

ORIGINALDecision No. 51872

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
East Los Angeles, Los Angeles
County, California.)

Application No. 36848

Charles Boehm, for applicant.
Harold J. McCarthy, for the
Commission staff.

O P I N I O N

Applicant requests authority to increase its adult cash fare in its Belvedere division from 8 cents to 10 cents, and eliminate the 2-cent transfer charge. No change is proposed in fares in the Whittier division and no other change in the Belvedere division.

A public hearing was held in Los Angeles before Examiner Mark V. Chiesa. Oral and documentary evidence having been presented by applicant and the Commission's staff, the matter was submitted for decision.

Eastern Cities Transit, Inc., performs local passenger bus service in the community of Belvedere (Los Angeles County) which is located immediately adjoining the easterly boundary line of Los Angeles in the vicinity of East First Street, and also in the City of Whittier, which is situated about 10 miles southeasterly of the Belvedere district. There is no connecting service between the two areas.

The primary nature of the service rendered in the Belvedere division is that of feeder service to the "R" and "P" rail lines of Los Angeles Transit Lines at their respective easterly termini ("R" line at Whittier Boulevard and Brannick Avenue, "P" line at East First Street and Rowan Avenue). Applicant also performs local service in Belvedere. The Whittier division provides local service in Whittier and feeder service to Line 58 - Los Angeles-Whittier of Metropolitan Coach Lines.

Applicant's present fare in Belvedere is 8 cents for both adults and school children, with a 2-cent transfer charge. The company's book record does not reflect any transfer revenue at the present time. The fare structure in Whittier is based on two zones. The adult fare is 15 cents with 5 cents additional for travel into the second zone. The school fare is 10 cents, good universally for a one- or two-zone ride, sold in 30-ride books for \$3.00 at the schools. Transfers between lines are free. The transportation of school pupils was substantially reduced in the fall of 1954 when the East Whittier school district placed several additional school buses in service.

Applicant operates a total of 21 units of equipment. Twelve units (3 owned, 9 leased) are assigned to the Belvedere division, and 9 units (6 owned, 3 leased) are assigned to the Whittier division. The leased buses are leased from Crown Body and Coach Corporation. Crown Body and Coach Corporation owns all of the stock of Eastern Cities Transit, Inc.

Applicant's operating loss, according to its books, for the year ending December 31, 1954, was \$7,859.85 (page 1 of Exhibit "B" attached to the application). The Commission's staff shows an operating loss for the company of \$1,912 for the 12-month period ending February 28, 1955.

The staff computed the operating results for Belvedere and Whittier divisions separately. Separate records are maintained by the company for revenues of each division, but records of expense are kept on a system basis only; hence, it was necessary to allocate expenses to the respective operating divisions. Items of expense involving labor were assigned from payroll analysis. Direct charges were obtained wherever possible, such as fuel costs and insurance rates. Other items of expense are assigned on allocation bases of mileage or units.

Estimated results of operation under present and proposed fares were submitted by applicant and the Commission's staff. The latter also prepared estimates under an alternate fare structure for the Commission's consideration.

Applicant's and the staff's estimated results of operation under present and proposed fares are as follows:

Estimated Results of Operation

<u>Item</u>	<u>Present Fares</u>		<u>Proposed Fares</u>	
	<u>Applicant</u>	<u>P.U.C. Staff</u>	<u>Applicant</u>	<u>P.U.C. Staff</u>
<u>Present Operation with Leased Equipment*</u>				
Mileage	663,502	663,500	663,502	663,500
<u>Revenue</u>				
Passenger	\$278,639	\$274,660	\$303,695	\$304,060
Other	4,800	8,400	4,800	8,400
Total	<u>283,439</u>	<u>283,060</u>	<u>308,495</u>	<u>312,460</u>
<u>Expense</u>				
Maintenance	\$ 63,718	\$ 50,870	\$ 63,718	\$ 50,870
Transportation	146,951	148,570	146,951	148,570
Traffic	235	480	235	480
Insurance	16,898	17,430	16,898	17,430
Administration	16,858	14,420	16,858	14,420
Operating Rents	27,138	27,140	27,138	27,140
Total	<u>271,798</u>	<u>258,910</u>	<u>271,798</u>	<u>258,910</u>
Depreciation	12,771	5,950	12,771	5,950
Operating Taxes	25,408	25,080	25,408	25,960
Total	<u>309,977</u>	<u>289,940</u>	<u>309,977</u>	<u>290,820</u>
Net before Income Taxes				
Taxes	\$(26,538)	\$ (6,880)	\$ (1,482)	\$ 21,640
Income Taxes	-	(2,260)	-	7,100
Net Income	<u>(26,538)</u>	<u>(4,620)</u>	<u>(1,482)</u>	<u>14,540</u>
Oper. Ratio after Income Taxes	109.36%	101.6%	100.48%	95.3%
Rate Base	\$ 65,150	\$ 53,550	\$ 65,150	\$ 53,550
Rate of Return	-	-	-	27.2%

