ORIGINAL

Decision No. 52092

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of METROPOLITAN COACH LINES, a corporation, for authority to adjust rates.	Application No. 36869

Waldo K. Greiner and James H. Lyons, by James H. Lyons, for applicant.

Clarence A. Winder, for the City of Pasadena, protesting 1st Amendment to Application No. 36869; Frank L. Kostlan, City Attorney for the City of Pasadena; and Emile Baruch, in propria persona; protestants.

Roger Arnebergh, City Attorney, by Alan G. Campbell; T. M. Chubb and Robert W. Russell, for the Department of Public Utilities and Transportation of the City of Los Angeles; Henry E. Jordan, for the Bureau of Franchises and Public Utilities, and Walhfred Jacobson, City Attorney, for Leslie E. Still, Deputy City Attorney, for the City of Long Beach; Herbert B. Atkinson, for South Los Angeles Transportation Company; David D. Canning, for Los Angeles Transit Lines; Carl F. Fennema, for Downtown Business Men's Association of Los Angeles; Henry McClernan, City Attorney, by John H. Lauten, Assistant City Attorney, for City of Glendale; Dale Weaver, for Brotherhood of Railroad Trainmen, General Grievance Committee, and Stephen B. Doss, in propria persona; interested parties.

H. F. Wiggins, for the Commission's staff.

O P I N I O N

Applicant herein requests authority to increase its existing passenger fares on so-called interurban lines by increasing all of the fares set forth in its tariff, Cal. P.U.C. 3748, as follows:

	Where present fare is:	Increase fare to:
Adult - one-way fare	$ .15	$ .20
	.20	.25
	.25	.30
	.30	.35
	.35	.45
	.40	.50
	.45	.55
	.50	.64
	.55	.68
	.60	.73
	.65	.82
	.70	.86
	.75	.91
	.80	1.00
	.85	1.04
	.90	1.09
	.95	1.18
	1.00	1.23
	1.05	1.27
	1.10	1.36
	1.15	1.41
	1.20	1.46
	1.25	1.50
	1.30	1.59
	1.35	1.64
	1.40	1.68
	1.45	1.77
	1.50	1.82
	1.55	1.86
Token	7 for $1.00	Cash - 20 cents
Commutation (a)	30-ride book	10-ride book

(a) Applicable where one-way fare is greater than 35 cents. Books sold at 95 per cent of applicable cash fares, adding sufficient to make total end in "0" or "5".

Child	(b)	(b)

(b) Half of adult one-way fare applicable, adding sufficient to make total end in "0" or "5".

School	No increase requested.

In connection with this proposal, the Pasadena City Lines, Inc., the Glendale City Lines, Inc., and the Catalina Island Steamship Line joined in an amended application to request increases in certain of the joint fares between each of those lines and Metropolitan Coach Lines.

Public hearings were held on June 22, 23, 24, 29 and 30, and July 1, 1955, before Commissioner Rex Hardy and Examiner Grant E. Syphers in Los Angeles. On these dates evidence was adduced and on the last-named date the matter was submitted subject to the filing of concurrent briefs by the parties. These briefs now have been filed and the matter is ready for decision.

At the hearing the president of Metropolitan Coach Lines outlined the background of that company in connection with its entrance into the transit field in the Los Angeles area through purchase of the passenger operations of Pacific Electric Railway Company. Subsequent to this purchase, Metropolitan Coach Lines commenced operations on October 1, 1953, and has been conducting these operations continuously since that time. As of the date of this application, all of the operations of this company are conducted by motor coach with the exception of the four southern division lines which are rail operations conducted over tracks and through the use of rail equipment owned by Pacific Electric Railway Company.

Exhibit No. 3 is a map showing the routes of Metropolitan Coach Lines and distinguishing between its so-called local and interurban lines. Generally speaking, the local lines are to the north and west of the system, while the interurban lines constitute the remaining lines operated by the company. The principal differences between local and interurban lines are that different fare structures are applicable and that free transfers are permitted between the local lines and the Los Angeles Transit Lines, whereas no such transfers are permitted from or to the so-called interurban lines. This application proposes increases on the interurban lines only.

