

ORIGINALDecision No. 50323

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 EASTERN CITIES TRANSIT, INC., a)
 corporation, to increase rates and)
 fares for the transportation of)
 passengers in the vicinity of the)
 City of Whittier, Los Angeles)
 County, California.)

Application No. 35241

O P I N I O N

Applicant operates a passenger stage service in Whittier, California, and vicinity and in Belvedere (Los Angeles County) and vicinity. Said operations are independent of each other. The Belvedere division is primarily a feeder service for Lines "R" and "P" of the Los Angeles Transit Lines, although local service is also provided. The Whittier division is primarily a local service with some feeder service to Metropolitan Coach Lines. Applicant's present fare in Belvedere is 8 cents for both adults and school children, with a 2-cent transfer charge. Transfer revenue is only \$360 per year. No change is proposed in the fares in the Belvedere division.

The fare structure in Whittier consists of three zones. The adult fare is 10 cents, with 5 cents additional for travel into each successive zone. School fare is 10 cents, good for one or more zones. Transfers are free. By this application, as amended, applicant proposes to increase said adult fare from 10 cents to 15 cents and combine the second zone with the primary zone, resulting in a two-zone system instead of the present three zones. School fares will not be changed.

As justification for the proposed fare increase it is alleged that revenues have been declining and operating expenses, particularly wages, cost of fuel, and taxes, have been rising.

The Belvedere division has only one zone which applicant designates as Zone 1. The Whittier division will have two zones as follows:

	<u>Zone</u>	<u>Distance</u>	<u>Fare</u>
Workman Mill Rd. & Pioneer	2	2.3 mi.	15¢
Orange Ave. & Pioneer	2	2.1 mi.	15¢
Cully Ave. & Saragosa	2	2.1 mi.	15¢
Mills Ave. at Hawes St., Lambert Rd. or Whittier Blvd.	2	2.5 mi.	15¢
Scott Ave. & Leffingwell	3	4.0 mi.	20¢

The zone change will result in a 5-cent fare increase for a majority of the riders.

The engineering staff of the Commission prepared a report of the estimated results of operation of Eastern Cities Transit, Inc., for the year ending June 30, 1955. The staff computed the operating results for Belvedere and Whittier divisions on a separate basis and on a combined basis, whereas applicant showed combined results of operation only for the next 12 months.

Applicant operates 23 units of equipment; 9 units are assigned to Whittier and 14 units to Belvedere. Six of the buses are owned by Eastern Cities, the remaining 17 buses are leased from Crown Body & Coach Corporation, of which applicant is a subsidiary. In order to reflect normal operating conditions in which an operator owns the units of equipment and accrues depreciation thereon, the staff prepared estimated results on the basis of ownership of equipment in addition to showing estimated results according to the present leased mode of operation.

Estimated results for the Whittier division and the combination of both divisions under present and proposed fares are as follows:

Under Present Fares

	Applicant	P.U.C. Staff	
		Whittier Division	Total (Both Divisions)
Mileage	688,256	302,119	688,256
I Under Actual Operating Conditions (Leasing Equipment)			
Total Revenue	\$294,799	\$109,520	\$300,540
Total Expenses	\$314,720	\$121,470	\$302,760
Net Before Income Taxes	\$ <u>(19,921)</u>	\$ <u>(11,950)</u>	\$ <u>(2,220)</u>
Income Taxes	-	15	25
Net Income	\$ <u>(19,921)</u>	\$ <u>(11,965)</u>	\$ <u>(2,245)</u>
(a) Operating Ratio %	106.8	110.9	100.7
Rate Base	\$ 77,463	\$ 19,320	\$ 62,320
Rate of Return %	-	-	-

II Under Operating Conditions Where Equipment Would be Owned, Rather Than Leased			
Total Expenses as shown above, excluding Operating Rents and Depreciation		\$105,790	\$265,630
Depreciation		9,760	24,030
Revised Total Expenses		\$ <u>115,550</u>	\$ <u>289,660</u>
Net Before Income Taxes		\$ <u>(6,030)</u>	\$ 10,880
Income Taxes		-	3,050
Net Income		\$ <u>(6,030)</u>	\$ 7,830
(a) Operating Ratio %		105.5	97.4
Rate Base		\$ 53,230	\$139,560
Rate of Return %		-	5.6