Under an Owned Equipment Operation**

Expenses Excl. Oper.				
Rents and Depr.	-	\$256,850	-	\$257,730
Depreciation	-	19,310	-	19,310
Revised Expenses	-	<u>276,160</u>	-	<u>277,040</u>
Net before Income Taxes	-	6,900	-	35,420
Income Taxes	-	2,260	-	13,600
Net Income	-	<u>4,640</u>	-	<u>21,820</u>
Oper. Ratio after Income Taxes	-	98.4%	-	93.0%
Rate Base	-	\$148,390	-	\$148,390
Rate of Return	-	3.1%	-	14.7%

(Red Figure)

* The figures shown are for the entire system. For Whittier division, applicant's estimate on present fares (no fare increase proposed) is a loss of \$2,693 with an operating ratio of 102.39 per cent, while the Commission's staff estimates a loss of \$1,510 and operating ratio of 101.4 per cent operating the leased equipment, and a net income of \$790 with an operating ratio of 99.3 per cent and rate of return of 1.7 per cent if the equipment were owned.

Applicant did not submit estimates on this basis.

The Commission's staff also estimated results of operation under an alternate fare of 10 cents cash and 3 tokens for 25 cents for the year ending June 30, 1956, as follows:

<u>Item</u>	<u>Belvedere Division \$.10 Cash Tokens 3/.25</u>	<u>Whittier Division \$.15-.20</u>	<u>Total</u>
<u>Under Actual Operating Conditions of Leasing Equipment</u>			
Mileage	377,390	286,110	663,500
<u>Revenue</u>			
Passenger	\$182,150	\$103,640	\$285,790
Other	3,680	4,720	8,400
Total	<u>185,830</u>	<u>108,360</u>	<u>294,190</u>
<u>Expenses</u>			
Maintenance	\$ 27,290	\$ 23,580	\$ 50,870
Transportation	89,910	58,660	148,570
Traffic	270	210	480
Insurance	12,390	5,040	17,430
Administration	8,240	6,180	14,420
Operating Rents	20,370	6,770	27,140
Total	<u>158,470</u>	<u>100,440</u>	<u>258,910</u>
Depreciation	4,160	1,790	5,950
Operating Taxes	17,040	8,380	25,420
Total	<u>179,670</u>	<u>110,610</u>	<u>290,280</u>
Net before Income Taxes	6,160	(2,250)	3,910
Income Taxes	2,020	(740)	1,280
Net Income	<u>\$ 4,140</u>	<u>\$ (1,510)</u>	<u>\$ 2,630</u>
Oper. Ratio after Inc. Taxes	97.8%	101.4%	99.1%
Rate Base	\$ 31,100	\$ 22,450	\$ 53,550
Rate of Return	13.3%	-	4.9%
<u>Under Operating Conditions with Equipment Owned, Rather than Leased.</u>			
Expenses Excl. Oper. Rents & Depr.	\$155,140	\$102,050	\$257,190
Depreciation	14,180	5,130	19,310
Revised Expenses	<u>169,320</u>	<u>107,180</u>	<u>276,500</u>
Net before Income Taxes	16,510	1,180	17,690
Income Taxes	5,410	390	5,800
Net Income	<u>11,100</u>	<u>790</u>	<u>11,890</u>
Oper. Ratio after Inc. Taxes	94.0%	99.3%	96.0%
Rate Base	\$103,090	\$ 45,300	\$148,390
Rate of Return	10.8%	1.7%	8.0%

(Red Figure)

Applicant based its estimate of revenue on a percentage relationship between periods of 1953 and 1954 in the Belvedere division and used about the same revenue in the Whittier division as produced during the last year, without adjustment. The staff estimate of revenue in the Belvedere division is based on the trend of 1954 applied to the first five months of 1955 and extended by trend to the midpoint of the rate year ending June 30, 1956, plus appropriate adjustment downward for loss in traffic due to the proposed fare increase. The staff followed a like procedure for the Whittier division and, in addition, adjusted traffic further downward for a loss in school passengers occasioned by the East Whittier school district providing its own buses for pupil transportation.

