ORIGINAL

Decision No. 53691

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application) of METROPOLITAN COACH LINES, a) corporation, PASAIENA CITY LINES,) a corporation, and GLENDALE CITY LINES,) Application No. 37753 a corporation, for authority to adjust) rates.)

Waldo K. Greiner and James H. Lyons, for applicants.

- Roger Arnebergh by <u>Alan G. Campbell</u>, and T. M. Chubb, by <u>Melvin E. Gainder</u>, for the City of Los Angeles, interested party.
- Walhfred Jacobson by Leslie E. Still and Henry E. Jordan, for the City of Long Beach, Interested Party.
- James G. Butler, for the City of Compton, interested party.
- Clarence A. Winder and Frank L. Kostlan, for the City of Pasadena, interested party.
- Henry McClernan by John H. Lauten, for the City of Glendale, interested party.
- David D. Canning. for Los Angolos Transit Lines, interested party.
- Theodore K. Resmey, in propria persona and for the Citizens Transit Committee, interested parties.

Harold J. McCarthy and John L. Pearson, for the staff of the Public Utilities Commission of the State of California.

INTERIM OPINION

Metropolitan Coach Lines is engaged in the common carriage of persons and express as a passenger stage corporation within the Los Angeles and adjacent areas to and including San Bernardino, Redlands and Santa Ana on the east, Canoga Park, Santa Monica and Redondo Beach on the west, San Fernando and Pasadena on the north, and Long Beach and Newport Beach on the south. By this application it seeks authority to increase its fares for its so-called interurban

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service, to increase its express rates, and to cancel its rates for the transportation of baggage. It also seeks increases in certain joint fares which it maintains with Glendale City Lines and Pasadena City Lines which provide common carrier passenger service by bus in and in the vicinity of Glendale and Pasadena, respectively, and which join in the application only to the extent that the joint fares are involved. As justification for its proposals Metropolitan Coach Lines (referred to hereinafter as "applicant") alleges that it has recently experienced substantial increases in its costs of operations, that the volume of its traffic is declining, and that the sought fare increases are necessary to restore its interurban services to a profitable basis.

On May 9, 10, and 11, 1956, subsequent to notice to persons and organizations believed to be interested, public hearings on the application were held before Commissioner Rex Hardy and Examiner C. S. Abernathy at Los Angeles. Evidence was submitted by applicant through its president, its chief research engineer, and its assistant chief engineer; by the City of Long Beach through the chief engineer of its Bureau of Franchises and Fublic Utilities; by the Long Beach Chamber of Commerce; by members of the Commission's staff, and by several of applicant's patrons. Representatives of the Cities of Los Angeles, Pasadena, Glendale, Compton, and Long Beach otherwise participated in the development of the record. Closing written statements were filed on or before May 23, 1956, by applicant and on behalf of the Cities of Los Angeles, Long Beach and Glendale. The matters involved are ready for decision.

-2-

Generally speaking, the "interurban" services are those which applicant performs in the area southerly and easterly of the City of Los Angeles. The remaining operations, which are largely within Los Angeles, are designated as "local". Fares for the "local" operations are not involved in this proceeding.

Applicant's interurban fares are maintained on a zone basis. At present a fare of 15 cents per ride applies within the initial zone with increments of 6 or 7 cents applying for each succeeding zone of travel. Commutation fares, which are 90 per cent of the corresponding cash fares, also apply for travel beyond the initial zone. Applicant seeks to increase the initial zone fare to 20 cents, to apply a uniform increment of 7 cents per zone for travel beyond the first zone, to limit the application of commutation fares to instances where the cash fares are more than 35 cents, and to increase the commutation fares to 95 per cent of the corresponding cash fares. Percentage-wise the increases which are sought in the cash fares range from 33-1/3 per cent in a single-zone fare to about 17 per cent in the fares through three or more zones. Over-all, the proposed increases average about 22 per cent.