The testimony disclosed that since applicant inaugurated operations it has purchased 230 new buses at a cost of $5,302,298, and has made other capital investments, including shop improvements at Macy Street and new shops at El Monte and Van Nuys in the amount of $957,887. Likewise, by authority of this Commission the company has substituted motor coaches for certain rail operations in the Hollywood and Glendale areas. On March 7, 1955 an increase in the fares on the company's local lines went into effect. The company contended that it now is losing money on its interurban operations in spite of all of the economies it has been possible to effect.

Applicant's research engineer presented a study (Exhibit No. 4) as to the estimated financial results of operation of Metropolitan Coach Lines under present fares and proposed fares. This study shows a down trend in revenue passengers and estimates that by December 1955 the average weekday passengers on interurban lines will be approximately 77,841 as compared to more than 89,000 in October 1953 when the company commenced operations. Correspondingly, the study estimates a down trend in passenger revenue. Other factors taken into consideration in this study include the estimated mileage to be operated, operating and maintenance expenses, operating taxes, a proposed rental which Metropolitan Coach Lines alleges it will have to pay commencing October 1, 1955 to Pacific Electric Railway Company for the use of rail facilities, and an allowance of 4 per cent of operating expenses for so-called contingent risks. This allowance was said to be made up of costs incurred by regulatory lag in the securing of fare increases, increased costs of labor, materials, and taxes which cannot be foreseen at the time fares are adjusted, additional decreases in traffic and work stoppages such as strikes.

Exhibit No. 4 contains summaries of the estimated results of operations under present and proposed fares on the interurban lines, the local lines, and the entire system. The summary for the entire system is as follows:

Estimated Results of Operation - System
As Shown in Applicant's Exhibit No.4

Item	Year 1954	12-month period ending June 30, 1956 Present Fares	Proposed Fares
Revenue	$16,436,253	$16,143,440	$17,336,360
Expenses	16,266,237	16,871,200	16,874,590
Operating Income	170,016	(727,760)	461,770
Income Taxes		25	17,990
Net Income or Loss		(727,785)	443,780
Rate of Return			3.8%
Operating Ratio after Income Taxes		104.5%	97.4%
Rate Base		$11,556,020	11,556,020

(Red Figure)

Exhibit No. 4A was submitted in further explanation of the cost of repairs to motor coach equipment, and Exhibit No. 5 was submitted as a breakdown of the insurance and safety expenses claimed by the company. Applicant's presentation likewise included testimony in explanation of all of the estimates submitted, together with financial statements and other data relative to the present operations.

The applicant attempted to introduce evidence concerning its agreement with Pacific Electric Railway Company dated June 21,1955, as to rentals for the use of rail facilities on the southern lines after October 1, 1955, but such evidence was not received and applicant agreed to submit the agreement in an appropriate proceeding. A witness for applicant did testify that in his opinion $288,500 was his estimate of a fair rental to be paid by the company for the use of these facilities.

The testimony disclosed that more than 70 per cent of the number of fares which are presently collected by the company on its interurban lines are 30 cents or less. Likewise, there was testimony as to the joint fare arrangements between applicant and the other carriers who are parties to this proceeding. The only changes proposed are those made necessary by the request of Metropolitan Coach Lines, and no increases in the local fares of these other carriers are involved. The fares herein proposed for Metropolitan Coach Lines will amount to an average increase of 23.44 per cent over the present fares.

The City of Long Beach, through the Chief Engineer and Secretary of its Bureau of Franchises and Public Utilities, presented testimony and exhibits principally concerned with the effect of the proposed fare increases in the Long Beach area, and also concerned with certain alleged discriminations between local and interurban fares. Exhibit No. 10 is a map of the routes and fares charged in the Long Beach area, and Exhibit No. 11 is a comparison of present and proposed fares of Metropolitan Coach Lines showing the per cent of increase. Exhibits Nos. 12 and 13 show the route miles and fares on interurban and local lines, while Exhibits Nos. 14, 15 and 15A detail this information in graph form. It was the position of this witness that the applicant does not have comparable fares and zones as between its respective operations, and further that the fares of Metropolitan Coach Lines contain discriminations when compared with the fares of other lines in the Long Beach area.

At the conclusion of the hearing, the Deputy City Attorney of the City of Long Beach made a motion that before any further adjustments are authorized in applicant's fares, the Commission make a complete study of all of applicant's fares, zones and transfer arrangements either as a part of these proceedings or on the Commission's own motion.

