

Decision No. 54189**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ANGELS' FLIGHT RAILWAY COMPANY, a)
 California corporation, to increase)
 passenger fares pursuant to)
 Sections 454 and 491 of the Public)
 Utilities Code of the State of)
 California.)

Application No. 38299

O P I N I O N

Angels' Flight Railway Company conducts a common carrier passenger transportation service within the City of Los Angeles as a street railway, consisting of an electric powered cable car funicular lift about 335 feet in length with 70 feet of passing siding, located on Third Street between Hill and Olive Streets.

Applicant's present fare structure consists of a round-trip rate of 5 cents good in either direction (2½ cents per ride), with a 30-ride commutation ticket book for 50 cents or 1-2/3 cents per ride, also good in either direction. There is no transfer arrangement with connecting carriers.

In this proceeding, applicant proposes to establish a one-way (up or down) cash fare of 5 cents, a round trip for 6 cents, and a 15 round-trip (30-ride) commutation book for 65 cents. The round trip and commutation round trips are to be limited as to direction by using one color marked for an up trip and another color marked for a down trip, thereby eliminating the present practice of persons riding up and walking down. The "up" and "down" tickets, at 5 cents per round trip, were used from the inception of the operation in 1901 until about 1906, when the restriction as to direction of travel was removed. Between the years 1912 to about 1916 tickets sold at the rate of 3 for 10 cents, good in either direction. Following that

period the rate was reduced to 5 cents per round trip. The fare structure was subsequently supplemented by the addition of various reduced fare commutation books. There was an adjustment in the commutation book rate in September 1953 (Decision No. 49091 in Application No. 34394). The 50-ride book for 50 cents, or 1 cent per ride, was eliminated, and the present 30-ride book for 50 cents was established.

In addition to the exhibits attached to the application, the Commission's staff has made a detailed study of and report on applicant's operations. This report is hereby made a part of this record and identified as Exhibit No. 1.

The operation consists of two counterbalanced cable cars which haul downtown workers, sight-seers, and others up and down 335 feet of hill, known as Bunker Hill, over part of the Third Street tunnel. There is a hotel-apartment house district at the top of the hill which at the present time is included in the Los Angeles Community Redevelopment and Rehabilitation Program, but to date no definite plan has materialized. When the down car is empty or lightly filled, and the up car is loaded, a 50-horsepower electric motor provides the necessary power to the 7/8-inch counterbalanced cable. Each of the step-interior cars has a seating capacity of 32 persons. There is a ticket taker at the top of the incline for both up and down rides. There are four cable car operators working in shifts from 6:00 a.m. to 12:30 a.m. every day in the year.

The following table shows the present and proposed fares with estimated passengers and revenue for the rate year ending June 30, 1957, as developed by the staff, together with an alternate fare structure, proposed by the staff, which provides for a 5-cent cash fare, tickets at the rate of 3 for 10 cents (\$.0333 each), and the present 30-ride commutation book for 50 cents (\$.0167 per ride); all tickets to be good in either direction.

TABLE NO. 1

Estimated Passengers and Revenues

<u>Type of Fare</u>	<u>Estimated Passengers</u>	<u>Fare</u>	<u>Revenue</u>
<u>Present Fares</u>			
Round-Trip 2/.05	795,390	\$.0250	\$19,880
Commute Tkt. Bk. 30/.50	868,610	.0167	14,500
	<u>1,664,000</u>	<u>\$.0207</u>	<u>\$34,380</u>
<u>Proposed Fares</u>			
Cash, One-Way	33,800	\$.05	\$ 1,690
Round-Trip 2/.06	604,490	.03	18,130
Commute Tkt. Bk. 30/.65	901,060	.0217	19,550
	<u>1,539,350</u>	<u>\$.0256</u>	<u>\$39,370</u>
<u>Alternate Fares</u>			
Cash, One-Way	33,800	\$.05	\$ 1,690
Tkts. 3/.10	501,090	.0333	16,690
Commute Tkt. Bk. 30/.50	1,067,460	.0167	17,830
	<u>1,602,350</u>	<u>\$.0226</u>	<u>\$36,210</u>

In addition to the revenue estimate, the staff has made an analysis of operating expenses and a summary showing estimated results of operation under present, proposed, and alternate fares. Applicant filed similar estimates under present and proposed fares with its application. A comparison of the estimates is shown in Table No. 2.