The interurban fares were established at their present level on October 17, 1955, pursuant to authority granted by Decision No. 52002 (54 P.U.C. 425). Applicant's president testified that since these fares became effective his company has become committed to the payment of increased wages which will have the effect of absorbing virtually all of the net income anticipated under the fare adjustment authorized by Decision No. 52002. He said, furthermore, that along with the increase in wage costs his company has experienced a decline in traffic volume of about 8 per cent during the past year notwithstanding continued efforts to improve the service and to attract patronage otherwise. He said in effect that as a consequence of the

2 The proposed fares, which include certain exceptions to the indicated increases, are set forth in detail in the application, as amended.

As examples of steps taken to bring about improved service, applicant's president testified that in the interval since October, 1953, when his company assumed the operations which had theretofore been conducted by the Pacific Electric Railway Company, it has spent more than \$7,000,000 for new buses, terminals and related facilities, and that it has inaugurated an extensive program of employee training in order to attain higher standards of courtesy and safety.

increased costs and reduced volume of traffic his company's operations are being conducted at a loss and that it has no recourse but to seek higher fares.

Data to show estimates of operating results for the coming year under the higher level of expenses and reduced volume of traffic were submitted by applicant's chief research engineer. Separate figures were presented by this witness to show, among other things, the anticipated operating results of the interurban operations under present and proposed fares and corresponding results for the interurban and local services combined, (Exhibit 1). Summaries of these data are set fourth in Tables 1 and 2 below:

<u>Estimated Results of</u> <u>Year Ending</u>	<u>Interurban Opera</u> June 30, 1957	<u>itions</u>
Rovenuos Exponses	Under <u>Present Faros</u> \$ 7,594,250 <u>8,359,010</u>	Under <u>Proposed Fares</u> \$ 8,749,160 <u>8,388,540</u>
Net Operating Revenues	\$ (764,760)	\$ 360,620
Income Taxes Net Income Rate Base Rate of Return Operating Ratio	(764,775) (764,775) 4,509,620 - 110.1%	56,090 \$ 304,530 \$ 4,509,620 6.75% 96.5%

Table 1

) Indicates loss

Table 2

Estimated Results of Total Operations (Local and Interurban) Year Ending June 30, 1957

	Under Present <u>Interurban Fares</u>	Under Proposed Interurban Fares
Revenucs Expenses	\$15,481,340 <u>16,378,650</u>	\$16,636,250 <u>16,408,180</u>
Net Operating Revenues	\$ (<u>897,310</u>)	\$ 228,070
Income Taxes	\$ 25	25
Net Income	\$ (<u>897,335</u>)	\$ 228,045
Rate Base	\$10,859,500	\$10,859,500
Rate of Return	-	2.10%
Operating Ratio	105.8%	98.6%
() I:	ndicates loss	

-4-

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Estimates of applicant's future operating results which had been developed from a review of the company's records and from analyses of trends and other factors applicable to the services also were presented by an engineer of the Commission's staff, (Exhibit 8). These estimates are summarized in Tables 3 and 4 below:

Table 3

<u>orurban Opera</u> 30, 1957	tions		
30, 1957			
	Under		
	Proposed Fares		
7,971,900	\$ 9,048,500 <u>8,082,360</u>		
<u>8,135,860</u>	8,082,360		
(163,960)	\$ 966,140		
<u>180,600</u> **	428,800		
16,640	\$ 537,340		
3,963,560	\$ 3,963,560		
.42%	13.56%		
99.8%	94.1%		
** Credit figure			
	ler <u>7,971,900</u> <u>8,135,860</u> (<u>163,960</u>) <u>180,600</u> ** <u>16,640</u> 3,963,560 <u>.42%</u>		

Table 4

Estimated Results of Total Operations (Local and Interurban; also, Asbury Rapid Transit System) Year Ending June 30, 1957

Indicates loss

	Under Present Interurban Fares	Under Proposed Interurban Fares
Revenues Expenses	\$17,086,600 <u>16,579,390</u>	\$18,163,200 <u>16,525,890</u>
Net Operating Revenues	\$ 507,210	\$ 1,637,310
Income Taxes	41,800	651,200
Net Income	\$ 465,410	\$ 986,110
Rate Base	\$10,154,890	\$10,154,890
Rate of Return	4.58%	9.7%
Operating Ratio	97.3%	94.6%

The data in Table 4, it may be noted, includes estimates for Asbury Rapid Transit System as well as for applicant's interurban and local services. Asbury Rapid Transit System is a passenger stage

-5-

corporation operating principally within the San Fernando Valley, and between the San Fernando Valley and the Los Angeles central business district. In explaining his estimates in Table 4, the Commission engineer testified that the Asbury company is a wholly-owned subsidiary of applicant, and that in virtually all respects the Asbury services and those of applicant are provided by means of facilities and personnel common to both. For this reason he was of the opinion that the Asbury company is in fact a part of applicant's system and that the earnings of Asbury should be considered in the determination of applicant's earning position and revenue needs.

