

The applications were submitted on the latter date and are now ready for decision.

The applicants are California corporations. Los Angeles Transit Lines is engaged in the transportation of passengers by rail, trolley coach and motor coach over numerous and extensive routes serving a large part of the Los Angeles metropolitan area. Pacific Electric Railway Company operates a general freight and passenger transportation business in the counties of Los Angeles, Orange, Riverside and San Bernardino. Only its local passenger operations within the metropolitan area of Los Angeles County are involved directly herein. Glendale City Lines, Inc., transports passengers by motor coach within Glendale and adjacent areas in the cities of Los Angeles and Burbank. Glendale City Lines, Inc., seeks no change in its local fares. It is concerned only to the extent that it participates in joint fares with Pacific Electric Railway Company.

The fares of the applicant companies, as they are involved in these proceedings, are based upon fare zones.² For transportation within any one zone the one-way adult fare is 15 cents cash or one token. Five cents additional is charged for each additional zone. The token is acceptable in lieu of the initial 15 cents in payment of interzone fares of 20 cents or more. The tokens are sold at the rate of three for 40 cents (13-1/3 cents each). There are also some commutation fares and school fares, and various intra-company and intercompany transfer arrangements. The proposal in

² Excluded from further reference herein are (1) the local fares of Glendale City Lines, Inc., and (2) the interurban fares of Pacific Electric Railway Company for travel beyond the local areas involved in these proceedings.

these applications is to discontinue the reduced-rate tokens and to eliminate all school commutation tickets. The school children would thereafter pay the regular adult fares, except that on some of the Pacific Electric lines children under 12 years of age would continue to ride at fares based generally upon one-half of the adult fares. Los Angeles Transit Lines further requests authority to increase a special fare on its Hollywood Turf Club Motor Coach Line No. 66 from 5 cents to 10 cents.

Los Angeles Transit Lines and Pacific Electric Railway Company allege that since their local fares were last considered by the Commission there have been substantial increases in the cost of operation, and that the revenues have been affected adversely by a continued decline in the numbers of passengers carried.³ It is asserted that increases in operating cost have resulted from increased cost of fuel, of materials and supplies, fuel taxes, and of state highway user taxes. The application recites also that Los Angeles Transit Lines entered into a wage agreement effective June 1, 1953, with the bargaining unit representing its contract employees, which agreement has added materially to the cost of operation of that company. Assertedly the revenues of Los Angeles Transit Lines and Pacific Electric Railway Company for a year in the future at current rates of fare will be insufficient to permit reasonable earnings. They ask that the sought fare adjustment be authorized at the earliest possible date in order that they may continue to offer a reasonable and adequate service to the public. Los Angeles Transit

³ The latest general fare adjustment was authorized by Decision No. 47830, dated October 14, 1952, on Application No. 33317 (52 Cal. P.U.C. 84). By that decision the token fare was increased from two for 25 cents (12-1/2 cents) to three for 40 cents (13-1/3 cents). The hearings in said Application No. 33317 were held in August, 1952.

Lines seeks to earn a reasonable return upon the value of its assets devoted to the public use. Pacific Electric Railway Company expects only to improve its earning position by reducing its losses. ✓

Glendale City Lines, Inc. does not plead revenue needs in its application. It declares that the sought fares are necessary to provide a uniform joint fare structure and to avoid inequitable and discriminatory fares. It estimates that the additional annual revenue to Glendale City Lines, Inc. would be less than \$2,000 gross, or \$900 net, after the application of federal and state income taxes.

Many witnesses testified at the public hearings in these proceedings, and numerous and extensive exhibits were introduced into the record. In addition to the substantial evidence offered by the applicants, a number of exhibits relating to Los Angeles Transit Lines were introduced by the Commission staff and by the City of Los Angeles. Numerous public witnesses, testifying as individuals or on behalf of various organizations, discussed the services and procedures, as well as the fare proposals and their probable effects. Other parties participated in examination of the witnesses or filed petitions or other documents.

It was the position of the City of Los Angeles that the sought cancellation of school fares should be denied, and that the tokens should be increased in price if necessary but not be eliminated. The cities of Burbank, Glendale and Long Beach participated in the proceeding as interested parties but did not otherwise indicate a position. The Boards of Education

of the Los Angeles City High School District and of the Inglewood City School District, and the Parochial School System of the Catholic Archdiocese of Los Angeles, offered evidence in opposition to the cancellation of the school commute fares. In general the other participating parties opposed any increase in fares.

