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ORIGINAL

Decision No. 49163

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ASBURY RAPID TRANSIT SYSTEM, a corporation, for an order granting permission to Applicant to adjust and amend its passenger fare zones, and to increase and adjust certain of its passenger rates and fares.	Application No. 34361

Rodney F. Williams and Thomas Arnott, for applicant.

Roger Arnebergh, Alan G. Campbell, T. M. Chubb and R. W. Russell, for City of Los Angeles, interested party.

Henry McClernan and John H. Lauten, for City of Glendale, interested party.

Archer L. Walters and Harmon R. Bennett, for City of Burbank, interested party.

Wendell R. Thompson, for City of Pasadena, interested party.

John Power and Thomas A. Hopkins, for the staff of the Public Utilities Commission.

INTERIM OPINION

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

At a public hearing held before Examiner Bryant at Los Angeles on September 1, 1953, applicant submitted evidence directed to the proposed zone revisions and incidental related adjustments only. It asked for an interim order authorizing immediate establishment of such revisions. The interim phase of the application is ready for decision. A further hearing is scheduled for November 18, 1953, to receive evidence regarding the more extensive fare proposals.

Applicant introduced evidence through its manager of operations, its assistant manager of operations and its assistant secretary. Evidence was introduced also by a senior transportation engineer of the Commission staff. Representatives of the cities of Los Angeles, Pasadena, Glendale and Burbank participated in the proceeding and assisted in development of the record.

Applicant conducts its operations over 18 routes, principally between downtown Los Angeles and the San Fernando Valley, between Pasadena and Hollywood, and between Hollywood and Culver City. The Los Angeles-San Fernando services operate via several routes serving Glendale, Burbank, North Hollywood, Sun Valley, Pacoima and San Fernando. The basic fare for travel within one or two contiguous zones is 15 cents. For multi-zone rides the one-way fares range from 20 cents to 51 cents, according to the number of zones traversed. Some lower fares are available for commutation riders, school students and children.

Estimates of the revenue effect of the proposed zone changes, together with comparative statements of past operating experience and forecasts of future results under the existing fares and zones, were submitted by applicant's witnesses and by the Commission engineer. The record shows that the company suffered a net operating loss in four of the past six calendar years, and that the rate of return for the year 1952 was approximately

3.2 per cent. The unadjusted profit-and-loss statement for the six months ending with June 30, 1953, shows an operating ratio of 99.7 per cent and a net operating income of $2,130. After deduction of nonoperating items the six months' operations resulted in a net loss of $3,357. The assistant secretary, referring to the balance sheet as of June 30, 1953, pointed out that the ratio of current liabilities to current assets was most unfavorable. He testified further that the ratio had worsened since that date, that the current assets are largely in the form of deposits not readily available to the company, and that the officers are seriously concerned as to their ability to meet current liabilities.[1]

The following table summarizes the estimated operating results for the future rate year:

ESTIMATED OPERATING RESULTS FOR THE FUTURE RATE YEAR(1)

Item	Present Zones and Fares: Applicant	Present Zones and Fares: Commission Engineer: Using present equipment	Present Zones and Fares: Commission Engineer: Using 10 new coaches(2)	Proposed Zones and Fares: Applicant	Proposed Zones and Fares: Commission Engineer: Using present equipment	Proposed Zones and Fares: Commission Engineer: Using 10 new coaches(2)
Operating Revenues	$1,323,846	$1,320,400	$1,320,400	$1,376,231	$1,384,539	$1,384,539
Operating Expenses	1,397,436	1,328,240	1,335,750	1,390,630	1,329,210	1,336,720
Net Operating Revenue	(73,590)	(7,840)	(15,350)	(14,399)	55,329	47,819
Income Tax	-	-	-	-	22,203	11,959
Net Operating Revenue*	(73,590)	(7,840)	(15,350)	(14,399)	33,126	35,860
Rate Base	$ 746,078	$ 531,220	$ 735,130	$ 746,078	$ 531,220	$ 735,130
Rate of Return	-	-	-	-	6.2%	4.9%
Operating Ratio	105.6%	100.6%	101.2%	101.1%	97.6%*	97.4%*

(1) Applicant's estimates are for the year ending August 31, 1954. The Commission engineer's estimates are for the year ending September 30, 1954.
(2) The company has on order ten new 54-passenger propane coaches. The delivery date is uncertain, but is expected to be in December, 1953.
* After provision for income tax.
( ) - Loss.

[1] For further reference to past operating experience of this company, see Decision No. 47666, dated September 2, 1952, (52 Cal. P.U.C. 36), and Decision No. 46724, dated February 5, 1952, (51 Cal. P.U.C. 456).