Granting of the application in its present form was opposed by the City of Long Beach on the ground that applicant's fare structure contains numerous inequities which should be corrected. In this connection the City of Long Beach submitted evidence through the chief engineer of its Bureau of Franchises tending to show that under present fares wide variations between the underlying rates of charge over the different routes prevail, and that as a consequence unjustified and discriminatory differences exist between fares for essentially the same amounts of service or in the amounts of service furnished for virtually the same fares. With reference to the fares which applicant assesses within Long Beach the witness testified that they are on a higher level than those of the bus company which operates within the Long Beach area. This difference, he asserted, is a source of confusion to patrons of both services and he recommended that the respective fares be made uniform. The transportation manager

For Asbury alone, the engineer's estimate the year through June, 1957, is as follow	ate of operating results for ws:
Revenues Expenses Net Operating Revenues	\$1,027,200
Income Taxes Net Income Rate Base	15,700 28,560 \$ 465,520
Rate of Return Operating Ratio	6.14% 97.2%

-6-

of the Chamber of Commerce of Long Beach urged that Transfer privileges between applicant's lines in Long Beach and the local Long Beach bus company be prescribed. The deputy attorney for the City of Long Beach presented a motion that action on the application herein be deferred until correction of the fare inequities could be made along with the establishment of increased fares. This motion was supported by the City of Compton.

Granting of the application was opposed by several of applicant's patrons. One, who testified that he commutes between Ontario and Los Angeles, presented a written petition on behalf of 131 signatories requesting denial of the application on the ground that further fare increases should not be authorized until applicant has materially improved the quality of its service. According to the petition, applicant's lines, particularly those to the more distant areas from downtown Los Angeles follow devicus routes in order to provide intermediate service with the result that undue amounts of time are consumed in going to and from the distant points; the petition further asserts that the buses used in the long-line services are poorly designed for the comfort of passengers, and lack adequate and necessary parcel and baggage-carrying facilities. A written petition of similar purport, bearing 43 signatures, was presented by another of applicant's patrons who stated that she commutes between Santa Ana and Los Angeles.

Discussion, Findings and Conclusion

-7-

by applicant's witness, (the difference between the loss of \$764,775 shown in Table 1 and the net income of \$16,640 shown in Table 3), and estimates the net income from the total operations of applicant to be over \$1,300,000 more than those estimated by applicant's witness, (the difference between the loss of \$897,335 shown in Table 2 and the net income of \$465,410 shown in Table 4). These differences are very significant. However, some of the factors accounting for a substantial portion of the differences between the two estimates were resolved in our last rate application, Decision No. 52002, supra. The evidence in this record does not justify changing our conclusions relating to those items.

Even under the more favorable estimate of the staff, it is evident that the present interurban fares are at unreasonably low VS/C levels (Table 3 shows a net operating loss of 316 1980 before the credit item for income taxes). Also the total system operations on the staff basis shows a rate of return of 4.58 per cent and an operating ratio of 97.3 per cent, both of which indicate a net income lower than that ordinarily considered reasonable. The system figures of the staff include the operations of Asbury Rapid Transit System as previously mentioned. On the evidence which was presented herein concerning the ownership and management of Asbury Rapid Transit System by applicant, the common usage of funds, personnel and facilities in applicant's operations and in those of Asbury, it appears that the operations of Asbury should also be considered as part of the system operations of applicant from a rate making standpoint. Clearly the circumstances justify some increase in the

The principal items involved are:

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(1)

Allowance in expenses for contingent items. Remaining life basis for development of depreciation (2)

expense. Original cost of the property acquired from Pacific Electric

(3) for depreciation expense and rate base purposes.

