

ORIGINALDecision No. 48444

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC ELECTRIC RAILWAY COMPANY, a) Application No. 33752
 corporation, for authority to adjust)
 and increase its interurban fares.)

E. D. Yoemans, for Pacific Electric Railway Company, applicant,
 and for J. L. Haugh, interested party.
J. L. Haugh, in propria persona, interested party.
George H. Hook, for Pasadena City Lines, Inc. and Glendale
 City Lines, Inc., applicants.
Roger Arnebergh, T. M. Chubb, and T. V. Tarbet, for the City
 of Los Angeles, interested party.
Henry E. Jordan, for the Bureau of Franchises and Public
 Utilities of the City of Long Beach, interested party.
Henry McClernan and John H. Lauten, for the City of Glendale,
 protestant.
Clarence A. Winder and Robert E. Michalski, for the City of
 Pasadena, interested party.
A. Leroy Avlmer, for the City of Compton, interested party.
William Richards, for the City of Arcadia, protestant.
William Hogan, in propria persona and for Lincoln Heights
 Coordinating Council, protestant.
Charles H. Thorpe, for Research Committee of Citizens Transit
 Committee for Metropolitan Los Angeles, protestant.
Carl F. Fennema, for the Downtown Business Men's Association
 of the City of Los Angeles, interested party.
Barbara Lucile Como, in propria persona, interested party.
Mrs. Jean Adams, in propria persona, protestant.
Harold J. McCarthy, T. A. Hopkins and J. G. Hunter, for the
 staff of the Public Utilities Commission of the State of
 California.

O P I N I O N

By this application, as amended, Pacific Electric Railway Company seeks authority to adjust and increase its interurban fares. Pasadena City Lines, Inc., Glendale City Lines, Inc. and Catalina Island Steamship Line join in the application to the extent that they participate in joint fare arrangements with Pacific Electric.

Public hearings were held before Commissioner Potter and Examiner Bryant at Los Angeles on December 3 and 4, 1952, and March 11, 1953. Advance notices of the hearings were posted in the passenger vehicles of Pacific Electric, were published in a newspaper of

general circulation in the areas served, and were sent to cities, organizations and persons believed to be interested.

Applicant proposes to make an immediate interim increase of five cents in each interurban fare, and to make more extensive fare adjustments subsequently. ⁽¹⁾ The interim phase was taken under consideration on December 4, 1952, with the understanding that further evidence on the "final" phase of Application No. 33752 would be received at an adjourned hearing on March 11, 1953. On the latter date applicant moved (1) that the interim phase be reopened to receive evidence concerning an agreement entered into between Pacific Electric and J. L. Haugh and Western Transit Systems, Inc., providing for the sale of applicant's passenger operations, and (2) that hearing on the "final" phase of Application No. 33752 be postponed indefinitely. Such evidence was then received conditionally subject to the granting by the Commission of the motion to reopen. Said motion has been granted by separate order. The interim phase is ready for decision.

Pacific Electric Railway Company is engaged in the business of transporting passengers and freight by rail and highway between points within the counties of Los Angeles, Orange, Riverside and San Bernardino. The present application does not directly involve the freight operations, nor the local passenger services within the metropolitan area of Los Angeles County. Adjustments are sought only in the interurban passenger fares.

Applicant alleges that operating costs have increased greatly since February, 1948, when the basic one-way interurban fares were last revised. It states that the hourly wage paid to motor coach operators, as an important example, has increased during

(1) The term "applicant", as used herein, refers to Pacific Electric Railway Company. The other carriers which joined in the application are involved to a minor degree only. The application was filed on September 25, 1952, and subsequently amended.

the period from \$1.37 to \$1.81, an increase of 32 per cent, and that half of this increase occurred since January 1, 1952. Assertedly a continuation of the present fare structure during the year 1953 would result in a loss from interurban passenger operations of \$1,723,343. It is the position of Pacific Electric that this condition creates a present emergency, and that the interurban passenger operations cannot be continued with any reasonable standard of service without an immediate adjustment of fares. The fare increase sought in the interim request is represented as a minimum increase, proposed so that there will be no doubt as to the propriety of granting authority to establish such fares immediately. Applicant states that under the interim fares the interurban lines would continue to be operated at a heavy loss, estimated by applicant to be at the rate of \$594,054 annually.