TABLE NO. 2

Estimated Operating Results Under
Present and Proposed Fares

Item	Applicant's Book Record 12 Mos. End. 7/31/56	Present Fares		Proposed Fares		Alternate Fares by PUC Staff
		Appli- cant	PUC Staff	Appli- cant	PUC Staff	
<u>Revenue</u>						
Passenger	\$36,589	\$35,000	\$34,380	\$40,210	\$39,370	\$36,210
Other	480	440	440	440	440	440
	<u>\$37,069</u>	<u>\$35,440</u>	<u>\$34,820</u>	<u>\$40,650</u>	<u>\$39,810</u>	<u>\$36,650</u>
<u>Expense</u>						
<u>Way & Structures</u>						
Maintenance of Way	\$ 446	\$ 233	\$ 720	\$ 233	\$ 720	\$ 720
Buildings, Fix- tures & Grounds	355	85	350	85	350	350
Depreciation	2,870	2,870	2,870	2,870	2,870	2,870
	<u>\$ 3,671</u>	<u>\$ 3,188</u>	<u>\$ 3,940</u>	<u>\$ 3,188</u>	<u>\$ 3,940</u>	<u>\$ 3,940</u>
<u>Equipment</u>						
Maintenance of Cars & Elec. Equip.	\$ 273	\$ 322	\$ 370	\$ 322	\$ 370	\$ 370
<u>Power</u>						
<u>Maintenance of</u>						
Power Equipment	\$ 7	\$ 275	\$ 390	\$ 275	\$ 390	\$ 390
Depreciation	148	148	150	148	150	150
Power Purchased	438	437	480	437	480	480
	<u>\$ 593</u>	<u>\$ 860</u>	<u>\$ 1,020</u>	<u>\$ 860</u>	<u>\$ 1,020</u>	<u>\$ 1,020</u>
<u>Conducting Trans- portation</u>						
Operators' Salaries	\$12,432	\$13,765	\$13,630	\$13,765	\$13,630	\$13,630
<u>Traffic</u>						
Advertising	\$ 80	\$ 60	\$ 90	\$ 60	\$ 90	\$ 90
<u>General</u>						
<u>Officers' & Office</u>						
Employee Salaries	\$ 9,700	\$ 8,700	\$ 6,600	\$ 8,700	\$ 6,600	\$ 6,600
Insurance	2,944	2,701	2,760	3,052	2,760	2,760
Operating Rents	600	600	600	600	600	600
Other	2,704	3,075	3,150	3,075	3,150	3,150
	<u>\$15,948</u>	<u>\$15,076</u>	<u>\$13,110</u>	<u>\$15,427</u>	<u>\$13,110</u>	<u>\$13,110</u>
Total Railway Oper- ating Expense	\$32,997	\$33,271	\$32,160	\$33,622	\$32,160	\$32,160
Operating Taxes & Licenses	2,539	2,688	2,440	2,801	2,540	2,480
Total Expense	<u>\$35,536</u>	<u>\$35,959</u>	<u>\$34,600</u>	<u>\$36,423</u>	<u>\$34,700</u>	<u>\$34,640</u>
Net Before Income Taxes	\$ 1,533	\$ (519)	\$ 220	\$ 4,227	\$ 5,110	\$ 2,010
Income Taxes	503	25	70	1,437	1,680	660
Net Income	<u>\$ 1,030</u>	<u>\$ (544)</u>	<u>\$ 150</u>	<u>\$ 2,790</u>	<u>\$ 3,430</u>	<u>\$ 1,350</u>
Operating Ratio %	97.2	101.5	99.6	93.1	91.4	96.3
Rate Base	\$17,030	\$4,860	\$15,480	\$4,860	\$15,480	\$15,480
Rate of Return %	6.0	-	1.0	8.0	22.2	8.7

(Red Figure)