(4) Allowance for working cash in the rate base.

interurban fares. The following fare structure, which we find to be justified, and which will enable applicant to maintain its services, will be authorized on an interim basis pending further studies as provided hereinafter.

Basic Adult Cash Fare	17¢
Each additional zone traveled	7¢
Adult Commute Fares (10-Ride Book good for 30 days)	90% of 10 Applicable One-Way Cash Fares

We estimate that this fare structure will produce additional revenue of \$591,000 on an annual basis, which is approximately \$564,000 less than applicant requested. On the basis of the more favorable staff estimates this would produce an operating ratio of 96.6 per cent and a rate of return of 7.3 per cent for the interurban operations, and corresponding figures for the system of 95.9 per cent $\frac{6}{1000}$ and 7.2 per cent.

Applicant's proposal that commutation tickets should be limited to a 5 per cent reduction under cash fares does not appear to be justified, and the present reduction of 10 per cent will be continued. This requirement will not eliminate applicant's alleged present complications with commute tickets for short-haul traffic, but we are of the opinion that this form of reduced fares is in the public interest and should be continued. Sales of commutation ticket books shall be continued in accordance with present practice.

-9-

The Commission has taken official notice of the enactment of the Federal Highway Bill which increases the taxes on fuel, tires and buses. Like notice has also been taken of the enactment of the so-called Keene Bill, which eliminates the federal transportation tax on farce of 60 cents or less.

7

Other of applicant's proposals which should be touched upon are those which relate to applicant's rates for express and baggage. At present applicant assesses a minimum charge of 50 cents per shipment for the transportation of express. This minimum charge has been in effect since 1948. Applicant proposes to increase such minimum to 75 cents. In consideration of the increases in operating costs of applicant and of its predecessor company, which have been made known to the Commission in this and in earlier proceedings since 1948, the sought increase in the minimum charge should be authorized. The baggage rates involved are those which apply between Los Angeles, Pasadona, Long Beach, Wilmington and San Pedro, and cancellation is requested on the ground that they have not been used for several years and that they are therefore "dead" rates. The cancellation should be authorized.

In so far as Glendale City Lines, Inc. and Pasadena City Lines, Inc., the other applicants in this proceeding, are concerned, it appears that estimates of the increased joint fares which are proposed will not result in any increase in revenues for Glendale City Lines, Inc., and will result in increased carnings for Pasadena City Lines, Inc. of only an insignificant amount. For the purposes of this 4 proceeding the revenue effects of the proposed fares upon the carnings of these other carriers can be disregarded.

The above conclusions are reached notwithstanding the representations and motion advanced on behalf of the Citics of Long Beach and Compton that any increase in fares should be deferred until applicant's fare structure as a whole, including that epplicable to local services, can be revised so as to remove unduly discriminatory features thereof. It appears from the evidence that

This phase of applicant's fare structure has been the subject of numerous informal complaints from applicant's patrons.

corrective adjustments should be made to applicant's fare structure. However, the task that is involved in this respect is one of considerable magnitude. The Commission is well aware that in recent years much of the territory which applicant serves has assumed the character of a homogeneous metropolitan area.

The development of a more uniform fare structure, including reasonable transfer privileges with connecting carriers, which will give consideration to the changed conditions and serve the best interests of the public and of applicant, requires comprehensive studies of the entire fare structure of applicant's system including Asbury Rapid Transit System, and the fare structures of other carriers to the extent they are or should be involved in joint fare or transfer arrangements. Such studies are also necessary to distinguish between and more equitably define so-called "local" and "interurban" operations. Applicant will be directed to study these matters from its own standpoint and be prepared to submit a report and recommendations to this Commission prior to a further hearing in this proceeding to be scheduled in March, 1957. In addition, applicant and other carriers in the area will be directed to form a committee, to act in liaison with the Commission's staff, for the purpose of studying and recommending the matters of joint fares and transfer arrangements on an equitable and nondiscriminatory basis for the Los Angeles Metropolitan area. This committee will be instructed to submit its findings and recommendations at the further hearing referred to above. In the meantime, however, it appears that the greater public interest will be served by a current authorization of such increases in the interurban fares as provided by this order. The motion on behalf of the Cities of Long Beach and Compton for deferral of the increases pending internal adjustments in applicant's fare structure will therefore be denied.