The principal evidence in support of the application was introduced by the assistant to the vice president of Pacific Electric Railway Company. This witness explained that his duties include the control and supervision of the company's research bureau, the management and supervision of its schedule bureau, and assistance to the vice president in the supervision and control of the various operating departments of the company. His exhibits included statements of past operating statistics, estimated future revenues and expenses, rate base data, checks of passengers carried and services operated on the various lines, and a considerable amount of supporting figures and other related material.²

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In addition to the evidence offered directly there were incorporated into the record by reference: (a) the entire proceeding in Application No. 33317; (b) Decision No. 45924, dated July 3, 1951, by which the Commission prescribed minimum service standards; and (c) monthly financial reports filed with the Commission by Pacific Electric Railway Company for the months from January, 1951 to September, 1952, inclusive.

Transportation engineers of the Commission's staff introduced estimates of results of operation under the present fares and the proposed interim fares, as well as a report on the service and operations of Pacific Electric Railway Company. J. L. Haugh, representing the prospective purchaser, testified concerning anticipated results during the first year of operation. Other witnesses were three patrons of the service and two representatives of citizens' committees, who testified concerning various aspects of the fares and service. Representatives of several cities in Los Angeles County assisted in development of the record through cross-examination, but did not offer evidence directly. The cities indicated general opposition, or specific objection to certain of the proposed fare adjustments. The City of Los Angeles took the position that a showing of revenue deficiencies is insufficient, and that it is incumbent upon Pacific Electric to show further that the present fares are such that an efficiently operated utility could not earn a fair rate of return thereunder.

The following tables show rate bases of Pacific Electric as developed by the witnesses, the reported operating results for recent past periods, and the estimated operating results for the future rate year under existing fares and under the proposed interim fares:

Table 1

PASSENGER RATE BASE
Pacific Electric Railway Company

	<u>As Developed by</u> <u>Pacific Electric*</u>	<u>As Developed by</u> <u>Commission Staff</u>
Local Lines	\$11,162,777	\$10,187,000
Interurban Lines	<u>9,953,877</u>	<u>10,455,000</u>
Total Passenger	\$21,116,654	\$20,642,000

* Average of historical cost rate bases as of December 31, 1952, and December 31, 1953. Pacific Electric submitted also "present value" rate bases which were about double those shown above.

Table 2
OPERATING RESULTS FOR PAST PERIODS*

	<u>Total Freight</u>	<u>Total Passenger</u>	<u>Total Passenger and Freight</u>
<u>Year 1951</u>			
Railway Operating Revenue	\$13,882,667	\$16,243,733	\$30,126,400
Railway Operating Expense	<u>9,391,900</u>	<u>18,060,964</u>	<u>27,452,864</u>
Net Revenue	\$ 4,490,767	\$(<u>1,817,231</u>)	\$ 2,673,536
Taxes Assignable Transportation	\$ 754,055	\$ 1,397,584	\$ 2,151,639
Operating Income	\$ 3,736,712	\$(<u>3,214,815</u>)	\$ 521,897
<u>January - September 1952 - Annualized**</u>			
Railway Operating Revenue	\$13,649,835	\$16,992,097	\$30,641,932
Railway Operating Expense	<u>10,534,861</u>	<u>18,401,203</u>	<u>28,936,064</u>
Net Revenue	\$ 3,114,974	\$(<u>1,409,106</u>)	\$ 1,705,868
Taxes Assignable Transportation	\$ 790,507	\$ 1,387,698	\$ 2,178,205
Operating Income	\$ 2,324,467	\$(<u>2,796,804</u>)	\$ (<u>472,337</u>)

* Submitted by the Commission's staff from data recorded by applicant in reports filed with the Commission.

** Projected to a yearly basis by the Commission's staff by multiplying by twelve the average monthly revenues and expenses for the nine months.

() - Indicates loss.

