

Decision No. 52854

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
GLENDALE CITY LINES, INC., for an)
ex parte order for authority to)
increase rates of fare.)

Application No. 37634

George H. Hook and C. H. Hasbrouck, for applicant.
Henry McClernan and John H. Lauten, for the City of
Glendale, interested party.
T. M. Chubb, Alan Campbell and T. E. Hoffman, for the
City of Los Angeles, interested party.
Harold J. McCarthy and John Pearson, for the staff of
the Public Utilities Commission of the State of
California.

O P I N I O N

Glendale City Lines, Inc., a California corporation, is engaged in the operation of an urban passenger bus service between points in the cities of Glendale, Burbank and Los Angeles. By this application it seeks authority to establish increased fares.

Public hearing on the application was held before Commissioner Rex Hardy and Examiner C. S. Abernathy at Glendale on March 2, 1956, following notice to persons and organizations believed to be interested. At the hearing applicant submitted evidence through two of its principal officers. Two transportation engineers of the Commission's staff introduced evidence relating to the company's finances, operations and services. One of the company's patrons presented her views concerning the proposals involved and related matters. Representatives of the cities of Glendale and Los Angeles participated in the proceeding.

Applicant's fares are maintained on a zone basis. Its present fares and those which it seeks to establish are as follows:

	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Adult Fares</u>		
Within one zone15¢ cash or 12½¢ token fare (2 tokens, 25¢)	17¢ cash or 14-2/7¢ token (7 tokens, \$1.00)
Additional zones	5¢ per zone	6¢ per zone
<u>School Tickets</u>		
40-ride single zone	\$2.60	\$3.60
40-ride two zone	3.40	4.80
<u>Children</u> , less than 5 years of age, accompanied by adult	Free	Free
<u>Children</u> , 5 years and older but less than 12 years, between Glendale Zone 1 and Burbank Zone 2	10 cents (See Note)	Discontinue, adult fares to apply

Note: Adult fares currently apply for the transportation of children 5 years and older except between Glendale Zone 1 and Burbank Zone 2.

Applicant's fares were established at their present level in 1952. Applicant states that since then it has experienced a serious decline in patronage; that its operating expenses have increased sharply; that its operations are being conducted at a loss, and that as a consequence the increased fares which it seeks are urgently needed for the financial stability of its operations. Data to show operating results under present fares and anticipated results under the sought fares were submitted by the company through its vice president and general auditor. Similar data were presented by an engineer of the Commission's staff. These data are summarized in the table below:

ESTIMATED OPERATING RESULTS
Under Present and Under Proposed Fares
for Year Ending February 28, 1957

	<u>Company Auditor</u>		<u>Commission Engineer</u>	
	<u>Present</u> Fares	<u>Proposed</u> Fares	<u>Present</u> Fares	<u>Proposed</u> Fares
Operating Revenue				
Passenger	\$235,000	\$267,560	\$237,330	\$270,160
Special bus	2,650	2,650	2,650	2,650
Advertising	3,660	3,660	3,660	3,660
Miscellaneous			13,000	13,000
Total	<u>\$241,310</u>	<u>\$273,870</u>	<u>\$256,640</u>	<u>\$289,470</u>
Operating Expenses				
Operating and Maintenance	\$242,293	\$242,293	\$245,120	\$245,120
Depreciation	3,186	3,186	3,188	3,188
Operating Taxes	26,645	26,645	26,620	26,620
Total	<u>\$272,124</u>	<u>\$272,124</u>	<u>\$274,928</u>	<u>\$274,928</u>
Net Operating Revenues	(<u>\$ 30,814</u>)	\$ 1,746	(<u>\$ 18,288</u>)	\$ 14,542
Other Revenues (a)	\$ 12,800	\$ 12,800	-	-
Total Revenues	(<u>\$ 18,014</u>)	\$ 14,546	(<u>\$ 18,288</u>)	\$ 14,542
Income Taxes	-	\$ 4,740	-	\$ 4,770
Net Income	(<u>\$ 18,014</u>)	\$ 9,806	(<u>\$ 18,288</u>)	\$ 9,772
Rate Base	\$ 69,806	\$ 69,806	\$ 63,872	\$ 63,872
Rate of Return	-	13.9%	-	15.3%
Operating Ratio	107.5%	96.4% ^(b)	107.1%	96.6%

() Indicates Loss

(a) "Other revenues" as shown by the company auditor represent payments to applicant by Metropolitan Coach Lines in connection with service performed by Metropolitan Coach Lines in Glendale. These revenues were considered by the Commission engineer as "miscellaneous operating revenues."

