

ORIGINAL

Decision No. 51110

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of LOS ANGELES TRANSIT LINES, a corporation, and METROPOLITAN COACH LINES, a corporation, for authority to adjust rates.

) Application No. 35601

In the Matter of the Application of GLENDALE CITY LINES, INC., requesting authority to adjust only those rates of fare in effect in present joint fare arrangement with Metropolitan Coach Lines.

) Application No. 35653

In the Matter of the Application of LOS ANGELES TRANSIT LINES, a corporation, for authority to make certain changes in its system, including the substitution of motor coach service for certain rail service, modification of routes, abandonment of certain lines and facilities and other changes.

) Application No. 35728

Application of METROPOLITAN COACH LINES, a corporation, for authority to make certain extensions and rerouting of the following motor coach lines, all located in the City of Los Angeles:
 VAN NUYS-BIRMINGHAM HOSPITAL LINE, ROUTE #85
 VAN NUYS-CANOGA PARK LINE, ROUTE #90
 VAN NUYS-SAN FERNANDO LINE, ROUTE #84
 HOLLYWOOD-VENTURA BOULEVARD LINE, ROUTE #81

) Application No. 35737

APPEARANCES (SEE ATTACHED APPENDIX "A")

I N T E R I M O R D E R

By Decision No. 50734, dated November 3, 1954, in connection with the above-entitled applications, this Commission authorized the Los Angeles Transit Lines to substitute motor

coach for rail service on its existing lines "F", 5, 7, 8 and portions of "W" and 9 lines and also authorized Metropolitan Coach Lines to make certain route adjustments in four of its lines, numbered 85, 90, 84 and 81, in the San Fernando Valley area, subject to the authorizations and restrictions set out in that order. That decision, which was interim in nature, stated "the complete financial effect of the changes herein authorized will be fully considered in the hearings and decision relative to Applications Nos. 35601 and 35653."

Application No. 35601, as amended, filed jointly by the Los Angeles Transit Lines and the Metropolitan Coach Lines, requests increases in the existing fares of each applicant company by (1) eliminating the use of, and deleting from all tariffs, provisions for the use of reduced rate tokens, (2) increasing the single-zone fare to 17 cents and increasing to 6 cents the fare for each additional zone traversed on all interzone rides, and (3) increasing the school zone commutation fare to 10 cents, with an additional 5 cents for each additional zone traversed, on all inter-school commutation rides. Request is also made to change the present 30-ride commutation book of Metropolitan Coach Lines to a 10-ride commutation book with no change in time limit or percentage relationship to the one-way cash fare.

Application No. 35653, filed by the Glendale City Lines, requests adjustment in the joint fares, which that company has with Metropolitan Coach Lines, so as to conform these joint fares with the fare increases requested in Application No. 35601. It should be noted that this application is entirely contingent upon the action of the Commission in Application No. 35601.

Further public hearings relative to the request for fare increases contained in Applications Nos. 35601 and 35653 were held before Examiner Grant E. Syphers on October 21, 22,

November 17, 18 and 19, 1954, at Los Angeles, during which time evidence was adduced and the matters now have been submitted. As stated in Decision No. 50734, supra, all four of the applications were consolidated for hearing. Accordingly, the decision herein is based upon all of the evidence adduced at the prior hearings leading to Decision No. 50734 and all of the evidence adduced at the above-mentioned hearings.

The testimony and exhibits introduced relative to the service changes were noted in Decision No. 50734.

While the Los Angeles Transit Lines and the Metropolitan Coach Lines filed a joint application, their presentations were made separately. Likewise, technical presentations were made by the City of Los Angeles through its Department of Public Utilities and Transportation and by the staff of this Commission. In addition, public witnesses testified as to the effects of the proposed fare increases. The various presentations will be considered in the order mentioned.

Los Angeles Transit Lines

A witness for Los Angeles Transit Lines presented studies which he had made concerning the trend of adult revenue passengers for the periods January to July 1954, as compared with January to July 1953 (Exhibit No. 23), as well as a chart showing the trend of equivalent weekday adult revenue passengers from August 1953 through July 1954 adjusted to the August 1953

fare level (Exhibit No. 25), and the data used in developing this chart (Exhibit No. 24). This same witness also presented data concerning the trend of revenue passengers on other transit operations throughout the United States (Exhibit No. 26). From these trend data the witness estimated the adult revenue passengers which the company might expect for the year commencing October 1, 1954, if the present fares are to continue (Exhibit No. 27), and also he calculated estimated passenger revenue for the same period, both at present fares and at proposed fares (Exhibit No. 28). He estimated that the passenger revenue at present fares for the twelve-month period commencing November 1, 1954, would be \$22,927,513; and the estimated revenue at proposed fares for the same period would be \$25,289,019.