Applicant's maintenance expense estimate for the Belvedere operation is based on its 1954 expenses increased for a wage rate adjustment. The staff estimated the repair account by using the company's 1954 mileage experience rate adjusted for wage increase for the buses still in service but reduced the rate for 4 new buses put in service in 1955. The company used the equivalent of about 6 cents per mile while the staff used the same rate for the old equipment and 2½ cents per mile for the new equipment, resulting in an average of 4.25 cents per mile.

Applicant has branch managers at both the Belvedere and Whittier divisions, who supervise and direct the operations, as to both office and shop. Applicant charges additional wages to the supervisory maintenance account of Belvedere and Whittier for which the staff, from its investigation, could not find justification inasmuch as the entire supervision of the divisions is performed by the respective managers. There are 10 buses in use at this time of year in Belvedere, and 6 in Whittier, and the staff has determined, from its experience in prior proceedings,

that normally an operation of 6 or 10 or even more buses does not require the supervisory services of 2 men. Under the administration account, the company records disclose that there was a charge of \$500 for the month of March, 1954, no charges for the balance of 1954, and a charge of \$750 per month for January and February of 1955, just prior to the filing of the above application to increase fares. The staff recognized the need for administrative and executive direction, although the Belvedere and Whittier divisions of Eastern Cities Transit, Inc., carried on operations without any expense for it for the greater part of 1954; and provided for such at the rate of \$500 per month, expanded to a yearly basis (\$6,000), prorated to the two divisions. Said amount appears to be reasonable for the performance of administrative and executive functions of Eastern Cities Transit, Inc.

Rate base was developed on two bases by the staff:

1. On a combination of leased (5-year amortization) and owned equipment (lives 3 to 5 years) according to existing company records and applicant's mode of operation.
2. On all of the equipment being owned by Eastern Cities Transit, Inc., with assigned lives 10 years and conforming to the company's retirement from service practice.

Applicant's books are kept on an income tax basis wherein the shortest lives permitted by the Internal Revenue Department are assigned to the equipment. The lives vary from 3 to 5 years for the present fleet. Leased equipment is leased from Crown Body and Coach Corporation to its subsidiaries at lessor's price amortized over a 5-year period. The staff, instead of extending the lease recovery period from 5 years to 10 years, in order to more accurately represent the useful life of the equipment, assumed the equipment to be owned rather than leased; and used a 10-year life for the calculation of depreciation expense and rate base, substituting increased depreciation expense for

lease-rental expense. The 10-year life conforms to applicant's experience and is consistent with the treatment accorded to other operations utilizing similar equipment.

The Commission, having fully considered the evidence of record, finds that the increase in fares for applicant's Belvedere division as set forth in the Commission's staff alternate plan, to wit, an adult cash fare of 10 cents or 3 tokens for 25 cents, with free transfer privileges, is justified and will not result in an unreasonable charge. The application will be granted accordingly.

O R D E R

A public hearing having been held, the Commission being fully advised in the premises, and having found that an increase in fares in the Belvedere division as hereinafter set forth is justified,

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, increased fares as follows:

Belvedere Division

Adult Fares:

Cash

10 cents

Ticket or Token

3 for 25 cents

Establish free transfer privileges.

(2) That except as herein authorized, Eastern Cities Transit, Inc., shall retain and continue to publish the fares heretofore authorized.

(3) That applicant shall post and maintain in its vehicles (Belvedere division) a notice of the increased fares herein authorized. Such notice shall be given not less than five days prior to the effective date of such fares and shall remain posted for a period of not less than fifteen days:

(4) That except as herein authorized Application No. 36848 be and it hereby is denied.

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

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

Dated at San Francisco, California, this 23rd day of August, 1955.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.