As disclosed by the foregoing table there are substantial differences in the estimates. Regardless of these several differences, however, it will be seen that the witnesses are in agreement that the company will suffer a substantial loss if required to operate under present fares and zones. Under the interim zone proposal the applicant anticipates a continuing loss on a reduced scale, whereas there would be some net earnings according to the engineer's forecast. Whatever reconciliation is made of the estimates, the record is clear that the interim proposal would not result in earnings that would be excessive or otherwise unreasonable. For purposes of the interim phase, therefore, the proposed zone revisions and incidental adjustments may be considered on their merits without other concern for their effect upon applicant's revenues.[2]

Counsel for applicant explained that the company's objective in advancing the zone revisions as an interim proposal was to obtain needed revenues immediately without awaiting the development of forecasts on the basic fare adjustments by the Commission staff and other interested parties.[3] It is applicant's position that the zone changes will not permit reasonable earnings

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2 Principal differences in the forecasts appear in the estimated expenses for (a) insurance, (b) maintenance of the new buses to be delivered during the rate year, (c) repair and painting of buildings, and (d) depreciation. The company's estimate for public liability and property damage insurance was based upon anticipated premium payments without regard to retrospective provisions of the policies, whereas the Commission engineer's forecast was based upon the average annual net cost of insurance over a period of years. The engineer forecast a reduction in maintenance cost as new vehicles are put into service, whereas the company witnesses deemed such reduction to be problematical and made no provision therefor. Applicant's estimates include the full cost of anticipated building repairs and painting, whereas the engineer allowed only a portion of such expense during the rate year and amortized the remainder. All of these matters will be considered and reviewed upon the full record after the adjourned hearing.

3 The original application was filed on May 16, 1953, and amended on July 6 and again on July 28, 1953.

but that they will provide some additional revenue and at the same time will correct inequities and improve the zoning system.

Applicant's witnesses testified that the matter of zone revisions has been under consideration for some time. They said that selective fare changes in recent years, combined with other factors, have distorted the zone system. The existing zones vary in length from less than one mile to six miles. The proposed zones are based uniformly upon a distance of 1.8 miles per zone, or 3.6 miles for the initial two-zone fare. In order to avoid impractical zone boundaries there would necessarily be variations from these pattern distances, but the variations would be based upon current service considerations and would be free from the extremes now prevailing.

There are nine zone fares under applicant's present tariff and twelve under its interim proposal, as set forth in the margin below.[4] The fares for particular rides would be reduced, increased, or unchanged, according to the points of origin and destination, but the increases would predominate. A small amount of additional revenue would come also from a change in the basis

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Present		Proposed	
One or two zones	- 15 cents	One or two zones	- 15 cents
Three zones	- 20 cents	Three zones	- 20 cents
Four zones	- 25 cents	Four zones	- 25 cents
Five zones	- 30 cents	Five zones	- 30 cents
Six zones	- 33 cents	Six zones	- 33 cents
Seven zones	- 35 cents	Seven zones	- 35 cents
Eight zones	- 42 cents	Eight zones	- 38 cents
Nine zones	- 46 cents	Nine zones	- 41 cents
Ten zones	- 51 cents	Ten zones	- 44 cents
		Eleven zones	- 47 cents
		Twelve zones	- 50 cents
		Thirteen zones	- 53 cents

of commutation fares. No change is proposed in the basis of school fares, but they would necessarily be somewhat affected by the zone changes.

The record is clear that the additional revenues which would result from applicant's interim proposal are urgently required if Asbury Rapid Transit System is to maintain its necessary public transportation services. It is convincing also that the zone revisions will correct zoning inequities and will tend to distribute the costs of operation among the various riders in reasonable accordance with the services performed. Although the changes are numerous, no one opposed their adoption.[5]

Upon careful consideration of all of the facts and circumstances, the Commission is of the opinion and finds as a fact that the zone revisions and fare changes hereinafter authorized have been justified. Whether or not, or to what extent, further fare changes may be required are matters to be determined when the full record has been developed. In view of applicant's evident and immediate need of additional revenues the following order will be made effective ten days after the date hereof and applicant will be authorized to establish the interim adjustment on five days' notice.

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[5] The record shows that advance notices of the hearing were duly posted in applicant's vehicles and depots, were published in newspapers of general circulation in the areas served, and were sent to persons and organizations believed to be interested. Representatives of the cities of Los Angeles, Pasadena, Glendale and Burbank reserved the right to develop the record further at the forthcoming hearing when applicant's basic fares will be considered, but interposed no objection to the interim revisions.

INTERIM ORDER

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

IT IS HEREBY ORDERED that Asbury Rapid Transit System be and it is hereby authorized to establish, upon not less than five days' notice to the Commission and to the public, revised fares and fare zones as specifically set forth in detail in Exhibit "C" attached to and made a part of the amended application No. 34361 filed on July 6, 1953, as supplemented by Exhibits 7 and 8 of record in this proceeding.

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 depots a printed explanation of the fares and fare zones. 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 ten days after the date hereof.

Dated at San Francisco, California, this 29th day of September, 1953.

President

Commissioners

Commissioner Harold P. Huls, being necessarily absent, did not participate in the disposition of this proceeding.