A second witness for this Company presented estimates as to the operating expenses and vehicle miles for a twelve-month period commencing November 1, 1954, based upon present fares and wage rates for rail and trolley coach operations (Exhibit No. 31) and motor coach operations (Exhibit No. 32). These estimates were then adjusted to reflect the proposed fares and set out in Exhibit No. 33. Estimated operating taxes under present and proposed fares were set out in Exhibit No. 34. From these data the estimated financial results of operation for the same period, both at present fares and proposed fares,

under present operations, were set forth in Exhibit No. 35. Estimates of this witness in this connection were as follows:

	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$ 23,111,500	\$ 25,473,000
Expenses, Depreciation and Taxes	<u>22,914,300</u>	<u>22,843,500</u>
Operating Income	\$ 197,200	\$ 2,629,500
Other Income	<u>26,000</u>	<u>9,000</u>
Total Income	\$ 223,200	\$ 2,638,500
Income Taxes	\$ <u>60,800</u>	\$ <u>1,363,100</u>
Net Oper. Income	\$ 162,400	\$ 1,275,400
Amortization and Interest	\$ <u>155,700</u>	\$ <u>155,700</u>
Net Income	\$ 6,700	\$ 1,119,700
Operating Ratio	99.97%	95.60%

Additional exhibits were presented (Exhibits Nos. 36, 37 and 38) showing the anticipated effect on these estimates if the service changes, as authorized in Decision No. 50734, supra, are effected. These estimates are summarized as follows:

	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$ 23,111,500	\$ 25,473,000
Expenses, Depreciation and Taxes	<u>22,100,700</u>	<u>22,027,900</u>
Operating Income	\$ 1,010,800	\$ 3,445,100
Other Income	<u>26,000</u>	<u>9,000</u>
Total Income	\$ 1,036,800	\$ 3,454,100
Income Taxes	\$ <u>499,500</u>	\$ <u>1,802,900</u>
Net Oper. Income	\$ 537,300	\$ 1,651,200
Amortization and Interest	\$ <u>218,600</u>	\$ <u>218,600</u>
Net Income	\$ 318,700	\$ 1,432,600
Operating Ratio	98.62%	94.38%

The witness likewise presented studies as to the rate base of the company, both on a historical cost basis for present and proposed operations (Exhibits Nos. 39 and 40), and on a historical cost basis adjusted to present dollar values for present and proposed operations (Exhibits Nos. 41 and 42). These rate base estimates are as follows:

<u>Basis of Estimate</u>	<u>Estimated Rate Base</u>
Present operations for year ending October 31, 1955, on a historical cost basis	\$ 22,339,700
Proposed operations for year ending October 31, 1955, on a historical cost basis	\$ 21,844,300
Present operations year ending October 31, 1955, on a historical cost basis adjusted for present dollar values	\$ 35,956,500
Proposed operations year ending October 31, 1955, on a historical cost basis adjusted for present dollar values	\$ 35,461,100

It should be noted that the witness, in subsequent testimony, estimated that each of these rate bases should be reduced about \$200,000. Each estimate contained an item for prepaid expenses of \$550,000. The reduction of \$200,000 applies to this item inasmuch as the company receives interest on that amount of the prepaid expense funds.

Making this correction, the applicant's estimates of the returns on these rate bases would be as follows:

Present Operations

	<u>Present Fares</u>	<u>Proposed Fares</u>
Rate Base (Historical Cost Basis)	\$ 22,139,700	\$ 22,139,700
Net Income	\$ 6,700	\$ 1,119,700
Rate of Return (After Taxes)	0.03%	5.06%
Rate Base (Present Dollar Value Basis)	\$ 35,756,500	\$ 35,756,500
Net Income	\$ 6,700	\$ 1,119,700
Rate of Return (After Taxes)	0.02%	3.13%