An engineer of the staff of the Public Utilities Commission presented testimony and exhibits as to applicant's proposals. Exhibit No. 16 is a study of the estimated results of operations under present and proposed fares, and contains the following estimates:

Estimated Results of Operation - System
As Shown in P.U.C. Staff Exhibit No.16

Item	12 months ending 4-30-55	12-month period ending 6-30-56 Present Fares	Proposed Fares
Revenue	$16,321,857	$16,123,820	$17,316,220
Expenses	15,999,029	15,316,070	15,279,070
Operating Income	322,828	807,750	2,037,150
Income Taxes	25	199,260	862,150
Net Income or Loss	322,803	608,490	1,175,000
Rate of Return	3.0%	6.0%	11.5%
Operating Ratio after Income Taxes	98.0%	96.2%	93.2%
Rate Base	$10,606,640	$10,222,790	$10,222,790

The City of Los Angeles, through the assistant general manager of its Department of Public Utilities and Transportation, presented testimony to the effect that it was in substantial agreement with the estimates of the staff as to the results of operations under present and proposed fares. However, the witness did recommend an alternate fare in Exhibit No. 18 which provides a lesser increase on short-haul passengers than on long-haul rides. It was contended that this would compensate for the recent increases received by the company on so-called short-haul fares. The estimated results of this alternate fare are set out in Exhibit No. 19.

An Exhibit (No. 22) and testimony were presented by an accountant of the staff of the Public Utilities Commission relative to the source and application of funds of Metropolitan Coach Lines for the period from October 1, 1953 to April 30, 1955. This exhibit shows a cash item balance on October 1, 1953 of $964,929 and on April 30, 1955 of $1,010,526, an increase of $45,597 between the two dates. In addition, the witness developed from the exhibit the fact that the operation of the business has generated sufficient cash during the period to cover an operating loss of $172,446 and to provide for capital expenditures of $874,587.

Some public witnesses appeared and presented testimony as to alleged inadequacies of the company's service and schedules.

An analysis of the testimony discloses that the revenue estimates of the applicant and the staff are in general agreement. However, there are substantial differences in the estimates of rate base and expenses. The staff estimates were generally concurred in by the Cities of Los Angeles and Long Beach. The major differences between the estimates of the applicant and staff will be discussed briefly.

The company sets out a rate base under present and proposed fares of $11,556,020, while the staff's estimate is $10,222,790. The principal reasons for this difference are that the company has made an allowance for working cash capital of $800,000, whereas the staff has made no such allowance, and that the company has used as its investment for land and structures the assigned purchase price paid to the Pacific Electric Railway Company, while the staff used the original cost of facilities when first dedicated to public use.

Applicant's estimate of operating expense is $1,550,130 higher than that of the staff. From the testimony, it developed that the major portion of the difference is found in the following four items of expense, depreciation, contingency risk, operating rents, maintenance of equipment and transportation expense.

Depreciation Expense

There is a difference of $315,210 in the estimates of depreciation expense. This results from the fact that the company has used a life of 10 years for most of its buses, while the staff has used a 12-year life for 286 diesel coaches over five years old, a 10-year life for 265 diesel coaches under five years old, and a 10-year life for 95 gasoline coaches now about seven and one-half years old. This group of gasoline coaches had been depreciated on an 8-year life basis by Pacific Electric Railway and the book depreciation reserve at the time of transfer was used by the staff in calculating the estimated depreciation expense for the remaining life.

Contingency Risk

The company has included an allowance of 4 per cent of the operating expenses as contingent risk, which includes the items previously noted in the applicant's testimony. The sum included as an expense is $569,420. The staff included no allowance for such contingency.

Operating Rents

The applicant's estimate for operating rents is $320,270 higher than that of the staff. Of this difference $288,500 was included by the company for rental payable to Pacific Electric Railway Company for use of rail passenger cars and of joint rail facilities. Applicant also included $36,000 for rent of the Olive Street bus deck which is no longer in use due to the recent motor coach substitution on the Glendale Line. The staff estimates did not include expense for either of these items.

