

**ORIGINAL**Decision No. 49641

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)  
of LONG BEACH MOTOR BUS COMPANY )  
requesting authority to increase )  
certain of its rates of fare. )

Application No. 34812

John Mulholland, attorney for applicant.  
Irving M. Smith, City Attorney, Joseph B. Lamb, Assistant City Attorney, and  
Henry E. Jordan, Chief Engineer, for  
City of Long Beach, protestant.  
Vincent F. Zimmerman, for Long Beach Chamber  
of Commerce, and Frederick A. Sykes,  
interested parties.  
Thomas A. Hopkins and Frank B. Austin,  
representing the Public Utilities  
Commission.

O P I N I O N

Applicant operates a passenger stage service in the City of Long Beach and adjacent areas. It seeks authority to increase its fares as shown on the following table:

<u>Adult Fares</u>	<u>Present Fare</u>	<u>Proposed Fares</u>	
		<u>Cash</u>	<u>Using One Token (T) *</u>
One Zone	11¢	15¢	13-1/3¢ (T)
Two Zone	16¢	20¢	18-1/3¢ (T / 5¢)
Three Zone	21¢	25¢	23-1/3¢ (T / 10¢)
<u>School Fares (Tickets)</u>			
One Zone	5¢	( 7½¢--good	
Two Zone	7½¢	( through	
		( all zones	

\* Tokens 3 for 40¢

No change in zone boundaries is proposed. The company has not used tokens since January 1951. Applicant was authorized to increase its single-zone fare from 10 cents to 11 cents on September 21, 1953 (Decision No. 49044). On October 7, 1953,

applicant acquired the bus operations of the Long Beach City Lines, Inc., and on that date the fares of 10 cents which then prevailed on said lines were also raised to 11 cents (Decision No. 49170).

Public hearings were held on this application at Long Beach on December 22 and 23, 1953, before Commissioner Potter and Examiner Chiesa. Evidence, oral and documentary, having been adduced, the matter was submitted for decision.

Applicant contends that it is operating at a loss, notwithstanding the recent one-cent fare increase; that an additional increase in fares is necessary if the company is to be permitted to realize a reasonable profit; that the present deficit is the result of declining passenger revenue, and higher operating costs.

The proposed fare was protested by the city which contends that applicant will earn a reasonable return on its investments by continuing to charge present fares and operating present routes and schedules.

Detailed studies and forecasts of results of operation under present and proposed fares for the year 1954 were presented by representatives of applicant company, the City of Long Beach, and the Commission staff. A study of present service and operations of the applicant was also presented by the Commission's staff. No other service study was offered. Applicant and the city based their forecasts on presently scheduled miles, while the staff considered the present miles operated and the mileage after giving effect to the recommendations contained in the staff service study.

Estimated results of operations for the year 1954 are as follows:

	<u>Present Fares</u>		P.U.C.	Case III
	<u>Applicant</u>	<u>City</u>	Case I Present Miles	Proposed Miles
Coach Miles	5,089,795 (a)	5,089,795 (a)	5,078,300	4,534,000
Revenue (b)	\$2,030,519	\$2,227,666	\$2,058,420	\$2,029,360
Oper. Expenses and Taxes	2,145,758	2,104,770	2,120,887	1,953,827
Net Oper. Revenue	(115,239)	122,896	(62,467)	75,533
Income Taxes	-	53,997	-	30,060
Net After Taxes	(115,239)	68,899	(62,467)	45,473
Oper. Ratio (After Income Taxes)	105.6%	96.9%	103%	97.8%
Rate Base Esti- mated	\$ 819,358	\$ 816,082	\$ 807,445	\$ 798,884
Rate of Return (After Income Taxes)	-	8.4%	-	5.7%

	<u>Proposed Fares</u>		P.U.C.	Case IV
	<u>Applicant</u>	<u>City (c)</u>	Case II Present Miles	Proposed Miles
Coach Miles	5,089,795 (a)	-	4,999,600	4,463,300
Revenue (b)	\$2,422,150	-	\$2,451,750	\$2,417,180
Oper. Expenses and Taxes	2,157,003	-	2,109,127	1,944,017
Net Oper. Revenue	265,147	-	342,633	473,163
Income Taxes	129,839	-	164,460	230,140
Net After Taxes	135,308	-	178,173	243,023
Oper. Ratio (After Income Taxes)	94.4%	-	92.7%	89.9%
Rate Base Esti- mated	\$ 819,358	-	\$ 807,445	\$ 798,884
Rate of Return (After Income Taxes)	16.5%	-	22.1%	30.4%

(Red Figure)

- (a) Company's estimate, including approximately 7,000 charter miles.  
 (b) Operating revenue and smaller nonoperating items.  
 (c) No estimate submitted on proposed fares.