Proposed Operations

	<u>Present Fares</u>	<u>Proposed Fares</u>
Rate Base (Historical Cost Basis)	\$ 21,644,300	\$ 21,644,300
Net Income	\$ 318,700	\$ 1,432,600
Rate of Return (After Taxes)	1.47%	6.62%
Rate Base (Present Dollar Value Basis)	\$ 35,261,100	\$ 35,261,100
Net Income	\$ 318,700	\$ 1,432,600
Rate of Return (After Taxes)	0.90%	4.06%

Additional testimony was presented by another witness for the applicant, relative to the earnings of other companies throughout the United States. It was the contention of this witness that the earnings of these other companies were, in general, higher than those experienced by the Los Angeles Transit Lines. This same witness likewise urged the Commission to approve, for rate base purposes, certain accounting practices which the company now uses relative to charging retired property against the depreciation reserve for its Accounts Nos. 501, Engineering, 502, Rights of Way, 504, Grading, 546, Interest During Construction, and 547, Supervision. The net effect of these changed accounting practices is to reduce the depreciation reserve, thereby increasing the rate base; and in addition operating expenses will be reduced as the amortization charges for the undepreciated cost of the retired property will be eliminated.

In substance, the position of the Los Angeles Transit Lines was that it is necessary for the company to maintain a sound financial position in order to permit additional planning and to meet the continuing changes which are taking place in the area. It was contended that this industry is a high-risk business, and that in order to operate satisfactorily, it should receive in earnings each year an amount of approximately \$1,930,000.

The company advocated the use of the operating ratio theory in fixing its rates, in preference to the so-called rate base method, and contended that the fares proposed in this application, giving effect to the service changes, would yield an operating ratio of 94.38 percent. In the opinion of the company witnesses, these fares are the minimum rates of fare which should be established at this time.

Metropolitan Coach Lines

The principal exhibit for Metropolitan Coach Lines (Exhibit No. 51) is a study prepared by a consulting engineer setting up estimates of results of the present operations, giving effect to the changes authorized by Decision No. 50734, supra, both under present and proposed fares, as well as other data in relation to the application. These estimates for the year ending October 31, 1955 are as follows:

	<u>Present Fares</u>	<u>Proposed Fares</u>
Revenue	\$ 15,515,700	\$ 16,363,600
Expenses, Depreciation and Taxes	16,070,100	16,026,400
Total Income	(554,400)	337,200
Income Taxes	-	-
Net Operating Income	\$ (554,400)	\$ 337,200
Operating Ratio	103.6%	97.94%

() Indicates red figures.

It should be noted that this applicant presently has pending applications to abandon its Los Angeles-Glendale-Burbank rail line and replace it with motor coaches (Application No. 34990)⁽²⁾, and to replace with motor coaches its Los Angeles-Bellflower line (Application No. 35134), Los Angeles-Watts lines (Application No. 35151), Los Angeles-San Pedro line (Application No. 35304) and Los Angeles-Long Beach line (Application No. 35407). The estimated financial effect upon applicant if these substitutions are authorized was set out in Exhibit No. 64, and is summarized below for the year ending October 1, 1955.

(2)

By Decision No. 50873, dated December 14, 1954, in Application No. 34990, Metropolitan Coach Lines was authorized to abandon its Los Angeles-Glendale-Burbank rail line and replace it with motor coaches.

	<u>Present Fares</u>	<u>Proposed Fares</u>
Present Operations		
Net Operating Income	\$ (554,400)	\$ 337,200
Estimated Savings to be effected by Glendale Rail Line Substitution	183,620	183,620
Estimated Savings to be effected by Southern District Rail Line Substitutions		
Bellflower	1,102	1,102
Watts	134,655	134,655
San Pedro	172,298	172,298
Long Beach	<u>236,809</u>	<u>236,809</u>
Total Income	\$ 174,084	\$ 1,065,684
Income Taxes	\$ 88,366	\$ 569,117
Net Operating Income	\$ 85,718	\$ 496,567
Operating Ratio (Giving effect to Glendale substitution)	102.39	96.82
Operating Ratio (Giving effect to all proposed substitutions)	98.88	93.49

() Indicates red figure.

Additional testimony was presented relative to the motor coaches operated, the operations in general, the financial needs of the company in conducting these operations, and the estimated rate base. For the period ending October 31, 1955, this was estimated to be \$9,740,036, with the further contention that this figure should contain an allowance of \$800,000 for working capital, which would raise the rate base to \$10,540,000.