-11-

8

The service matters about which applicant's patrons complained require some discussion. Applicant will be expected to review its services, particularly its long-line operations, such as between Los Angeles and Ontario, to effect all feasible service improvements, and to report to the Commission within ninety days after the effective date of this order concerning its findings and the actions taken Authorization of the fare increases hereinafter found reathereon. sonable and justified contemplates that the service will be maintained at or above present standards. If declining traffic trends necessitate any future reductions in service applicant will be expected to limit such service reductions to those instances where specific studies demonstrate that the reductions can be effected clearly within the framework of established standards. Furthermore, in the filing of time schedules covering any reductions in service applicant will be expected to support such filings with a summary of the studies upon which contemplated service reductions are based, and to defer placing the reductions into effect until the schedules applicable thereto have been approved by the Commission. The order herein will be so conditioned.

Upon careful consideration of all the facts and circumstances of record in this proceeding, the Commission is of the opinion and finds as a fact that the increased fares and other charges in applicant's rates and charges as set forth in Appendix "A" to this decision have been justified. To this extent the application will be granted. In other respects it will be denied. 1-----

-12-

Applicant was granted authority to reroute portions of its line between Los Angeles and Santa Ana in order to expedite its service between those points by Decision No. 53366 dated July 10, 1956.

In connection with the estimates of increased fares and other fare changes herein found justified, applicant asked that it be permitted to make the increases effective on five days' notice to the Commission and to the public. It also asks that it be permitted to depart from the provisions of the Commission's Tariff Circular No. 2 and General Order No. 79 which specify that increased fares and charges be identified in tariff schedules by an appropriate symbol. In view of the company's demonstrated need for increased fares and charges the sought authority to make the increases effective on five days' notice will be granted. The requested departure from the symbolizing requirements will, however, be denied inasmuch as the symbolizing is a statutory requirement under Section 491 of the Public Utilities Code.

INTERIM ORDER

Based on the evidence and on the conclusions and findings contained in the preceding opinion,

IT IS HEREBY ORDERED that:

- 1. Metropolitan Coach Lines be and it hereby is, authorized to establish, on not less than five days' notice to the Commission and to the public, the increased fares and charges, and to effect other changes in its rates and charges as set forth in Section 1 of Appendix "A" attached hereto and by this reference made a part hereof.
- 2. Metropolitan Coach Lines and Glendale City Lines, Inc., be and they hereby are authorized to amend their Joint Passenger Tariff No. 13, Cal. P.U.C. No. 16, issued by J. L. Haugh, President, Metropolitan Coach Lines, on not less than five days' notice to the Commission and to the public, to establish the increased fares as set forth in Section II of Appendix "A" attached hereto.
- 3. Metropolitan Coach Lines and Pasadena City Lines, Inc., be and they are hereby authorized to amend their Joint Passenger Tariff No. 4, Cal. P.U.C. No. 6, issued by J. L. Haugh, President, Metropolitan Coach Lines, on not less than five days' notice to the Commission and to the public, to establish the increased fares set forth in Section III of Appendix "A" attached hereto.

A-37753 AM *

IT IS HEREBY FURTHER ORDERED that the authority herein granted be, and it hereby is subject to the following conditions:

- 1. In addition to the required filing of tariffs, Metropolitan Coach Lines, Glendale City Lines, Inc., and Pasadena City Lines, Inc., shall give notice to the public by posting in their vehicles and terminals a printed explanation of the fare changes herein authorized to the extent that said fare changes apply to their respective operations. Such notices shall be posted not later 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.
- 2. Within ninety days after the effective date of this order Metropolitan Coach Lines shall effect the service improvements which are referred to in the preceding opinion and shall report thereon to the Commission.
- 3. Metropolitan Coach Lines shall not make any reductions in its scheduled service other than those made in conformity with the procedure outlined in the preceding opinion.
- 4. Prior to the establishment of the authorized increased fares and other rate and tariff changes, Metropolitan Coach Lines shall file with the Commission its written acceptance of the conditions herein set forth.
- 5. Metropolitan Coach Linus shall promptly commence and diligently conclude a study of and report on the fare structures of its entire system for the purpose of eliminating discriminations and inequities now existing. This report shall be filed with the Commission prior to March 1, 1957.