The operating statements of Pacific Electric Railway Company and Los Angeles Transit Lines for recent past periods, as summarized from the exhibits, are shown in the following table:

Table 1

Past Operating Results*

Pacific Electric Railway Company (Passenger)

	Year 1952			January to May, 1953		
	<u>Local</u>	<u>Interurban</u>	<u>Total</u>	<u>Local</u>	<u>Interurban</u>	<u>Total</u>
Revenues	\$8,430	\$8,577	\$17,006	\$3,553	\$3,594	\$7,147
Expenses	<u>9,349</u>	<u>10,332</u>	<u>19,681</u>	<u>3,791</u>	<u>4,193</u>	<u>7,984</u>
Net	\$ <u>(919)</u>	\$ <u>(1,756)</u>	\$ <u>(2,675)</u>	\$ <u>(238)</u>	\$ <u>(600)</u>	\$ <u>(838)</u>

Los Angeles Transit Lines

	<u>1950</u>	<u>1951</u>	<u>1952</u>
Revenues	\$22,060	\$22,275	\$24,991
Expenses	<u>20,844</u>	<u>20,679</u>	<u>21,954</u>
Net	\$1,216	\$1,596	\$3,037
ØNet Income	\$562	\$905	\$1,259

* (000) omitted.

Ø after provision for income taxes.

() - deficit.

The forecasts of operating results for the future are based in part upon the past experience, but necessarily take into consideration various known changes in factors of revenue and expense. The forecasts as submitted by Pacific Electric Railway Company and Metropolitan Coach Lines are summarized in Table 2.

Table 2

Estimated Operating Results*
(Rate Year Ending Sept. 30, 1954)

	<u>Present Fares</u>			<u>Proposed Fares</u>		
	<u>Local</u>	<u>Interurban</u>	<u>Total</u>	<u>Local</u>	<u>Interurban</u>	<u>Total</u>
<u>Pacific Electric Railway Company (Passenger)</u>						
Revenues	\$8,431	\$9,215	\$17,646	\$8,780	\$9,216	\$17,996
Ø Expenses	<u>8,634</u>	<u>9,712</u>	<u>18,346</u>	<u>8,600</u>	<u>9,712</u>	<u>18,312</u>
Net Income	\$(<u>203</u>)	\$(<u>497</u>)	\$(<u>700</u>)	\$ 180	\$(<u>496</u>)	\$(<u>316</u>)
<u>Metropolitan Coach Lines</u>						
Revenues	\$8,326	\$8,993	\$17,249	\$8,682	\$8,925	\$17,607
Ø Expenses	<u>8,660</u>	<u>9,181</u>	<u>17,841</u>	<u>8,626</u>	<u>9,181</u>	<u>17,807</u>
Net Income	\$(<u>334</u>)	\$(<u>258</u>)	\$(<u>592</u>)	\$ 56	\$(<u>256</u>)	\$(<u>200</u>)

* (000) omitted.

Ø including taxes.

() - deficit.

The estimates set forth in the foregoing Table 2 for Pacific Electric Railway Company and Metropolitan Coach Lines represent operations of essentially the same services by each of the two companies. The differences in the two estimates are not great, and represent principally the different circumstances under which the lines would be operated by one company or the other. Metropolitan Coach Lines, a newly formed corporation,

was authorized by Decision No. 48923, dated August 4, 1953, to acquire the passenger operative rights and various passenger operating properties of Pacific Electric Railway Company subject to specified conditions. By virtue of this authority the transfer was consummated effective October 1, 1953 (i.e., subsequent to the date of the hearing in the instant application). Inasmuch as Metropolitan Coach Lines is now an operating company, its petition to appear as an applicant in this proceeding will be granted.

None of the other parties submitted estimates of the future operating results of Pacific Electric Railway Company or Metropolitan Coach Lines. Members of the Commission staff explained that their preliminary analyses had disclosed that even at the proposed fares the revenues would be insufficient to provide reasonable earnings. They said that for this reason they did not develop detailed estimates because it seemed evident that Los Angeles Transit Lines would be the "rate-making" carrier.