The variance in estimated revenue results from the methods of computation used by the respective parties. Applicant has taken the daily average weekday, Saturday and Sunday passengers for the October-November 1953 period as a basis for its estimated annual figure. It was admitted that seasonal and other factors were not considered. The city based its estimate on a comparative trend and grouped all classes of passengers, including school children and free transfers, whereas the evidence shows that the adult passenger trend is noticeably downward for the past several months. On the other hand, there has been a marked upward trend in school passengers. The record also shows, and is supported by evidence adduced by the city, that there has been a definite levelling off in the total number of passengers carried during the April-July 1953 four-month period, which preceded the August service cut and a September rate increase. The Commission's engineers, on the other hand, considered the trend of the various classes of passengers and together with seasonal variations trended the month of October 1953 to reflect said data by applying a resultant conversion factor of 11.9 for a full year of operation.

Comparative monthly adult passengers are shown by the following table:

	<u>1952</u>	<u>1953</u>	<u>% Decline</u>
August	1,542,663	1,454,965	5.7%
September	1,507,002	1,402,589	6.9%
October	1,549,240	1,381,701	10.8%
November	1,392,600	1,294,025	7.1%

The city estimate of \$2,202,890 from passenger revenue based on present fares is not supported by passenger estimates or other calculations.

The following table is a summary of passenger revenue under present miles and fares:

	<u>P.U.C.</u> (Exh. 4-Table 3)	<u>Company</u> (Exh. 2-Table-6)	<u>City</u> (Exh. 6-Page 15)
<u>Adult</u>			
One Zone	\$1,492,670	\$1,469,744	Not broken down
Two Zone	412,850	408,487	
Three Zone	<u>31,490</u>	<u>32,054</u>	
Total Adult	\$1,937,010	\$1,910,285	
<u>School Revenue</u>			
One Zone	\$ 57,750	\$ 56,408	Not broken down
Two Zone	<u>25,880</u>	<u>28,649</u>	
Total School	\$ 83,630	\$ 85,057	Not broken down
U.S.P.O.	<u>11,080</u>	<u>11,077</u>	
Grand Total	\$2,031,720	\$2,006,419	\$2,202,890

The principal variance in the total expenses arises from the failure of the city to take into account a three-cent cost-of-living wage increase which would increase expenses above the Commission's staff figure. Applicant shows higher transportation expense as it showed 11,000 more bus miles, approximately \$2,200, more than staff, inclusion of operating rents, \$9,000, and the use of one per cent rate for State Unemployment Taxes, approximately \$4,800 greater than the staff figure at one half of one per cent. Several other minor differences account for the balance.

After the filing of this application Commission engineers made a survey and presented a report of the company's present service and operations (Exhibits Nos. 3 and 3a). The report shows an excessive amount of scheduling on many lines. It was recommended that the Orange Avenue and Paramount Boulevard branches of Line No. 5 be cut back to South Street, and that, in place of the present routes, a branch line be operated from the intersection of Market Street and

Long Beach Boulevard along Market Street, Atlantic Avenue and South Street. The said two branches were established originally to serve persons desiring to travel to and from a district along Long Beach Boulevard between approximately Ellis Street and Del Amo Boulevard. Upon the evidence of record, the recommended change on Line No. 5 appears to be justified and would, along with the proposed reduced headways, reduce the annual mileage on said line by approximately 195,000 miles. The evidence shows that the number of daily passengers using the two branch lines, between the intersection of Long Beach Boulevard and Del Amo Boulevard and the respective terminals is about 125 inbound and 146 outbound passengers, and that the number of schedules in each direction is 58, or an average of approximately 2.3 passengers per trip. The record also shows that most of said passengers would continue to have either direct or transfer service by the operation of the proposed branch line, and that not more than 27 persons would be inconvenienced by the discontinuance of 23 schedules (both directions) along Dairy Street, and an additional 36 persons would be inconvenienced by the discontinuance of 56 schedules (both directions) along Market Street east of Atlantic Avenue. Some of said 63 persons would have to walk a distance of not more than one third of a mile to reach the proposed branch line or other lines.

