, be and it is hereby denied.

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

Dated at San Francisco, California, this 2nd day of September, 1952.

R. T. [illegible]
President

Justus F. Craemer

Kenneth Potter

Peter E. Mitchell

Commissioners