The rates of return on this rate base, according to applicant's estimates, are as follows:

	<u>Present Fares</u>	<u>Proposed Fares</u>
Rate Base	\$ 10,540,000	\$ 10,540,000
Net Income (Present Operations)	\$ <u>(554,400)</u>	\$ 153,868
Rate of Return (After Taxes)		1.46%

() Indicates red figure.

In substance, the position of the Metropolitan Coach Lines was that the company is not realizing sufficient revenue to constitute a reasonable return. It was contended that it is necessary to obtain rate relief in order to meet increasing costs, such as wage increases, and in order to maintain the financial position of the company.

Glendale City Lines

The position of the Glendale City Lines was stated by a witness for that company, and, in substance, was that there is a joint fare arrangement between the Glendale City Lines and Metropolitan Coach Lines relating to passengers travelling between the Glendale and Burbank areas and Los Angeles and other points served by Metropolitan Coach Lines. This applicant requests the same adjustment in fares as those requested by the other two applicants in this proceeding, and pointed out that its request is dependent upon any action taken by the Commission concerning the other two applicants.

City of Los Angeles

The staff of the Department of Public Utilities and Transportation of the City of Los Angeles presented testimony and Exhibit No. 65 relative to the Los Angeles Transit Lines. Generally this department accepted the analysis presented by the Public Utilities Commission staff, hereinafter set out, and its study was related to the effects of alternate fares under present operations and proposed operations. The witness for this department recommended the retention of tokens, in any event, even if they were to be sold at the same price as cash fares and likewise recommended against any raise in school fares. He stated that the estimates of the staff of the Public Utilities Commission as to expenses were, in his opinion, fair and reasonable. No recommendations were made as to Metropolitan Coach Lines.

Public Utilities Commission Staff

Engineers of the Public Utilities Commission presented three studies, one relating to the Los Angeles Transit Lines, the second to the Metropolitan Coach Lines, and the third a report on the financial position of both of these companies.

The studies relating to the Los Angeles Transit Lines consist of mileage estimates and estimated results of operations for the period ending October 31, 1955 under present and proposed fare structures. Likewise they include the results of operations under certain alternate fare structures, as well as a study of working cash and an estimated rate base. Similar studies were presented for the Metropolitan Coach Lines.

An additional study relative to the financial position of Los Angeles Transit Lines and Metropolitan Coach Lines was presented by a witness of the Finance and Accounts Division of

the Commission's staff. This study consisted of balance sheets, income and surplus statements, statements of sources and applications of funds for specified periods, and statements showing earnings and dividends on common stock for a specified period. The witness presenting this study testified that as to Los Angeles Transit Lines, a review of the company's earnings for the past three-and-one-half years disclosed that they have been sufficient to enable the company to pay its operating expenses and taxes, to make provision for depreciation, to meet fixed charges, to pay an average of 7.5 percent on the average par value of its outstanding common stock and to increase its surplus account by \$960,338. As to the Metropolitan Coach Lines, the report set out the financial requirements for that company relative to principal payments and interest on its outstanding obligations and preferred stock dividends as follows:

Equipment Obligations

Principal payments	\$1,106,280
Interest	414,507
Preferred stock dividends	<u>45,150</u>
<u>Total</u>	\$1,565,937

A further study was presented (Exhibit No. 70) showing the earnings on common stock equity of various utilities and transit companies throughout the United States.

Comparison of the Estimates of Los Angeles Transit Lines and the Commission Staff

A summary of the technical evidence presented in this case relative to the Los Angeles Transit Lines discloses certain differences in estimates between the cases presented by applicants and those presented by the staff of the Public Utilities Commission and generally concurred in by the representatives of the City of Los Angeles. These estimates, and the differences between them, are set out in the following tables:

Proposed Operations
(Giving effect to the substitutions
authorized in Decision No. 50734)

Item	Present Fares		
	Applicant	F.U.C. Staff	Difference
Vehicle Miles	33,130,721	33,107,000	23,721
Operating Revenue	\$23,111,500	\$23,147,000	\$ (35,500)
Expenses, Depreciation and Taxes	\$22,100,700	\$21,246,300	\$ 854,400
Operating Income	\$ 1,010,800	\$ 1,900,700	\$ (889,900)
Other Income	26,000	#	26,000
Total Income	\$ 1,036,800	\$ 1,900,700	\$ (863,900)
Income Taxes	499,500	914,900	(415,400)
Net Operating Income	\$ 537,300	\$ 985,800	\$ (448,500)
Amortization and Interest	218,600	209,000	9,600
Net Income	\$ 318,700	\$ 776,800	\$ (458,100)
Rate Base	\$21,644,300	\$17,840,000	\$ 4,004,300
Rate of Return	1.47%	4.35%	
Operating Ratio:	98.62%	96.64%	

() Staff estimates exceed those of applicant.