Applicant based its estimate of revenue under present fares on the level of traffic for the year ending June 30, 1956, adjusted for about 5 percent downtrend in revenue. Under proposed fares applicant increased round-trip revenue by 20 percent and commutation revenue by 30 percent and deducted $7\frac{1}{2}$ percent from both to allow for deflection due to increased fares. The staff developed its revenue estimate under present fares, after analyzing the trend of passengers carried by weeks since the last fare increase in September, 1953, supplemented by company records to obtain classification of passengers by type of fare. The trend of passengers carried appears to be continuing downward at a uniform rate since the last fare increase. Under proposed fares the staff estimate reflects a continuation of the downtrend in travel plus the estimated loss in passengers carried due to increased fares of one-fourth of the percent increase. Revenue estimates of applicant and staff are reasonably in accord.

Applicant based its expense estimates on book records of expenses for the first six months of 1956, adjusted to include an increase in operators' salaries effective September 1, 1956. Applicant's rate base is a balance sheet figure as of December 31, 1955, which includes cash and notes receivable in the amount of \$15,743.09.

The staff estimate of operating expenses also includes the recent increase in operators' wages, and all other expense items of a fixed character are based on current costs. Since certain of the expenses on this property are incurred periodically or infrequently and may not be reflected within a short period of time (six months), the staff reviewed operating expenses for the past three years and based its estimates of several accounts, such as maintenance of way, on the average of the 3 years adjusted for known increases in costs. Administrative expense was reduced after a careful study of the duties performed by the officials of the company, and it is believed

that the staff estimate is reasonable in view of the amount of time devoted to the operations. The president of the company is an electrical engineer who personally supervises all repair work, which is performed between midnight and morning, usually on week ends, in addition to his executive duties. The president's salary is estimated as \$400 per month. The vice president acts as assistant to the president, and does some mechanical and carpentry labor on a part time basis. The remuneration for such work is estimated at \$50 per month. The secretary-treasurer is the bookkeeper whose salary is estimated at \$100 per month. All of the above officials are members of the Moreland family and owners of Angels' Flight Railway Company. The president of Angels' Flight Railway Company has an outside full time job in addition to the time he devotes to the management and operation of the railway. The total estimate for administrative salaries is \$550 per month. The staff estimate of rate base represents the average of the depreciable property for the year ending June 30, 1957.

The public has been informed of applicant's proposal to increase passenger fares. Local authorities were notified by copies of the application. Public notice was given by announcements posted in the cars at the terminal of applicant. A protest has been received. An objection was voiced against any increase in fares and limiting tickets to direction of travel. On the basis of the suggested staff alternate fares, the latter objection would be eliminated.

Under present fares, it is estimated by both applicant and staff that the operation will approximately break even with operating ratios of 101.5 percent and 99.6 percent, respectively. Under proposed fares applicant's estimate of annual net income is \$2,790 with operating ratio of 93.1 percent and a rate of return of 8.0 percent.

The corresponding staff estimate is \$3,430 net income, with operating ratio of 91.4 percent and rate of return of 22.2 percent. Under the alternate fare structure, proposed by the staff, the annual net income is estimated as \$1,350 with an operating ratio of 96.3 percent and rate of return of 8.7 percent.

The Commission is of the opinion and finds that the increases in the staff estimates under alternate fares are reasonable and justified. A fare increase will be authorized as hereinafter set forth. A public hearing is not necessary.

O R D E R

Application having been made, the Commission being fully advised in the premises and having found that the increases herein authorized are justified,

IT IS HEREBY ORDERED:

(1) That Angels' Flight Railway Company be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, a one-way fare of five cents and a 3-ride ticket for ten cents, in lieu of the present 2-ride ticket for five cents.

(2) That, in addition to the required filing of tariffs, applicant shall give notice to the public by posting in its cars and terminals a statement of the changes herein authorized. The notices shall be posted at least five days prior to the effective date of the changes, and shall remain posted for not less than ten days thereafter.

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

(4) That, except as herein authorized, Application No. 38299 be and it is hereby denied.

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

Dated at Los Angeles, California, this 4th day of December, 1956.

John E. Patchell
President
Paula J. ...
...
R. ...
E. ...
Commissioners