(b) Based on total operating and other revenues.

In discussing and explaining the fare proposals and the operating results anticipated thereunder, applicant's vice president and general auditor asserted that the sought increases are the bare minimum necessary to sustain his company's operations. He pointed out that under the sought fares the expected margin of revenues

over expenses which will be available to provide financial stability for the company is less than four per cent of the gross revenues. He declared that this margin is very narrow in relation to the size of the company and the risks to which it is subjected.

A report covering a study of applicant's services was submitted by one of the engineering witnesses of the Commission's staff. He stated that his review of the services shows that under present schedules the company's buses are being operated with loads of less than full seating capacity even during peak periods. He said that economies consistent with the maintenance of adequate service are available to applicant through certain rescheduling of its operations. In this respect he concluded that applicant should give consideration to this matter as an alternative to further fare adjustments which it may deem necessary in the future. The engineer also stated that his review of the services had disclosed a lack of adequate supervision during the peak evening periods and that as a consequence buses are not meeting their schedules properly or are not being properly coordinated at transfer points so as to provide reasonable through service for persons traveling from one line to another. As a means of overcoming these difficulties, he recommended that the company employ a part-time supervisor during the peak evening hours.

Granting of the application was opposed by one of applicants' patrons on the grounds that the company's present half-hourly service is not sufficient to be attractive and that an improved service would obviate need for increased fares. In other respects the application was not opposed. The representative for the City of Glendale stated that the city had reviewed the

company's operations and would not object to the sought increases.

Except as noted hereinbelow, detailed discussion of the record in this matter is not necessary. The evidence is clear that applicant will incur substantial financial losses under its present fares and that an increase in fares should be authorized if the company's services for the public are to be maintained. The earnings which the proposed fares would produce, as disclosed by the estimates of applicant's vice president-auditor and of the Commission engineer alike, appear no more than sufficient to constitute a reasonable margin between revenues and expenses to preserve the operations. ^{1/} In the circumstances it is concluded, after considering the amount of net income, the operating ratio, the rate of return and other factors, that the anticipated operating results under the proposed fares are reasonable. It is also concluded, and the Commission so finds as a fact, that the sought fare increases, except in the fares set forth in applicant's tariff specifically for children between the ages of 5 and 12, have been shown to be justified. Applicant's proposal to discontinue its specific children's fares would result in disproportionate increases in its charges for the transportation involved. On this record an

^{1/} This conclusion is reached on the over-all aspects of the company's operations and takes into account \$12,800 in revenues which applicant's vice president and general auditor listed as "other income" but which were treated as operating revenues by the Commission engineer. The revenues in question have been reviewed heretofore by the Commission and have been considered as operating revenues. See Decision No. 47156 dated May 13, 1952, and decisions cited therein.

It also reflects an estimate of \$7,050 of the Commission engineer for "management, supervision and accounting" instead of a slightly higher amount claimed by applicant. The estimate of the engineer was based on a special analysis of the accounts involved. The engineer's estimate of \$63,872 as the value of applicant's rate base is also adopted as reasonable for the purposes of this proceeding.

increase of two cents in these fares has been justified and will be authorized. It appears that the amount of traffic which is involved in this respect is small and that this modification will not materially affect the revenue estimates shown hereinabove. ^{2/}