The authority herein granted shell expire unloss exercised within ninety days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED that the motion of the City of Long Beach, and joined in by the City of Compton, that no fare increases be granted to Metropolitan Coach Lines until the completion of studies of the interurban and local operations for the purpose of bringing about cortain corrective adjustments of the company's fare structure be and it hereby is denied.

4-37753 AM *

date hereof.

Dated at_____ Los Angeles _, California, this 9 th MALLAT _____day of__ , 1956. 1110 neo ommissioners

This order shall become effective ten days after the

APPENDIX "A" to DECISION NO. 53691

AUTHORIZED FARES, CHARGES AND OTHER TARIFF CHANGES

Section I - Metropolitan Coach Line

A. Metropolitan Coach Lines Local Passenger <u>Tariff No. 12, Cal. P.U.C. No. 15</u>

1 (a) Adult cash fares

Where	present	Authorized	:	Where present	Authorized
fa;	re is	fare		<u>fare is</u>	fare
\$	529517395173951 2234455567788990	\$.17 .23 .33 .45296 .3007 .008 .0085 .0085		\$ 1.07 1.13 1.19 1.25 1.37 1.37 1.37 1.37 1.37 1.67 1.67 1.67 1.79 1.85	\$ 1.29630741852963 1.1.55741852963

Exceptions

- (a) 22¢ fare applying between San Fernando Road and Verdugo Road (Headline Index No. A-2) and Glendale Junior College (Lower Junction of Verdugo and Canada)(Sideline Index No. A-5) to be increased to 23¢ instead of 24¢.
- (b) 22¢ fare applying between Glendale Ave. and San Fernando Road (Headline Index No. A-3) and Sunview Dr. (Sideline Index A-7) to be increased to 23¢ instead of 24¢.

(Continued to Page 2)

Appendix "A" (continued) to Decision No. 53691

1 (b) Adult commutation fares

l (c) <u>Children's fares</u>

Child, five years of age or older and less than twelve years of ageOne half of adult fare, adding sufficient to make fare end in "O" or "5".

B. Metropolitan Coach Lines Local Passenger <u>Tariff No. 1, Cal. P.U.C. No. 3</u>

Cancel this tariff in its entirety.

C. Metropolitan Coach Lines, Local Express Tariff Cal. P.U.C. No. 1 <u>(Pacific Electric Railway Company series)</u>

Amend Rule 45 to establish a minimum charge of 75ϕ in lieu of present minimum charge of 50ϕ .

Section: II - Metropolitan Coach Lines and Glendale City Lines, Inc.

Metropolitan Coach Lines Joint Passenger <u>Tariff No. 13. Cal. P.U.C. No. 16</u>

Between Broadway and Brand Blvd., Glendale, and	Where present <u>fare is</u>	Authorized
Sunview Drive Montrose (Montrose and La Crescenta	\$.17	\$.17
Avenues, or Ocean View and Foothill Blvd.) La Crescenta (Foothill Blvd. and	.22	• 2 ¹ +
Pennsylvania Ave. or La Canada Highway Highlands (Lowell Ave.) Tujunga (Mountair Avenue) Sunland	.29 .35 .41 .47	.31 .38 .45 .52

Adult commutation fares and children's fares as set forth in Section I above to apply also in conjunction with the joint fares named in this section.

-2-

(Continued to Page 3)

Appendix "A" (continued) to Decision No._____

Section III - Metropolitan Coach Lines and Pasadena City Lines, Inc.

l (a) Metropolitan Coach Lines Joint Passenger Tariff No. 4, <u>Cal. P.U.C. No. 6</u>

Present joint	Authorized
adult fare	joint adult fare
15¢	17¢

- 1 (b) Adult commutation fare as set forth in Section I above to apply in conjunction with the joint fares named in this section,
- l (c) Child, five years of age or older and less than twelve years of age 10¢

(End of Appendix A)