Not applicable

Item	Proposed Fares		
	Applicant	F.U.C. Staff	Difference
Vehicle Miles	32,780,936	32,817,000	(36,064)
Operating Revenue	\$25,473,000	\$25,700,000	\$ (227,000)
Expenses, Depreciation and Taxes	\$22,027,900	\$21,161,200	\$ 866,700
Operating Income	\$ 3,445,100	\$ 4,538,800	\$ (1,093,700)
Other Income	9,000	#	9,000
Total Income	\$ 3,454,100	\$ 4,538,800	\$ (1,084,700)
Income Taxes	1,802,900	2,263,400	(460,500)
Net Operating Income	\$ 1,651,200	\$ 2,275,400	\$ (624,200)
Amortization and Interest	218,600	209,000	9,600
Net Income	\$ 1,432,600	\$ 2,066,400	\$ (633,800)
Rate Base	\$21,644,300	\$17,840,000	\$ 4,004,300
Rate of Return	6.62%	11.58%	
Operating Ratio:	94.38%	91.96%	

() Staff estimates exceed those of applicant.

Not applicable

Present Operations

Item	Present Fares		
	Applicant	P.U.C. Staff	Difference
Vehicle Miles	32,751,356	32,747,000	4,356
Operating Revenue	\$23,111,500	\$23,147,000	\$ (35,500)
Expenses, Depreciation and Taxes	\$22,914,300	\$21,769,400	\$ 1,144,900
Operating Income	\$ 197,200	\$ 1,377,600	\$ (1,180,400)
Other Income	\$ 26,000	---	\$ 26,000
Total Income	\$ 223,200	\$ 1,377,600	\$ (1,154,400)
Income Taxes	\$ 60,800	\$ 647,500	\$ (586,700)
Net Operating Income	\$ 162,400	\$ 730,100	\$ (567,700)
Amortization and Interest	\$ 155,700	\$ 154,000	\$ 1,700
Net Income	\$ 6,700	\$ 576,100	\$ (569,400)
Rate Base	\$22,139,700	\$16,926,000	\$ 5,213,700
Rate of Return	0.03%	3.40%	
Operating Ratio	99.97%	97.51%	

() Staff estimates exceed those of applicant.

Item	Proposed Fares		
	Applicant	P.U.C. Staff	Difference
Vehicle Miles	32,408,131	32,440,000	(31,869)
Operating Revenue	\$25,473,000	\$25,700,000	\$ (227,000)
Expenses, Depreciation and Taxes	\$22,843,500	\$21,678,500	\$ 1,165,000
Operating Income	\$ 2,629,500	\$ 4,021,500	\$ (1,392,000)
Other Income	9,000	---	9,000
Total Income	\$ 2,638,500	\$ 4,021,500	\$ (1,383,000)
Income Taxes	\$ 1,363,100	\$ 1,999,000	\$ (635,900)
Net Operating Income	\$ 1,275,400	\$ 2,022,500	\$ (747,100)
Amortization and Interest	\$ 155,700	\$ 154,000	\$ 1,700
Net Income	\$ 1,119,700	\$ 1,868,500	\$ (748,800)
Rate Base	\$22,139,700	\$16,926,000	\$ 5,213,700
Rate of Return	5.06%	11.04%	
Operating Ratio	95.60%	92.73%	

() Staff estimates exceed those of applicant.

A comparison of the foregoing tables, in the light of the record in these proceedings, discloses certain principal differences in the estimates of revenue and expenses and the reasons therefor. The differences in operating revenue are due to the fact that the company used a higher percentage of diminution of loss of passengers than did the staff in estimating the effect of the proposed fare increases. The staff's estimates of equipment maintenance are based upon a cost of 2½ cents per mile for 100 new motor coaches while the company used 3 cents per mile.

