

ORIGINAL

Decision No. 49476

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)  
PASADENA CITY LINES, INC., request-)  
ing authority to discontinue the )  
adult token rate of fare. )

Application No. 34745

John W. Holmes, for applicant.  
Frank L. Kostlan, for City of Pasadena.  
Frank E. Austin and T. A. Hopkins, for the  
Public Utilities Commission.

## O P I N I O N

Applicant, a passenger stage corporation, operating a bus service principally in the City of Pasadena, is herein seeking authority to increase its fares by eliminating its present token fare of two for 15 cents and charging a single-zone fare of 10 cents cash. There are four zones, and the present and proposed cash fares and token fares are as follows:

	<u>Present Cash Fare</u>	<u>Present Fare Using Token</u>	<u>Proposed Cash Only</u>
One Zone	10¢	7½¢	10¢
Two Zones	15¢	12½¢	15¢
Three Zones	20¢	17½¢	20¢
Four Zones	25¢	22½¢	25¢

No other fare change is proposed. Present zone boundaries and local joint fare arrangement with Metropolitan Coach Lines will be continued.  
(1)

Applicant's general auditor testified that the need for additional revenue arises from increases in costs of labor, materials and supplies, fuel and taxes, and declining patronage.

(1) Applicant last received authority to increase fares in December 1951 (Decision No. 46452 on Application No. 32320). Cash fares were then increased from 7 cents to 10 cents, the token rate was increased from five tokens for 35 cents to two tokens for 15 cents, and the school fares from 40 rides for \$2.40 to 40 rides for \$2.60.

A public hearing was held in Pasadena on November 20, 1953, before Commissioner Potter and Examiner Chiesa. Oral and documentary evidence having been adduced, the matter was submitted for decision.

Estimates of results of operation under the present and proposed fares for the year ending December 31, 1954, were submitted by applicant's auditor and a Commission engineer. The forecasts were as follows:

TABLE I  
UNDER PRESENT FARES

	<u>Applicant</u>	<u>P.U.C.</u> <u>(Case I)</u>
Coach Miles	1,842,772	1,838,280
Operating Revenue	\$737,204	\$742,950
Operating Expenses	757,702	754,190
Net Operating Revenue	<u>(20,498)</u>	<u>(11,240)</u>
Income Taxes	-	-
Net Income after Taxes	<u>(20,498)*</u>	<u>(11,240)</u>
Operating Ratio (after Income Taxes)	102.78%	101.5%
Rate Base	\$308,385	\$305,478
Rate of Return (after Income Taxes)	-	-

UNDER PROPOSED FARES

	<u>Applicant</u>	<u>P.U.C.</u> <u>(Case II)</u>
Coach Miles	1,842,772	1,811,800
Operating Revenue	\$861,246	\$865,850
Operating Expenses, Depreciation and Taxes	760,481	749,410
Net Operating Revenue	100,765	116,440
Income Taxes, Federal and State	48,557	52,710
Net Income after Taxes	52,458*	63,730
Operating Ratio (after Income Taxes)	93.91%	92.6%
Rate Base	\$308,385	\$305,478
Rate of Return (after Income Taxes)	17.01%	20.9%

(Red Figure)

\* Inclusive of \$250 - "other income"

The Commission's staff also prepared additional studies based on other fare structures, as follows:

TABLE II

	(Case III) 10¢ cash 3 tokens <u>for 25¢</u>	(Case IV) 10¢ cash 4 tokens <u>for 35¢</u>	(Case V) 10¢ cash 5 tokens <u>for 45¢</u>
Coach Miles	1,818,430	1,814,020	1,813,460
Total Operating Revenue	\$784,870	\$821,910	\$834,350
Total Operating Expenses	749,370	748,930	749,050
Operating Income before Income Taxes	35,500	72,980	85,300
Income Taxes	11,980	30,840	37,040
Operating Income (after Income Taxes)	23,520	42,140	48,260
Rate Base	305,478	305,478	305,478
Rate of Return	7.7%	13.8%	15.8%
Operating Ratio (after Income Taxes)	97.0%	94.9%	94.2%

It is clear that applicant is in need of additional revenue to meet increased operating costs. Except for higher labor costs and operating taxes, <sup>(2)</sup> no material increases in operating expense are anticipated. On the other hand, the present federal income tax provides for a reduction of five per cent in the normal tax effective April 1, 1954.