The conclusions and findings herein are based in part on the consideration that applicant will take immediate steps to improve its service — that more particularly it will increase its supervisory staff by the addition of a part-time supervisor as recommended by the Commission engineer to the end that it will bring about better coordination of its bus movements at transfer points between lines and will also improve the on-time performance of its buses to the extent possible in meeting the needs of its patrons. Applicant differed with the Commission engineer concerning need for additional supervision, asserting that its present staff is sufficient to maintain reasonable service standards. ^{3/} We are persuaded, nevertheless, that the employment of a part-time supervisor for the purposes stated is a reasonable and necessary requirement and in conformity with applicant's obligations to the public. It does not appear that employment of the additional

^{2/} The form in which applicant's fares for children are published in its tariff indicates that in certain instances higher fares apply for transportation for a shorter than for a longer distance over the same line or route in the same direction, the shorter distance being included within the longer distance. The fare increases herein found justified and authorized by the order which follows are not to be construed as relieving applicant in any manner whatsoever from observance of the so-called long-and-short haul prohibitions of Section 460 of the Public Utilities Code or of Article XII, Section 21, of the State Constitution.

^{3/} This difference in viewpoint is reflected in the respective expense estimates of applicant's vice president and auditor and of the Commission engineer. The engineer included in his estimate an allowance of \$1,000 for additional supervision expense whereas the vice president-auditor did not. Modification of the expense estimate of applicant's witness to include provision for the additional supervision would increase his estimated operating ratio by approximately one-half per cent.

supervisor would reduce applicant's earnings under the sought fares to an unreasonably low level. The exercise of the fare increase authority hereinafter granted will be made subject to and conditioned on applicant's adding to its supervisory staff as indicated.

Applicant asked that in view of its showing herein it be permitted to establish the increased fares on five days' notice to the Commission and to the public. Granting of this request is justified by applicant's need for additional revenues to avoid further losses. For this reason the order herein will also be made effective as of the date hereof.

O R D E R

Based on the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that:

- (1) Glendale City Lines, Inc., be and it hereby is, authorized to amend its Local Passenger Tariff No. 6, Cal. P.U.C. No. 6, on not less than five days' notice to the Commission and to the public, so as to establish increased fares as follows:

One-way cash fares, in cents:

Between Points in	Glendale Zone 1	Burbank Zone 2	Lockheed Zone 3
Glendale Zone 1	17		
Burbank Zone 2	23	17	
Lockheed Zone 3	29	23	17

Token Fares:

Metal tokens may be purchased at the rate of 7 tokens for \$1.00 and will be accepted in lieu of cash fares named above as follows:

Where cash fare is: 17 cents - 1 token will also apply;
 23 cents - 1 token plus 6 cents cash will also apply;
 29 cents - 1 token plus 12 cents cash will also apply.

School Tickets

40-ride single zone \$3.60
 40-ride two zone 4.80

Children, 5 years and older but less than 12 years,
 between any point in Glendale zone 1 and any point
 in Burbank zone 2 12 cents

- (2) In addition to the required filing of tariffs, Glendale City Lines, Inc., shall give notice to the public by posting in its passenger vehicles a statement of the fare changes. Such notice shall be posted on not less than five days before the effective date of the fare changes, and shall remain posted until not less than ten days after said effective date.
- (3) The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED:

that the authority herein granted be, and it hereby is, subject to the following conditions:

- 1. Within fifteen days after the date hereof applicant shall increase its supervisory staff by one part-time supervisor for the principal purposes of improving the on-time performance of its buses and of bringing about better coordination of the movements of its buses at transfer or junction points of its lines and of its lines with other lines, particularly at the intersection of Broadway and Brand Boulevard, Glendale. Said additional supervisor shall be maintained on duty Mondays through Fridays (holidays excepted) from approximately 4:15 p.m. to 6:15 p.m. until further order of the Commission.
- 2. On or before the date that the increased fares herein authorized are made effective, applicant shall file with the Commission an acceptance of, and its agreement to, the foregoing condition.

This order shall become effective on the date hereof.

Dated at San Francisco, California, this
3rd day of April, 1956.

John E. ...
President

Justin J. ...

Robert ...

...

Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.