The differences in Transportation Expense under present and proposed fares are due to the applicant estimating there will be a saving of \$103,500 in operators' wages due to partial conversion from rail to motor coach, whereas the staff estimates these wages will increase by \$15,800. Partially offsetting this is a staff estimate of a fuel and power saving of \$52,200, whereas applicant makes no such allowance.

A major difference is noted in the item of General Expense. \$240,600 of this difference is represented in the estimated cost of public liability and property damage insurance. The applicant's higher estimate is based on a percent of revenue, whereas the staff's estimate is based on past experience of the company.

The company's depreciation expense estimate is \$446,500 higher than that of the staff. This arises from the fact that the staff adjusted certain depreciation rates based on their estimated remaining life. For example the service lives of certain motor coaches was extended from 10 to 12 years.

The difference in Operating Taxes arises from the fact that the staff gave effect to a proposed fuel tax decrease

in 1955 and applicant did not. Other minor differences appear in the tables which are not detailed herein, although the differences were explained in the testimony presented.

The principal differences in the estimates of rate base between those used by the applicant, Los Angeles Transit Lines, and the staff, are to be found (1) in the fact that applicant used the book cost of land, whereas the staff used historical cost, (2) applicant made an allowance of \$1,000,000 for working cash, and in the case of the estimated rate base under present operations an additional \$1,000,000 for capital to effect the proposed changes in service, whereas the staff did not allow these items, and (3) applicant made allowances of \$400,000 for prepaid expenses and \$240,000 for stock it holds in Transit Casualty Company, an affiliate that insures applicant, while the staff again disallowed these items. In general the staff followed the changes in accounting procedure recently adopted by the company.

The foregoing comments relate to the rate base estimates of applicant which are on a historical cost basis. While applicant also presented other and higher rate base estimates which were adjusted to "present dollar values," the evidence presented in support thereof does not warrant the adoption of this type of adjustment.

In these proceedings the staff estimates will be adopted with the exception of that relating to the state fuel tax. The staff relied upon existing law which provided for a future decrease of the present rate applicable to the fuel tax of 1/2 cent per gallon for the state levy. The State of California now has enacted legislation continuing its present rates of tax on fuel.

With this exception the staff's estimates are found to be reasonable and in conformity with sound rate-making practices.

Comparison of the estimates of Metropolitan Coach Lines and the staff.

A comparison of the estimated results of operation of Metropolitan Coach Lines as presented by that applicant and by engineers of the staff of this Commission follows:

Present Fares

<u>Item</u>	<u>Applicant</u>	<u>P.U.C. Staff</u>	<u>Difference</u>
Vehicle Miles	25,284,400	25,239,500	44,900
Operating Revenue	\$15,515,700	\$15,806,800	\$ (291,100)
Operating Expenses	\$16,070,100	\$15,380,250	\$ 689,850
Total Income	\$ 554,400*	\$ 426,550	\$ (980,950)
Income Taxes	- - -	\$ 18,060	
Net Operating Income	\$ 554,400*	\$ 408,490	
Rate Base	\$10,540,000	\$8,694,830	\$1,845,170
Rate of Return	- - -	4.70%	
Operating Ratio	103.57%	97.40%	

() Staff estimates exceed those of applicant.

* Indicates red figures.

Proposed Fares

<u>Item</u>	<u>Applicant</u>	<u>P.U.C. Staff</u>	<u>Difference</u>
Vehicle Miles	25,133,485	25,045,100	88,385
Operating Revenue	\$16,363,600	\$16,674,100	\$ (310,500)
Operating Expenses	\$16,026,400	\$15,316,150	\$ 710,250
Total Income	\$ 337,200	\$ 1,357,950	\$ (1,020,750)
Income Taxes	\$ - - -	\$ 494,190	
Net Operating Income	\$ 337,200	\$ 863,760	
Rate Base	\$10,540,040	\$ 8,694,830	\$1,845,170
Rate of Return	3.20%	9.90%	
Operating Ratio	97.94%	94.80%	

() Staff estimates exceed those of applicant.

The principal differences in these estimates, according to the evidence herein, are set out hereinafter. The higher estimate of operating revenue by the staff lies in a difference as to the anticipated trend of traffic. The lower estimate of operating expenses by the staff is to be explained largely by differences in estimates of the cost of (1) insurance and safety, wherein the staff used applicant's current experience, whereas applicant contended this was for too short a time, less than a year, and accordingly used the experience of its predecessor; (2) depreciation and amortization, in that the staff used a 12 year life on equipment, and applicant used a 10 year life; and (3) in estimating operating taxes the staff gave effect to proposed future decreases in State and Federal fuel tax laws, although they are not now in effect, and used a 1953 experience in estimating the Transportation License Tax, while applicant differed in both of these items.