This proposed withdrawal of Line No. 5 service from Orange Avenue contemplates the elimination of the present turnback on the No. 6 line at Artesia Street and the extension of those schedules to the terminal at 71st Street.

It is the opinion of this Commission, and we find, that the present operation of the Orange Avenue and Paramount Boulevard branches of the No. 5 line is being maintained at the expense of other passengers throughout the entire system, and that the volume

of traffic does not justify the continuance of said service as presently performed.

Service adjustments, by way of less frequent schedules, appear justified on other lines as set forth in the staff's report. In our opinion, an additional 360,000 miles annually could thus be eliminated without inconvenience to most of applicant's patrons and some slight inconvenience to the rest. The proposed elimination of the excess service would be reflected in lower fares than would otherwise be required to maintain the existing operation. Exhibit No. 3 clearly shows that, except at peak periods, the per cent load factor on all lines would not exceed 100 per cent (the seating capacity), and that the per cent load factor at peak times, exclusive of a few school time schedules, would not exceed the accepted standard for an operation of this class.

Several alternate fare structures were presented at the hearing, one of which was based on a straight 12-cent cash single-zone fare with the proposed increase in school fares. A summary of the results of operations under this fare structure, and the proposed reduced mileage, for the year ending December 31, 1954, is as follows:

	Case VIII 12¢ <u>No token</u>
Recommended Miles	4,484,100
Revenue	\$2,129,390
Expenses	<u>1,941,957</u>
Income Before Income Taxes	\$ 187,433
Income Taxes	<u>86,360</u>
Income After Income Taxes	\$ 101,073
Rate Base	\$ 798,884
Rate of Return	12.7%
Operating Ratio (After Income Taxes)	95.3%

On the basis of the present mileage the rate of return and operating ratio, after taxes, would be 4.2 per cent and 98.4 per cent, respectively.

The Commission is of the opinion that applicant should provide a token rate and finds that, in view of the reduction in the number of miles operated, a single-zone cash fare of 13 cents, with tokens selling at the rate of two tokens for 25 cents, and a 6-cent school fare (single zone) will provide applicant with a just and reasonable return on a rate base of \$798,854 which rate base we find to be reasonable.<sup>1</sup> On this basis, which includes the increase in school fares herein authorized, the estimated results of operation for the year 1954 would be as follows:

Recommended Miles	4,484,100
Revenue	\$2,180,510
Expenses	<u>1,943,160</u>
Income Before Income Taxes	\$ 237,350
Income Taxes	<u>111,360</u>
Income After Income Taxes	\$ 125,990
Operating Ratio (After Income Taxes)	94.2%

Having considered the entire record, we find that an increase in the present basic single-zone cash fare from 11 cents to 13 cents, with a token fare of two tokens for 25 cents, and an increase in the single-zone school fare from 5 cents to 6 cents, has been justified. We believe the estimates of the Commission's engineers fairly reflect results that may be expected from such fare increase and service adjustments.

<sup>1</sup>

The present condition per cent of the depreciable equipment is approximately 30 per cent. On a 50 per cent depreciated condition the rate of return would be approximately 10 per cent.



O R D E R

A public hearing having been held, the Commission being fully advised in the premises and having found that the fares as herein authorized are justified,

IT IS ORDERED:

(1) That Long Beach Motor Bus Company, 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 fares:

Adult Fares:

	<u>Cash</u>	<u>Using One Token*</u>
One Zone	13¢	12-1/2¢ (Token)
Two Zone	18¢	17-1/2¢ (Token / 5 cents)
Three Zone	23¢	22-1/2¢ (Token / 10 cents)

\*Tokens

Applicant shall sell tokens at the rate of two for 25 cents.

School Fares:

One Zone	- 40-ride school ticket book	- \$2.40
Multiple Zone	- " " " " "	- 3.00

Each ticket good for ride between and through all zones.

Transfer privileges, children's fares, and zone boundaries shall be continued on the presently existing basis.

(2) That the five days' notice to the public, provided for in the preceding paragraph, shall be posted in applicant's buses and shall be a suitable explanatory notice of said fare increases.

(3) That Long Beach Motor Bus Company may, upon not less than ten days' notice to this Commission and to the public, revise its routing of Line No. 5 and adjust its schedules substantially as recommended in paragraphs 1 and 2 of page 10 of Exhibit No. 3 in this proceeding.

(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 2nd day of February, 1954.

R. E. Anderson  
President

Justus F. Culver

Harold H. Potts

W. L. Marshall

Gene DeGama  
Commissioners