

Decision No. 54748

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 HIGHLAND TRANSIT, INC., a corporation,)
 to increase rates and fares for the)
 transportation of passengers in the)
 City of San Pedro, California.)

Application No. 38552

O P I N I O N

Highland Transit, Inc., who by this application seeks to increase its fares, provides bus transportation in the Los Angeles harbor community of San Pedro, which is a part of the City of Los Angeles. Applicant is one of the three local bus companies operating in San Pedro. Other operators are San Pedro Transit Lines, also under the jurisdiction of this Commission, and the San Pedro Motor Bus Company, a cooperative organization of three individuals operating the Point Fermin line, Gaffey Street line, and Barton Hill line under jurisdiction of the Board of Public Utilities and Transportation of the City of Los Angeles. Applicant operates four 27-passenger capacity Ford Transit buses.

Passenger fares are uniform among the three bus companies in San Pedro. There are free transfers between the various lines. Applicant's present fare structure is based on a single zone system. The adult cash fare is 12 cents. School commutation is a punch card available at the rate of 30 for \$1.50 or 5 cents for each ride. There is one cent collected for each school transfer issued.

In this proceeding applicant proposes to increase the adult cash fare from 12 cents to 15 cents. The price of the school punch card is to be increased from 30 for \$1.50 (5 cents each) to 30 for \$3.00 or 10 cents per ride, and the one cent charge for a school transfer is to be eliminated.

The engineering staff of the Commission made an analysis of applicant's operating revenues and expenses and prepared a summary showing estimated results of operation under present and proposed fares for the year ending December 31, 1957. Applicant filed similar estimates with its application. A comparison of the estimates follows:

Item	Applicant's Book Record 12 Mos. End. 12-31-56	Present Fares		Proposed Fares	
		Applicant	Staff	Applicant	Staff
Bus Miles Operated	106,978	105,060	105,060	105,060	105,060
<u>Revenue</u>					
Passenger	\$36,221	\$36,337	\$36,160	\$44,137	\$43,080
Other	1,124	1,111	1,120	1,111	1,120
	<u>\$37,345</u>	<u>\$37,448</u>	<u>\$37,280</u>	<u>\$45,248</u>	<u>\$44,200</u>
<u>Expense</u>					
Maintenance	\$10,725	\$ 9,805	\$ 7,980	\$ 9,805	\$ 7,980
Transportation	22,041	23,873	24,990	23,873	24,990
Insurance	1,550	1,449	1,200	1,449	1,200
Administration	726	905	2,620	905	2,620
Depreciation	1,204	682	470	682	470
Operating Taxes	3,818	4,496	4,250	4,496	4,430
	<u>\$40,064</u>	<u>\$41,210</u>	<u>\$41,510</u>	<u>\$41,210</u>	<u>\$41,690</u>
Net Before Income Taxes	<u>\$(2,719)</u>	<u>\$(3,762)</u>	<u>\$(4,230)</u>	\$ 4,038	\$ 2,510
Income Taxes	25	25	25	1,371	670
Net After Taxes	<u>\$(2,744)</u>	<u>\$(3,787)</u>	<u>\$(4,255)</u>	\$ 2,667	\$ 1,840
Operating Ratio %	107.3	110.1*	111.4	94.1*	95.8

* Calculated by Staff

(Red Figure)

Applicant based its estimate of revenue under present fares on the 12-month period ending September 30, 1956. Under proposed fares applicant assumed a 5 percent loss in traffic due to the increase in fares. The staff developed its revenue estimate from analysis of the trend of passengers carried for the past two years. The trend of traffic was downward until the latter part of 1955 when it appears to have leveled off. Distribution of fares was obtained from company records. The staff estimated traffic at the level of the 12 months ending December 31, 1956, adjusted to reflect loss in

passengers due to increased fares of one fourth of the percent increase under proposed fares.

Applicant based the expense estimates on book records of expenses for the year ending September 30, 1956, with adjustment made to provide for an increase in operators' wages from \$1.43 per hour to \$1.65 per hour effective January 1, 1957. No increase was made in municipal gross revenue taxes coincident with increased revenue.

The staff estimate of operating expenses includes the increase in labor wage rates and the increase in city taxes under proposed fares. All other expense items of a fixed character are based on current costs. Remuneration for owners's executive services was transferred from the maintenance account to administration. The staff estimated bus repairs at 5 cents per mile. Although there is some variation among the individual expense accounts, the total expenses of applicant and staff are in accord.

The public has been adequately 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 buses and terminals of applicant. No protests have been received.

Under present fares an operating deficit is indicated by both applicant and the staff. Under proposed fares applicant's estimate of annual net income is \$2,667 with an operating ratio of 94.1 percent. The corresponding staff estimate will produce annual net income of \$1,840 with an operating ratio of 95.8 percent.

Applicant's proposal contemplates an increase of 100 percent in school fares. We feel that this is more than is justified and the order will provide for an increase in school fares of approximately the same amount as for the adult fares.

The Commission having considered the application is of the opinion and finds that the fares as hereinafter set forth are justified and reasonable. A public hearing is not deemed necessary.

O R D E R

Application having been made, the Commission being fully advised in the premises and having found that the following fares are justified and reasonable,

IT IS ORDERED:

(1) That Highland 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 the following fares:

<u>Adult Fare</u>	<u>Children's Fare</u>	<u>School Fare</u>
One zone only - 15¢	Under 5 yrs. of age - free Over 5 yrs. but under 12 yrs. - 10¢	30-ride Punch Card \$2.50
Transfer - free	12 yrs. of age or over Full adult fare	Transfer - free
	Transfer - free	

(2) That applicant shall post in its buses and at terminals continuously for at least ten days prior to the effective date of this order, a suitable explanatory notice of said fare increases.

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

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

Dated at Los Angeles, California, this 26th day of March, 1957.

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