

ORIGINALDecision No. 55572

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 INGLEWOOD CITY LINES, a corporation,)
 for an order granting permission to)
 increase its local basic passenger) Application No. 39037
 rate and fare structure for the)
 transportation of persons other)
 than school children.)

O P I N I O N

Applicant conducts passenger bus transportation in the City of Inglewood and surrounding territory, which includes portions of the City and County of Los Angeles. The area served is both residential and industrial and includes the aircraft plants of North American and Douglas, the International Airport, the Hollywood Turf Club, the Westchester community, a large manufacturing district, and numerous multiple-unit housing and other residential developments.

The present fare structure consists of a single-zone system. The adult cash fare is 12 cents or one token. Tokens are sold at the rate of 5 for 55 cents or 11 cents each. School tokens are available at the rate of 10 for 70 cents or 7 cents

per ride. The school tokens are smaller in size than the adult tokens. Children's fare is 7 cents cash. Transfers between lines are free. There is no transfer or joint fare arrangement with connecting carriers.

In this proceeding applicant proposes to increase the adult cash fare from 12 cents to 13 cents, and the adult token rate of fare from 5 for 55 cents (11 cents each) to 2 for 25 cents (12½ cents each). No change is contemplated in the school and children's fares.

Applicant filed estimates of revenue, expenses and results of operation under present and proposed fares with its application. The staff made a similar analysis of revenues and operating expenses and a summary showing estimated results of operation. A comparison of the estimates follows:

Estimated Results of Operation Under Present and Proposed Fares For
year ending September 30, 1958

Item	Applicant's : Present Fares :			Proposed Fares		
	: Book Record :	: Applicant :	: Staff :	: Applicant * :	: Staff :	
: 12 Mos. End.:	: 12-31-56 :	: (a) :	: (b) :	: (a) :	: (a) :	: (b) :
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Mileage	594,230	600,900	600,900	600,900	600,900	600,900
<u>Revenue</u>						
Passenger	\$247,466	\$247,466	\$237,800	\$256,317	\$256,317	\$248,440
Other	9,384	9,384	9,380	9,384	9,384	9,380
	<u>\$256,850</u>	<u>\$256,850</u>	<u>\$247,180</u>	<u>\$265,701</u>	<u>\$265,701</u>	<u>\$257,820</u>
<u>Expenses</u>						
Maintenance	\$ 38,669	\$ 40,315	\$ 39,800	\$ 40,315	\$ 40,315	\$ 39,800
Transportation	125,028	130,914	129,720	130,914	130,914	129,720
Traffic	1,074	855	860	855	855	860
Insurance	19,973	20,607	18,440	20,607	20,607	18,440
Administration	24,127	28,258	23,070	28,258	28,258	23,070
	<u>\$208,571</u>	<u>\$220,949</u>	<u>\$211,890</u>	<u>\$220,949</u>	<u>\$220,949</u>	<u>\$211,890</u>
Depreciation	21,786	21,692	12,610	21,692*	14,381*	12,610
Operating Taxes	22,481	23,229	23,090	23,229	23,229	23,300
	<u>\$253,138</u>	<u>\$265,870</u>	<u>\$247,590</u>	<u>\$265,870</u>	<u>\$258,559</u>	<u>\$247,800</u>
Net Before In-						
come Tax	\$ 3,712	\$ (9,020)	\$ (410)	\$ (169)	7,142	\$ 10,020
Income Taxes	232	25	25	25	1,892	2,840
Net Income	<u>\$ 3,480</u>	<u>\$ (9,045)</u>	<u>\$ (435)</u>	<u>\$ (194)</u>	<u>\$ 5,250</u>	<u>\$ 7,180</u>
Operating Ratio %	98.6	103.5	100.2	100.1	98.0	97.2
Rate Base	\$ 77,863	\$ 77,863	\$ 77,280	\$ 77,863*	\$ 87,068*	\$ 77,280
Rate of Return %	4.5	-	-	-	6.0	9.3

* Applicant in Column (5) estimated depreciation in accordance with the book record and in Column (6) the estimate is stated to be in conformity with P.U.C. staff methods. The rate base is changed as a consequence of the depreciation change.

(a) 12 mos. end. 12-31-57

(b) 12 mos. end. 9-30-58

(Red Figure)

Applicant based its estimate of adult passenger revenue under present fares on the level of traffic for the year 1956. A decrease of about 3% was taken under proposed fares for loss of passengers due to increased fares. School and children's fares were estimated at the level of 1956.

The staff developed its revenue estimate after analyzing the trend of revenue passengers since the company had its last fare increase April 12, 1954. There appears to be a continuation of the downtrend in traffic but with a tendency to level off. The staff estimate of revenue under proposed fares reflects deflection due to increased fares of one-fourth of the percent increase. Token use was estimated as 75% under proposed fares by both applicant and staff. The revenue estimates by the staff are less than those of applicant because applicant did not provide for any downtrend in traffic under present fares.

Applicant based its expense estimates on book records of expenses for the year ending December 31, 1956, adjusted for known changes in certain of the operating expenses and to provide for increases in all accounts involving labor effective January 1, 1957, at which time operators wages were increased from \$1.84 per hour to \$1.89 per hour, with corresponding raises in mechanics wages and office help.

The staff estimate of operating expenses also includes the increases in labor wage rates, and all other expense items of a fixed character are based on current costs. The staff based the estimate of P.L. and P.D. insurance on the company's mileage experience for the past year whereas applicant estimated the

account on a gross revenue basis and did not differentiate between present and proposed fares. Under administration expense the staff estimate excludes company officials not actually engaged in administrative work, and whose salary appears duplicated in other supervisory accounts. The staff estimate provides for executive salary at \$12,000 per year, the balance of the general accounts are according to applicant's books and estimates. Depreciation expense is based on 10- and 12-year lives for the diesel buses with an allowance for salvage, and when compared to applicant's book lives of 5, 7 and 10 years for buses, results in a lower estimate for depreciation expense. Applicant operates 18 buses, 6 of which are fully depreciated. The rate base is depreciated to about one-third of original cost.

The estimate of bus miles to be operated during the rate year ending September 30, 1958, represents the mileage necessary to provide service under the present schedules including special bus or charter requirements.

The public was notified of applicant's proposal to increase passenger fares as were local authorities. 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 staff. Under proposed fares applicant has submitted two estimates. The first estimate is in accordance with the books of accounts as maintained by the company, which is the normal manner of presentation of an applicant. Under this method of estimating, an operating loss is indicated with operating

ratio 100.1%. Under the second method of estimating employed by applicant, an attempt has been made to adjust depreciation expense downward to reflect the longer lives assigned to buses by the Commission's staff. It is estimated that the second method will produce an annual earning of \$5,250 with operating ratio 98.0% and rate of return 6.0%. Under proposed fares the staff estimate results in a net annual earning of \$7,180 with operating ratio 97.2% and rate of return 9.3%.

The Commission having considered the matter is of the opinion and finds that the proposed fares as hereinafter set forth are justified and reasonable. The application will be granted. 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 fares as hereinafter set forth are justified and reasonable,

IT IS ORDERED:

(1) That Inglewood City Lines, 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:

Adult Fares

13¢ cash - 2 tokens for 25 cents.

Children's Fare

7 cents cash.

School Fare

10 tickets for 70 cents.

(2) That applicant shall post in its buses and at terminals continuously for at least five 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 ten days after the date hereof.

Dated at San Francisco, California,
this 17th day of SEPTEMBER, 1957.

Robert E. Mitchell
President

Paul J. ...

Michael ...

H. ...
E. ...
Commissioners