Table 3

ESTIMATED FUTURE OPERATING RESULTS (PASSENGER)Under Present Fares

	*As Estimated by Pacific Electric		**As Estimated by Commission Staff	
	<u>Local</u>	<u>Interurban</u>	<u>Local</u>	<u>Interurban</u>
Operating Revenue				
Passenger	\$7,977,000	\$7,992,000	\$7,965,000	\$7,869,000
Other	<u>268,900</u>	<u>393,200</u>	<u>316,000</u>	<u>397,000</u>
Total Operating Revenue	\$8,245,900	\$8,385,200	\$8,281,000	\$8,266,000
Operating Expenses				
Way and Structures	\$ 299,660	\$ 403,413		
Equipment	1,626,625	1,868,292		
Power	197,121	237,448		
Transportation	4,784,503	5,337,293		
Traffic	76,887	87,395		
General	1,055,308	1,445,184		
Operating Taxes	<u>591,555</u>	<u>729,518</u>		
Total Operating Expenses	\$8,631,659	\$10,108,543	\$9,361,000	\$9,866,000
Net Operating Income	\$ <u>(385,759)</u>	\$ <u>(1,723,343)</u>	\$ <u>(1,080,000)</u>	\$ <u>(1,600,000)</u>
Operating Ratio	104.7%	120.6%	113.0%	119.4%

Under Proposed Interim Fares

Operating Revenue				
Passenger	\$7,989,000	\$9,001,000	\$7,978,000	\$8,868,000
Other	<u>268,800</u>	<u>392,900</u>	<u>316,000</u>	<u>397,000</u>
Total Operating Revenue	\$8,257,800	\$9,393,900	\$8,294,000	\$9,265,000
Operating Expenses				
Way and Structures	\$ 299,617	398,139		
Equipment	1,626,276	1,849,211		
Power	197,121	234,449		
Transportation	4,782,877	5,254,866		
Traffic	76,862	86,049		
General	1,055,015	1,423,888		
Operating Taxes	<u>591,350</u>	<u>741,352</u>		
Total Operating Expenses	\$8,629,118	\$9,987,954	\$9,361,000	\$9,814,000
Net Operating Income	\$ <u>(371,318)</u>	\$ <u>(594,054)</u>	\$ <u>(1,067,000)</u>	\$ <u>(549,000)</u>
Operating Ratio	104.5%	106.3%	112.9%	105.9%

() Indicates loss

* For the year 1953

** For a rate year. All figures rounded to the nearest thousand.

Table 4

ESTIMATED OPERATING RESULTS
FOR FUTURE YEAR, AT PROPOSED
INTERIM FARES, AS ESTIMATED
BY THE PROSPECTIVE PURCHASER

	<u>Interurban Operations</u>	<u>System Passenger Operations</u>
Revenues		
Passenger	\$9,134,000	\$17,113,000
Other Revenue	73,000	116,000
Total	<u>\$9,207,000</u>	<u>\$17,229,000</u>
Operating Expenses		
Maintenance of Equipment		
Superintendence	85,000	149,000
Shop and Garage Expenses	213,000	369,000
Equipment Repairs	850,000	1,596,000
Equipment Servicing	354,000	670,000
Tires and Tubes	147,000	277,000
Total Maintenance of Equipment	<u>\$1,649,000</u>	<u>\$ 3,061,000</u>
Maintenance of Way	375,000	535,000
Transportation		
Superintendence	302,000	564,000
Operators' Wages	2,972,000	6,162,000
Fuel	667,000	1,256,000
Oil	20,000	38,000
Car and Special Services	141,000	254,000
Station Expenses	384,000	590,000
Total Transportation	<u>\$4,486,000</u>	<u>\$ 8,804,000</u>
Power	253,000	422,000
Traffic and Advertising	141,000	272,000
Insurance and Safety	457,000	856,000
Administrative and General	805,000	1,388,000
Operating Rents	180,000	240,000
Operating taxes except fuel taxes which are included in Transportation Fuel	480,000	891,000
Depreciation	<u>577,000</u>	<u>1,109,000</u>
Total Operating Expenses	<u>\$9,403,000</u>	<u>\$17,638,000</u>
Net Operating Income	\$ <u>(196,000)</u>	\$ <u>(409,000)</u>

() - Indicates loss.

The foregoing tables indicate clearly that Pacific Electric is incurring heavy financial losses from its passenger services, and specifically from the interurban operations which are involved directly in this application. As shown in Tables 3 and 4, the witnesses are in agreement that the interurban operating losses for the rate year would exceed \$1,500,000 under the existing fares, and would be substantial even under the sought interim fares. The witnesses agree also that the local services are likewise being conducted at a loss, so that the over-all deficit from the combined passenger operations will be even greater. Under circumstances such as these it is unnecessary to discuss the differences between the estimates, or the reasons for the variations in particular items.