Uniform fares and fare zones are maintained in the local area. Under such circumstances this Commission will not authorize a fare increase which would return unreasonably high earnings to either carrier. In view of the evidence as summarized in the foregoing Table 2, it is concluded that the revenue requirements of Los Angeles Transit Lines will be largely controlling in determining the general fare level.⁴

Forecasts of the future operating revenues and expenses of Los Angeles Transit Lines as submitted by the applicant, by the City of Los Angeles, and by the Commission staff are set forth comparatively in Table 3 which follows.⁵

⁴ A similar conclusion was reached when the local fares of Los Angeles Transit Lines and Pacific Electric Railway Company were last considered. See Decision No. 47830, supra.

⁵ Estimated operating results under certain alternative fares will be shown hereinafter.

Table 3

LOS ANGELES TRANSIT LINES
COMPARISON OF ESTIMATED RESULTS OF OPERATIONS UNDER
PRESENT AND PROPOSED FARES
FOR 12-MONTH PERIOD ENDING SEPTEMBER 30, 1954

	Present Fares #			Proposed fares #		
	L.A.T.L.:City of L.A. (a)	P.U.C.:L.A. (b)	Staff	L.A.T.L.:City of L.A. (a)	P.U.C.:L.A. (b)	Staff
REVENUE						
Passenger Revenue	\$24,644	\$24,751	\$24,804	\$26,313	\$26,426	\$26,492
Unredeemed Tokens	47		51			
Other Revenue	211	220	221	211	220	221
Total	\$24,902	\$24,971	\$25,076	\$26,524	\$26,646	\$26,713
OPERATING EXPENSES						
Rail	\$ 8,767	\$ 8,627	\$ 8,565	\$ 8,772	\$ 8,580	\$ 8,503
Trolley Coach	1,467	1,453	1,434	1,470	1,444	1,416
Motor Coach	8,671	8,610	8,533	8,681	8,569	8,498
Subtotal	\$18,905	\$18,690	\$18,532	\$18,923	\$18,593	\$18,417
Depreciation	2,151	2,151	2,160	2,151	2,152	2,160
Operating Taxes	1,725	1,700	1,710	1,756	1,731	1,742
Wage Increase	660	657	620	655	652	616
Total	\$23,441	\$23,198	\$23,022	\$23,485	\$23,128	\$22,935
Operating Income	\$ 1,461	\$ 1,773	\$ 2,054	\$ 3,039	\$ 3,518	\$ 3,778
Income Taxes (State-Federal)	752	924	1,024	1,603	1,823	1,912
Net Operating Income	\$ 709	\$ 849	\$ 1,030	\$ 1,436	\$ 1,695	\$ 1,866
Allowance for Amortization & Interest	158	158	160	158	158	160
Net Income	\$ 551	\$ 691	\$ 870	\$ 1,278	\$ 1,537	\$ 1,706
Rate Base	\$22,538	\$16,858	\$16,894	\$22,538	\$16,858	\$16,894
Rate of Return	2.44%	4.10%	5.15%	5.67%	9.12%	10.10%
Operating Ratio after Income Taxes	97.78%	97.23%	96.53%	95.18%	94.23%	93.61%

(000) omitted.

(a) From Exhibits 13 and 14, with rate of return calculation by the Commission staff.

(b) From Exhibit 24.

NOTE: In compiling this table, some items in the exhibits of the applicant and of the City of Los Angeles were rearranged or combined for purposes of comparison. However, in all cases the "net income" as shown above is the amount recorded in the respective exhibits.

Table 4

Los Angeles Transit Lines
 Estimated Operating Results Under
 Various Alternate Fares
 For 12-month Period Ending September 30, 1954.