The differences in rate base estimates are more significant, amounting to \$1,845,170. Applicant (1) included \$800,000 for working cash, (2) used book value for lands and structures, which is \$437,108 higher than original cost, (3) placed a use value on fully depreciated revenue equipment owned in an amount of \$311,500 in excess of the staff's allowance, (4) included all contemplated investments for the rate year while the staff only included those for which firm commitments have been made, accounting for a difference of \$238,346, and (5) followed the depreciation practices hereinabove set out.

The staff's estimate as to rate base we find to be reasonable and it will be adopted in this proceeding. While there may be merit to some of applicant's contentions in relation to expenses, particularly with reference to the anticipated cost of insurance and safety, these contentions need not finally be resolved herein for reasons hereinafter set out.

The evidence discloses that the Los Angeles Transit Lines is the principal local carrier, handling approximately 75% of the traffic. Metropolitan Coach Lines handles about 25%, and, although it performs a large amount of interurban hauling, the fares therefor are not at issue here. These applications relate solely to the local fares. Furthermore, the evidence discloses that both major applicants, as well as the Glendale City Lines, should receive the same treatment as to local fares because of connecting routes and interchanging traffic. In any such joint treatment, the Los Angeles Transit Lines becomes the major factor.

A complete consideration of all of the evidence in these proceedings leads us to the conclusion, and we now find that applicants are entitled to some fare relief, but not to the extent applied for.

A principal element in reaching this finding lies in the estimated effect of the changes proposed by the Los Angeles Transit Lines as authorized by Decision No. 50734, supra. Therein that company was granted permission to substitute motor coach for rail service on certain designated lines and to abandon approximately 45 miles of track, 30 of which are in public streets, and 15 on property other than public streets. As shown by tables

heretofore set out in this decision, the effecting of such changes will reduce the Los Angeles Transit Lines' operating expenses by \$813,600 according to company estimates and \$523,100 according to estimates of the Commission's staff engineers.

During the course of these proceedings, references were made to other proceedings pending before the Board of Public Utilities and Transportation of the City of Los Angeles, which other proceedings involved the service changes proposed by Los Angeles Transit Lines. On November 23, 1954, that board issued its tentative resolution denying the Los Angeles Transit Lines permission to make the major portion of these changes, and by Board Order No. 151, dated February 8, 1955, the tentative denial was affirmed.

Resultantly, the changes authorized by the decision of this Commission, No. 50734, supra, which was permissive rather than mandatory in nature, have not been carried out, and in actual fact the Los Angeles Transit Lines presently is bearing the greater cost of the rail operation. This interim opinion and order, therefore, is being issued upon the estimates submitted in the record based upon present operations.

Exhibits 58 and 62, submitted by the staff engineers and an engineer of the City of Los Angeles, respectively, show the results of certain alternate fare proposals for the Los Angeles Transit Lines, and Exhibit 62 shows similar information for Metropolitan Coach Lines. From these exhibits, and giving consideration to the other evidence in the proceedings, we find that a single-zone fare of 17 cents, with a fare of 6 cents for each additional zone, will provide applicants with reasonable relief, and we find the same to be justified.

The ensuing order will authorize these changes. The requests to eliminate tokens and to increase school fares will be denied, it being the finding of this Commission that the continued sale of tokens at the present rate, and the continued application of present school fares is justified and reasonable. The proposed change of Metropolitan Coach from 30-ride to 10-ride commutation books will be authorized.

We estimate such a fare structure will provide Los Angeles Transit Lines with a rate of return of 6.41% and an operating ratio of 95.5%, and will provide Metropolitan Coach Lines with a rate of return of 7.54% and an operating ratio of 96.0%. These estimates are based upon the staff studies as hereinbefore modified.

In making these findings we are cognizant of the testimony of the various public witnesses who appeared in opposition to the proposed increases, including the representatives of the various civic and student groups who appeared at the hearings.

If and when the service changes as authorized by Decision No. 50734, supra, are placed into effect, either by applicant receiving permission from the Board of Public Utilities and Transportation of the City of Los Angeles, or otherwise, this Commission will again consider these fares in the light of the effect of the changes upon applicant's financial condition.