(Red Figure)

(a) After Income Taxes

Under Proposed Fares

	<u>Applicant</u>	<u>P.U.C. Staff</u>	
		<u>Whittier Division</u>	<u>Total (Both Divisions)</u>
Mileage	688,256	302,119	688,256
III <u>Under Actual Operating Conditions (Leasing Equipment)</u>			
Total Revenue	\$305,226	\$119,620	\$310,640
Total Expenses	\$304,883	\$121,570	\$302,860
Net Before Income Taxes	\$ 343	\$ (1,950)	\$ 7,780
Income Taxes	<u>100</u>	<u>-</u>	<u>2,180</u>
Net Income	\$ 243	\$ (1,950)	\$ 5,600
(a) Operating Ratio %	99.9	101.6	98.2
Rate Base	\$77,463	\$ 19,320	\$ 62,320
Rate of Return %	0.3	-	9.0

IV Under Operating Conditions Where Equipment Would Be Owned, Rather Than Leased

Total Expenses as shown above, excluding Operating Rents and Depreciation	\$105,890	\$265,730
Depreciation	<u>9,760</u>	<u>24,030</u>
Revised Total Expenses	\$115,650	\$289,760
Net Before Income Taxes	\$ 3,970	\$ 20,880
Income Taxes	<u>1,110</u>	<u>5,840</u>
Net Income	\$ 2,860	\$ 15,040
(a) Operating Ratio %	97.6	95.2
Rate Base	\$ 53,230	\$139,560
Rate of Return %	5.4	10.8

(Red Figure)

(a) After Income Taxes

The revenue estimate for the Whittier division made by applicant was based on a traffic check conducted May 11 to 17, 1954, to which was applied an average deflection of 4.4 per cent. The staff developed its revenue estimate under proposed fares from the trend of traffic, and based the distribution of fares on the traffic check of May 11 to 17, 1954, to which was applied diminution of 3.4 per cent, determined from Commission departmental studies of many bus companies who had experienced fare increases. There is very little difference in staff and applicant estimates of increase in annual revenue under proposed fares. Applicant's estimated revenue increase is \$9,393 and the staff estimate is an increase of \$10,100.

Under present fares the results of operation indicate an operating deficit for the combined operations of Eastern Cities Transit, Inc., according to both applicant and staff under the equipment leasing arrangement. Under the usual or normal conditions where the equipment is owned rather than leased, which the staff believes to be the proper unit of financial measurement, the annual earning for the Belvedere division is estimated as \$13,860 with operating ratio of 92.7 per cent and rate of return 16.1 per cent. An operating loss is indicated for the Whittier division, with the combined operations showing an annual earning of \$7,830 with operating ratio 97.4 per cent and rate of return 5.6 per cent.

Under proposed fares and the present leasing arrangement for the combined operations, applicant estimates annual earning of \$243, with operating ratio 99.9 per cent and rate of return 0.3 per cent, compared to the staff estimate of \$5,600 yearly income, with operating ratio 98.2 per cent and rate of return 9.0 per cent. Under proposed fares and normal operating conditions where the equipment is owned rather than leased from a parent company, the staff estimates an annual income of \$2,860 for the Whittier division with operating

ratio 97.6 per cent and rate of return 5.4 per cent. The combined annual income is estimated as \$15,040 with operating ratio 95.2 per cent and rate of return 10.8 per cent.

Although the estimates of applicant and staff show variation in revenues and certain of the expense accounts, the estimated results of operation under the proposed fare structure do not appear unreasonable. We find that the proposed fares and zone changes have been justified.

The application is not opposed, the City of Whittier having informed the Commission that it is taking a neutral position with a request for an equitable consideration. A public hearing is not deemed necessary.

O R D E R

Application having been made, the Commission being fully advised in the premises and having found the proposed fares and zone changes to be justified and reasonable,

IT IS ORDERED:

- (1) That Eastern Cities Transit, 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 proposed fares and zone changes as hereinabove set forth.
- (2) That applicant shall post in its buses and at terminals a suitable explanatory notice of said fare increases and zone changes continuously for at least ten days.

(3) 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 Los Angeles, California, this 27th
day of July, 1954.

Robert E. Mitchell
President

Justin F. Cooney

Bennett Foster

Verne Higgins

Commissioners