In arriving at our decision in this matter, we have not considered the evidence concerning the proposed transfer of certain of applicant's operative properties to J. L. Haugh and Western Transit Systems, Inc., as determinative. This proposal for transfer and later substitution of bus for rail operation has not yet been presented to the Commission for its consideration and action under the applicable provisions of the Public Utilities Code. Our decision, herein, will not be concerned with or in any way based upon the terms, provisions or conditions of the provisional agreement between applicant and these parties.

Upon careful consideration of all of the facts and circumstances of record the Commission makes the following findings of fact:

1. The existing interurban fares are not sufficient to defray the cost of providing the service.
2. The proposed interim fares will increase the operating revenues for the rate year by approximately \$1,000,000, but will not suffice to meet the estimated operating expenses of the interurban passenger service.

3. Excessive net operating income from the operations of applicant as a whole would not result from establishment of the sought interim fares.

4. That an emergency condition exists justifying the grant of interim rate relief to applicant.

Upon these facts, and in consideration of all of the circumstances, the Commission concludes that the interim increase in fares proposed in this application, as amended, is justified.

O R D E R

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

IT IS HEREBY ORDERED that Pacific Electric Railway Company, Catalina Island Steamship Line, Glendale City Lines, Inc., and Pasadena City Lines, Inc. be and they are hereby authorized to make the following specific changes in fares, on not less than five days' notice to the Commission and to the public:

1. Increase by five cents all adult and child one-way fares (including minimum fares) named in the following tariffs:

Pacific Electric Railway Company Local Passenger
Tariff No. 1492, Cal. P.U.C. No. 3733
Pacific Electric Railway Company Local Passenger
Tariff No. 1493, Cal. P.U.C. No. 3734
Pacific Electric Railway Company Local Passenger
Tariff No. 1494, Cal. P.U.C. No. 3735
Pacific Electric Railway Company Local Passenger
Tariff No. 1495, Cal. P.U.C. No. 3736

(EXCEPTION): No change shall be made in the one-way fares which were increased under authority of Decision No. 46618, dated January 4, 1952, in Applications Nos. 32334 and 32335.

(EXCEPTION): The authorized changes in the children's fares are more specifically set forth under "interim fares" in Section XVII of the first amendment to Application No. 33752.

Thirty-ride commutation fares, at 95 percent of 30 times the increased one-way fares of 40 cents or more, and 40-ride school commutation fares at 60 percent of 40 times the increased one-way fares of 15 cents or more, will be continued.

2. Establish the following joint rates between Los Angeles and Avalon, Santa Catalina Island, in lieu of rates named in Pacific Electric Railway Company Joint Passenger Tariff No. 1498, Cal. P.U.C. No. 3739:

	<u>Adult</u>	<u>Child*</u>
One-way baggage checking fare	\$3.66	\$1.83
Round-trip baggage checking fare	7.02	3.56
One-way excess baggage rate per 100 pounds	.70	.70

* - Children 5 years to 11 years, inclusive.

3. Increase the one-way joint fare between Pacific Electric and Pasadena City Lines, Inc., from 10 cents to 15 cents, as named in Supplement No. 1 to Pacific Electric Railway Company Joint Passenger Tariff No. 1468, Cal.P.U.C. No. 3668.

4. Establish the one-way joint fares between Pacific Electric Railway Company and Glendale City Lines, Inc. applying to or from Broadway and Brand, Glendale, as named in Pacific Electric Railway Company Joint Passenger Tariff No. 1497, Cal. P.U.C. No. 3738, as follows:

Montrose	20 cents
La Crescenta or La Canada	25 cents
Highway Highlands	30 cents
Tujunga	35 cents
Sunland	40 cents

IT IS HEREBY FURTHER ORDERED that the applicants be and they are hereby authorized to depart from the provisions of Rule 33(b) of Tariff Circular No. 2 and Rule 4(n) of General Order No. 79 in publishing the interim fares herein authorized.

IT IS HEREBY FURTHER ORDERED that, in addition to the required filing and posting of tariffs, Pacific Electric Railway Company shall give notice to the public by posting in its passenger vehicles and passenger terminals a printed explanation of the fare changes. Such notices shall be posted not less than five days

before the effective date of the fare changes, and shall remain posted until not less than ten days after said effective date.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at Los Angeles, California, this 7th day of April, 1953.

R. J. [Signature]
President
Justus F. [Signature]
[Signature]
[Signature]

Commissioners