O R D E R

Applications as above entitled having been filed, public hearings having been held thereon, the Commission being fully

advised in the premises, and good cause appearing, it is hereby found as a fact that the increases in rates and charges authorized herein are justified and that the present rates in so far as they differ from those authorized are for the future unjust and unreasonable; therefore,

IT IS HEREBY ORDERED:

(1) That the Los Angeles Transit Lines, the Metropolitan Coach Lines, and the Glendale City Lines be, and they hereby are, authorized to increase their present single zone fares from 15 cents to 17 cents and the fare for each additional zone traversed on all interzone rides from 5 cents to 6 cents, such increases to be made on not less than five days' notice to the Commission and to the public as published in the applicable tariffs of the respective parties.

(2) That Metropolitan Coach Lines may sell 10-ride commutation books on a basis of 95% of the one-way cash fare when the one-way cash fare exceeds 35 cents, adding a sufficient amount to make the 10-ride fares end in 0 or 5 cents and concurrently with the effectiveness of the 10-ride fares cancel the present 30-ride commutation books and upon not less than five days' notice to the Commission and to the public publish appropriate tariff changes.

(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 this order is interim and experimental in nature and may be reconsidered by this Commission whenever good cause appears so to do.

(6) That in all other respects Applications Nos. 35601 and

35653 for the purposes of this interim order are denied.

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

Dated at San Francisco, California,
this 15th day of February, 1955.

John E. Mitchell
President
Justus P. Greiner
Raymond L. Lintner
William H. Hooley

Commissioners

APPENDIX "A"

A P P E A R A N C E S

Gibson, Dunn & Crutcher, by Max Eddy Utt, for Los Angeles Transit Lines, applicant in Applications Nos. 35601, and 35728, interested party in Applications Nos. 35653 and 35737.

Metropolitan Coach Lines, by Waldo K. Greiner, applicant in Applications Nos. 35601 and 35737, interested party in Applications Nos. 35653 and 35728.

Roger Arnebergh, City Attorney, Alan G. Campbell, Assistant City Attorney, and C. E. Hilker, Deputy City Attorney, for the City of Los Angeles, T. M. Chubb, General Manager and Chief Engineer, and Robert W. Russell, for the Department of Public Utilities and Transportation, City of Los Angeles, interested parties.

Robert E. Reed, George C. Madley, by R. B. Pegram, for State of California, Department of Public Works, Division of Highways, interested party as to Application No. 35728.

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

Henry E. Jordan, Chief Engineer, Bureau of Franchises and Public Utilities, for the City of Long Beach, interested party.

Carl E. Fennema, for Downtown Business Men's Association, interested party.

Herb Prince, for the Vermont-Manchester Business Association, interested party.

Mrs. Faustina N. Johnson, Secretary-Manager, Watts Chamber of Commerce, interested party.

Christopher J. Griffin, City Attorney, City of Huntington Park, interested party.

Mrs. Francis B. Wood, for Child Welfare Bureau and Manager Los Angeles Tenth District of California Congress of Parents and Teachers, Inc., interested party.

Ernest L. Messner, for 54th & Crenshaw Merchants Association, interested party.

Theodore K. Resmey, in propria persona, and for Citizens Transit Committee, interested party.

Ellery G. McClung, for South Side Chamber of Commerce, interested party.

A. 35601, 35653, 35728, 35737 - EH

F. R. Coop, Administrative Officer, City of Inglewood,
interested party.

James V. Ramey, for York Boulevard Chamber of Commerce,
interested party.

Orel S. Karnes, for Eagle Rock Chamber of Commerce,
interested party.

Lee V. Sida, for Glassell Park Business Men, interested
party.

George H. Hook, for Glendale City Lines in Application
No. 35653, and interested party in each of other
applications.

Cecil R. Fletcher, for the York Boulevard Chamber of
Commerce, interested party.

Herbert B. Atkinson, for South Los Angeles Transportation
Company and Atkinson Transportation Company, interested
party.

H. D. Holcombe, for the Monte Vista Business Men's
Association, interested party.

William E. McElroy, for Eagle Rock Realty Board,
interested party.

Neville R. Lewis, City Attorney of San Fernando,
protestant.

Elliott P. Fagerberg, for Citizens Transit Committee of
Metropolitan Los Angeles, interested party.

Harold J. McCarthy, for the Commission staff.