Equipment Maintenance and Transportation Expense

Applicant's estimate for equipment maintenance and transportation expense is $357,890 higher than that of the staff. The applicant's estimates were primarily based on 1954 experience. The staff used the available 1955 experience along with that for 1954 in arriving at their estimate. The record shows that substantial economies have been realized in recent months from changes in service and more efficient operation. Also during 1954 and the first half of 1955 the major portion of the repainting and rehabilitation of motor coach equipment acquired from Pacific Electric Railway was completed.

We do not agree with applicant's contention that an allowance should be included in the estimate of expense for contingency risk.

Previously herein it was noted that applicant agreed to submit to this Commission, in an appropriate proceeding, the contract proposed to cover rental of rail facilities from Pacific Electric Railway Company. This was done and by Decision No. 51980 dated September 19, 1955, we allowed a rental of $50,000, which amount is composed of $32,000 for taxes and $18,000 for rental of 78 rail passenger cars. We will allow these items of expense in this proceeding.

As to the allowance for depreciation expense, we find that the staff estimate is reasonable and in conformity with experience of motor coach equipment of this carrier and of other carriers in the State. Due consideration has been given to the possibility of future major changes in motor coach design by the allowance of depreciation expense on a 10-year life during the first five years of operation. The use of older equipment is generally limited to peak period operation which is only a few hours per day. In our opinion it is in the public interest to continue to use this equipment for at least 12 years, provided it is properly maintained. The staff's estimate of depreciation expense will be adopted except for a minor modification to provide a uniform rate of depreciation expense based on 10-year life for the 95 gasoline coaches which were acquired from Pacific Electric Railway Company.

The staff's basis of estimating maintenance and operation expenses appears to be reasonable with the exception of an item for donations in the amount of $4,000 which will be eliminated.

Accordingly, for the purpose of this decision, the staff's estimates for operating expenses of $15,316,070 under present fares and $15,279,070 under applicant's proposed fares will be adopted subject to the adjustments indicated for rental, depreciation expense and donations.

Concerning the estimates of rate base, we find that applicant's inclusion of $800,000 for working cash capital is not justified. Exhibit No. 22 and the related testimony show that the operation of the business provides the required working cash. Concerning the amount to be allowed in the rate base for the cost of land and structures, we find that the estimate of the staff is reasonable except for a minor change resulting from the change in depreciation expense for the 95 gasoline coaches and accordingly it will be allowed as adjusted. It is the policy of this Commission to use the original cost of land and the depreciated original cost of other facilities where that cost can be ascertained. We adopt as a reasonable rate base for the proceeding $10,331,000 which is the staff's estimate as modified herein.

The exhibits presented by both the applicant and the staff included estimates for local and interurban operations as well as the total system. While the record is clear that the division of operating routes between the two classes of service results mainly from the past history and is somewhat arbitrary, it is a fact that the existing fare structures are different and that we have before us a request to increase fares only on the interurban lines. We conclude that the operation is an integrated system, however, and in this case it is necessary that we consider results of operation for both the interurban portion and the over-all system.

In light of these findings we conclude that applicant is not entitled to the increase sought in its proposed fares, but yet is entitled to some relief over existing fares. Certain alternate proposals were advanced, three by the staff and one by the City of Los Angeles. The Alternate "A" plan of the staff is reasonably comparable with that advanced by the City of Los Angeles, although the fares proposed in the staff Alternate "A" are somewhat higher in some instances. Both propose a basic fare of 17 cents. The City of Los Angeles estimated that under its alternate plan the operation would produce an over-all return of 9.40 per cent and an operating ratio after income taxes of 94.3 per cent, with corresponding estimates of 7.27 per cent and 96.7 per cent for the interurban portion. The staff estimated that under its Alternate "A" plan, the over-all rate of return would be 9.8 per cent and the operating ratio after income taxes, 94.1 per cent with corresponding estimates of 8.5 per cent and 96.1 per cent for the interurban portion. The adjustments we have provided for herein would decrease the above rates of return of the system by approximately 0.3 per cent and increase its operating ratios by approximately 0.2 per cent.

Considering all factors, we conclude that the fares set forth in staff Alternate "A" with the following modifications are reasonable. The modifications are:

1. A 15-cent base fare in lieu of the 17-cent fare.
2. A 22-cent fare in lieu of the 23-cent fare.
3. A 10-ride reduced fare ticket to be sold for the price of 90 per cent of 10 one-way fares, applicable to all one-way fares, except the base fare of 15 cents.