The City of Pasadena appeared as an interested party and did not offer evidence. Its position was that applicant is entitled

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(2) Drivers received an increase of 11 cents per hour effective November 1, 1953, and an additional increase of 5 cents per hour will become effective September 1, 1954. Mechanics received a 10-cent per hour increase as of November 1, 1953. Cost of Diesel fuel increased 2 cents per gallon in January 1953, and a 2½-cent per gallon tax became effective July 1, 1953. Weight fees on buses will increase 33-1/3 per cent on January 1, 1954. Registration fees and pension costs will also rise on January 1, 1954.

to a reasonable and fair return on its investment, but that such a result should be established by competent and substantial evidence free of "conjecture and prognostication"; and that an improved service would result in higher passenger revenue and thereby justify a lower fare than requested.

Forecasting, based on past results, other known factors and reasonable deductions therefrom, is an accepted method of predicting future results of operations. The methods used by applicant's and staff's representatives are in accord with past practices.

Although there is substantial evidence that applicant requires additional revenue to meet increased operating costs, we cannot find that applicant has justified an increase to the amount requested. The Commission is of the opinion and finds that the record justifies an increase in the token fare from two tokens for 15 cents to four tokens for 35 cents, and that the resulting rate of return and operating ratio of 13.8 per cent and 94.9 per cent, (3) respectively, are, under the circumstances, just and reasonable.

A Commission engineer also testified concerning applicant's present service and made various recommendations for improvements thereof, particularly as to Lines Nos. 2 and 3. Said service changes, which applicant has agreed to establish, will result in the operation of an additional 18,000 miles annually, which mileage was considered by the Commission's staff in the preparation of its estimated results.

We find that applicant has justified an increase in fares; that its proposed fares would yield additional revenue in excess of a reasonable amount; that a fare increase as developed by the Commission's staff, as in Case IV, to wit, an increase in the token

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(3) The staff's figures indicated a condition per cent of the depreciable equipment of 30.1 per cent. On a 50 per cent depreciated condition the rate of return would be less than 10 per cent. The Commission is also of the opinion that the staff's estimated token use of 51 per cent is somewhat conservative. ✓  
✓  
✓

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rate to four tokens for 35 cents, appears reasonable; and that such fares are justified.

O R D E R

A public hearing having been held in the above-entitled proceeding, the Commission being fully advised in the premises and having fully considered the evidence,

IT IS ORDERED:

(1) That Pasadena City Lines, Inc., a corporation, be, and it hereby is, authorized to establish, on not less than five days' notice to the Commission and to the public, the following fare change:

- (a) Increase present token rate of fare from two tokens for 15 cents to four tokens for 35 cents.
- (b) No change shall be made in the present cash rate of fare, the school commutation rate of fare, the 5-cent fare applicable for each additional zone traveled beyond the initial zone, nor in the zone boundaries, nor in the local joint fares with the Metropolitan Coach Lines.

(2) That in all other respects Application No. 34745 be, and it hereby is, denied.

(3) That applicant is directed to post and maintain in its vehicles an appropriate notice describing the increased fares herein authorized, such notice to be posted not less than five days prior to the effective date of such fares and to remain posted for a period of not less than thirty days.

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(4) That the authority herein granted shall expire unless exercised within sixty days from the effective date hereof.

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

Dated at San Francisco, California, this 21<sup>st</sup> day of December, 1953.

A. H. [Signature]  
 President

Justus J. [Signature]

[Signature]

[Signature]

[Signature]  
 Commissioners