	Alternate 1 15¢ cash or 7 tokens for \$1.00 (No incr. in school fares)	Alternate 2 : 15¢ cash or 4 : tokens for 55¢ : (No incr. in : school fares)	Alternate 3 : 15¢ cash or 5 : tokens for 70¢ : (No incr. : school fares)
	Estimated by: City of L.A.:	Estimated by: P.U.C. Staff	Estimated by: P.U.C. Staff
Oper. Revenues	\$26,028,300	\$26,150,000	\$25,714,000
Oper. Expenses	<u>23,158,400</u>	<u>22,965,060</u>	<u>22,988,370</u>
Oper. Income	\$ 2,869,900	\$ 3,184,940	\$ 2,725,630
Interest Inc.	10,000	:	:
Income Taxes	1,494,300	1,606,580	1,369,930
Allow. for Amort. & Int.	<u>158,000</u>	<u>159,500</u>	<u>159,500</u>
Net Income	\$ 1,227,600	\$ 1,418,860	\$ 1,196,200
Rate Base	\$16,858,100	\$16,894,000	\$16,894,000
Rate of Return	7.28%	8.40%	7.08%
Operating Ratio*	95.28%	94.57%	94.91%

* After provision for income taxes
and allowance for amortization and
interest.

It will be observed from the foregoing Tables 3 and 4 that the company's estimate of operating revenues is lower than that of either the City of Los Angeles or the Commission's staff, and that its estimate of the operating expenses and of the rate base are both higher. All of the forecasts are dependent, in part, upon judgment. The cross-examination of the witnesses developed various respects in which the judgments differed and disclosed some instances of evident error. It is not necessary to discuss the differences in detail. All of the forecasts are subject to some modification. When considered as a whole, however, the estimates as summarized in Table 3

constitute a clear showing that the existing fares will not return revenues sufficient to assure the maintenance of adequate, efficient and reasonable service for the future. It is concluded from these estimates also that the fares as proposed herein by the applicants will return revenues greater than necessary to assure the maintenance of such service and greater than necessary to provide reasonable earnings for Los Angeles Transit Lines.

The several alternate fare proposals, as indicated in Table 4, contemplate continuation of the basic 15-cent fare with increases in the price of tokens. None of the alternate proposals would make any increase in the existing school fares. As explained hereinbefore, the applicants proposed to discontinue the school commutation fares, thereby establishing fares for school children generally on the basis of the adult fares. This plan was strongly opposed by the City of Los Angeles, by the various school authorities and by other protestants. The applicants submitted little evidence relating specifically to the transportation of school students but relied largely upon the assumption that the cost of transporting students is essentially the same as that of transporting other passengers.

Many reasons were advanced by the parties for and against the maintenance of special fares for school students. For the purpose of this opinion it will be sufficient to state the conclusion of this Commission that the termination by these applicants of the historical practice of maintaining reduced fares for school children will not be authorized except on a full and convincing showing that the resulting fares will be reasonable and in the public interest. Such a showing has not been made in these proceedings.

The City of Los Angeles recommended the establishment of a fare based upon the sale of seven tokens for \$1.00. The Commission staff also submitted a forecast based upon this fare plan. As shown in Table 4, the city estimated that the rate of return would be 7.28 percent and the operating ratio 95.28 percent, while the Commission staff estimated the rate of return at 8.40 percent and the operating ratio at 94.57 percent. As hereinbefore indicated, these estimates are subject to necessary modification. After revision of certain calculations to which attention was directed through cross-examination, and with adjustment in the passenger trend to reflect the latest available figures, the Commission concludes from all of the evidence that fares based upon a token rate of seven for \$1.00 would permit Los Angeles Transit Lines to meet all necessary operating expenses, to provide adequate, safe, efficient and reasonable transportation service, and to develop an operating ratio of about 95 percent and earnings of approximately 7.8 percent on its rate base. The estimate is developed in more detail in the following table:

Table 5
Los Angeles Transit Lines
Estimated Operating Results for the Future
Rate Year at Alternate Fares

<u>Revenue</u>	
Passenger Revenue	\$ 25,659,000
Unredeemed Tokens	40,000
Other Revenue	221,000
Total	\$ 25,920,000
<u>Operating Expenses</u>	
Rail	\$ 8,509,880
Trolley Coach	1,416,560
Motor Coach	8,505,810
Subtotal	\$ 18,432,250
Depreciation	2,160,000
Operating Taxes	1,725,050
Wage Increase	615,710
Total	\$ 22,933,010
Operating Income	\$ 2,986,990
Income Taxes (State and Federal)	1,504,600
Net Operating Income	1,482,390
Allowance for Amortization and Interest	159,500
Net Income	\$ 1,322,890
Rate Base	\$ 16,894,000
Rate of Return	7.8%
<u>Operating Ratio</u>	
After Income Taxes and Allowances for Amortization and Interest	94.9%