We also find that the estimated results of operation under these fares and the rate of return resulting therefrom, as shown in the following tabulation, are reasonable.

Estimated Results of Operation for 12 Months Ending June 30, 1956*

Item	Local	Interurban	Total
Revenue	$8,476,400	$8,326,710	$16,803,110
Expense	7,323,900	8,028,000	15,351,900
Operating Income	1,152,500	298,710	1,451,210
Income Taxes	476,070	70,150	546,220
Net Income	676,430	228,560	904,990
Rate Base	$6,355,300	$3,975,700	$10,331,000
Rate of Return	10.6%	5.7%	8.8%
Operating Ratio after Income Taxes	92.0%	97.3%	94.6%

* Assuming increased fares in effect for full twelve months.

The resulting order will authorize fares in accordance with Alternate "A" plan as modified. Authority will also be granted to increase certain joint fares of Metropolitan Coach Lines with Glendale City Lines, Inc., and Catalina Island Steamship Lines in accordance with the increases herein granted to Metropolitan Coach Lines.

The motion of the City of Long Beach that no fare increases be granted to Metropolitan Coach Lines until a comprehensive study of all local and interurban fares of applicant is completed, will be denied. However, the Commission is aware of the circumstances which led to this motion and will give the matter further thought and study.

O R D E R

Application 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.

IT IS HEREBY ORDERED:

1. That Metropolitan Coach Lines be, and it hereby is, authorized, on not less than five days' notice to the Commission and the public, to increase its existing passenger fares as set forth in its tariff, Cal. P.U.C. 3748, as follows:

Adult - One-way Fare	Where present fare is: Fare	Tax	Increase fare to: Fare	Tax
	$ .15		$ .15	
	.20		.22	
	.25		.29	
	.30		.35	
	.35		.41	4¢
	.40	4¢	.47	5
	.45	5	.53	5
	.50	5	.59	6
	.55	6	.65	7
	.60	6	.71	7
	.65	7	.77	8
	.70	7	.83	8
	.75	8	.89	9
	.80	9	.95	10
	.85	9	1.01	10
	.90	9	1.07	11
	.95	10	1.13	11
	1.00	10	1.19	12
	1.05	11	1.25	13
	1.10	11	1.31	13
	1.15	12	1.37	14
	1.20	12	1.43	14
	1.25	13	1.49	15
	1.30	13	1.55	16
	1.35	14	1.61	16
	1.40	14	1.68	17
	1.45	15	1.73	17
	1.50	15	1.79	18
	1.55	16	1.85	19
Token	7 for $1.00		Cash - 15 cents	
Commutation	30-ride book		10-ride book (a)	

(a) Applicable for all one-way fares except the 15-cent fare. Books to be sold at 90 per cent of 10 applicable one-way fares, adding sufficient to make total end in "0" or "5".

Child	(b)	(b)

(b) Half of adult cash fare applicable, adding sufficient to make total end in "0" or "5".

School	No increase requested.

2. That Metropolitan Coach Lines and Glendale City Lines, Inc., be, and they hereby are, authorized to increase their joint fares as follows:

BETWEEN BROADWAY AND BRAND BLVD., GLENDALE, and:	Present	Authorized
Sunview Drive	17¢	17¢
Montrose (Montrose and La Crescenta Ave., or Ocean View and Foothill Blvd.)	20	22
La Crescenta (Foothill Blvd. and Pennsylvania Ave.) or La Canada	25	29
Highway Highlands (Lowell Avenue)	30	35
Tujunga (Mountair Avenue)	35	41
Sunland	40	47

3. The Metropolitan Coach Lines and Catalina Island Steamship Line be, and they hereby are, authorized to increase their existing joint fares as follows:

BETWEEN LOS ANGELES AND AVALON SANTA CATALINA ISLAND	Present		Authorized	
	Adult	Child#	Adult	Child#
One-way Baggage Checking Fare	$3.66	$1.83	$3.82	$1.93
Round-trip Baggage Checking Fare	7.02	3.56	7.30	3.66

Children 5 to 11 years, inclusive.

4. 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.

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

6. That in all other respects Application No. 36869 be, and it hereby is, denied.

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

Dated at San Francisco, California, this 27th day of September, 1955.

Peter E. Mitchell
President

Justus F. Craemer

Rex Hardy

Commissioners