In actual experience the earnings during the coming year may be somewhat less than those developed in Table 5, but indications to that effect may not be relied upon for purposes of this decision. A showing in justification of an increase in rates necessarily must be based upon those factors which are known or virtually certain and not upon possibilities or probabilities which are speculative. The Commission hereby finds the rate of return of approximately 7.8 percent, when

considered in relation to an operating ratio of 94.9 percent after provision for income taxes, to be fair and reasonable for Los Angeles Transit Lines. The fares hereinafter authorized have been justified on this record.

The operating results which Metropolitan Coach Lines may experience under the authorized fares are not estimated herein for reasons hereinbefore indicated. The operating results of Glendale City Lines, Inc., are not estimated for the reason that the revenues of that company will be affected to a minor degree only.

O R D E R

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

IT IS HEREBY ORDERED:

(1) That Los Angeles Transit Lines, Glendale City Lines, Inc., and Metropolitan Coach Lines be and they are hereby authorized to increase their present token rate of fare from three for 40 cents to seven for \$1.00 on not less than five days' notice to the Commission and to the public as published in the following tariffs and no others:

Los Angeles Transit Lines Local Passenger
Tariff No. 12, Cal. P.U.C. No. 13

Metropolitan Coach Lines Local Passenger
Tariff No. 1495, Cal. P.U.C. No. 3736
(Pacific Electric Railway Company series)

Metropolitan Coach Lines Local Passenger
Tariff No. 1501, Cal. P.U.C. No. 3748
(Pacific Electric Railway Company series)

Metropolitan Coach Lines Joint Passenger
Tariff No. 1499, Cal. P.U.C. No. 3744
(Pacific Electric Railway Company series)

Metropolitan Coach Lines Joint Passenger
Tariff No. 1504, Cal. P.U.C. No. 3751
(Pacific Electric Railway Company series)

(2) That Los Angeles Transit Lines be and it is hereby authorized to increase the special fare on its Hollywood Turf Club Motor Coach Line No. 66 from 5 cents to 10 cents on not less than five days' notice to the Commission and to the public.

(3) That in addition to the required filing and posting of tariffs, applicants shall give notice to the public by posting in their vehicles and terminals a printed explanation of the fare changes. Such notices shall be posted not later than five days before the effective date of the fare change and shall remain posted until not less than ten days after said effective date.

(4) That the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

(5) That in all other respects Applications Nos. 34415 and 34453 be and they are hereby denied.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California; this 10th day of November, 1953.

A. J. Anderson
President

Justus J. Casner

Samuel S. Pollock

J. L. Hill

Gene Roggins
Commissioners

APPENDIX "A"

Appearances

Max Eddy Utt, for Los Angeles Transit Lines, applicant.

E. D. Yeomans, for Pacific Electric Railway Company and Glendale City Lines, applicants.

E. D. Yeomans and J. L. Haugh, for Metropolitan Coach Lines, as its interests may appear.

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

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

Archie L. Walters, George Irving and H. R. Bennett, for the City of Burbank, interested party.

Henry E. Jordan, for the City of Long Beach, interested party.

Carl F. Fennema, for the Downtown Businessmen's Association of Los Angeles, interested party.

Milnor E. Gleaves, for the Los Angeles City High School District and the Inglewood City School District, interested party.

Theodore K. Resmey, in propria persona, interested party.

Henry Dockweiler, for the Parochial School System of the Catholic Archdiocese of Los Angeles, protestant to the abolition of school commutation tickets.

Arthur Takei and Richard Rykoff, for Independent Progressive Party, County Central Committee of Los Angeles County, protestants.

Jack R. Berger, for C.I.O., California Industrial Union Council, protestant.

Mrs. Bertile G. Howard and Mrs. Elizabeth Eastman, for the International Longshoremen's and Warehousemen's Union, Local 26, and Women's Auxiliary, protestants.

William Hogan, in propria persona, and for Los Angeles Coordinating Council of Lincoln Heights and Highland Park, protestant.

H. J. McCarthy, J. G. Hunter and T. A. Hopkins of the staff of the Public Utilities Commission of the State of California.

End of
Appendix "A"