

**ORIGINAL**

Decision No. 55705

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of AIRPORTTRANSIT, a corporation, for authority to increase its fares as a passenger stage corporation.	) ) ) )	Application No. 38416
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In the Matter of the Application of AIRPORTTRANSIT, a corporation, for the modification and extension of its certificates of public convenience and necessity as a passenger stage corporation, and for an in-lieu certificate.	) ) ) ) ) ) )	Application No. 38420
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Ivan McWhinney for applicant.  
David D. Canning for Los Angeles Transit Lines,  
 protestant in Application No. 38420.  
Dale Harlan for Metropolitan Coach Lines and  
 Asbury Rapid Transit System, interested parties.  
 T. M. Chubb by Thomas V. Tarbet for Department of  
 Public Utilities and Transportation of the City  
 of Los Angeles, interested parties.

O P I N I O N

In Application No. 38416, as amended, applicant seeks authority to increase its fares, and in Application No. 38420 authority is requested to enlarge its present operating rights by establishing six service areas: three described areas in downtown Los Angeles, Hollywood and West Los Angeles, and the Cities of Beverly Hills, Santa Monica and Culver City.

The above matters having been consolidated for public hearing were heard before Examiner Mark V. Chiesa in Los Angeles. Evidence, oral and documentary, having been adduced, the matters were submitted for decision.

Application No. 38420

Applicant now operates a passenger stage service for air-line passengers and employees under authority of numerous

certificates of public convenience and necessity granted by this Commission between named points in Los Angeles, Hollywood and Beverly Hills, on the one hand, and the Los Angeles International Airport and Lockheed Air Terminal, on the other hand; between named points in West Los Angeles, Santa Monica and Culver City, on the one hand, and Los Angeles International Airport, on the other hand; and between Los Angeles Airport, on the one hand, and Lockheed Air Terminal and Hollywood Park Race Track, on the other hand. Applicant also has authority to serve the Grand Central Airport in Glendale, but this facility has been closed to public air travel.

Applicant's present points of pickup and discharge are the Biltmore, Statler and Ambassador Hotels in Los Angeles; the Hollywood Roosevelt Hotel in Hollywood; the Beverly Wilshire, Beverly-Hilton and Beverly Hills Hotels and Metropolitan Coach Lines depot in Beverly Hills; Truman's Restaurant in West Los Angeles; Miramar Hotel in Santa Monica; and at the intersection of Washington Boulevard and Duquesne Avenue in Culver City. It is proposed to add twenty-four additional points of service in the Los Angeles area, three additional points in the Hollywood area, and one in Santa Monica. The service areas are bounded, generally, as follows:

<u>Areas</u>	<u>Boundaries</u>			
	<u>West</u>	<u>South</u>	<u>East</u>	<u>North</u>
Los Angeles	Western Ave.	Olympic Blvd.	Alameda St.	6th St., Figueroa, and Sunset Blvd.
Hollywood	Beverly Hills City Limits	Olympic Blvd.	Western Ave.	Sunset Blvd., Hollywood Blvd., and Franklin Avenue
West Los Angeles	Santa Monica City Limits	Olympic Blvd.	Beverly Hills City Limits	Wilshire Blvd.

The other three areas are the Cities of Beverly Hills, Santa Monica and Culver City.

The new points proposed to be served consist of sixteen additional hotels, three public buildings in the Civic Center and five bus terminals, all in the Los Angeles area; two hotels and one bus terminal in the Hollywood area, and a club hotel in Santa Monica.

Applicant also is proposing a new service between the Los Angeles International Airport and an area in the vicinity of said airport bounded on the west by Sepulveda Boulevard, on the south by El Segundo Boulevard, on the east by Hawthorne Boulevard, and on the north by Manchester Avenue. It will serve four named motels in said area.

Applicant proposes to continue to operate its present type equipment between said airports and its principal terminals, the Biltmore and Statler Hotels in the Los Angeles area and the Hollywood Roosevelt Hotel in the Hollywood area. Service would be increased in the Los Angeles, Hollywood and Beverly Hills areas as follows:

<u>Present Headways</u>	<u>Proposed Headways</u>
20 minutes	15 minutes
30 "	15-20 "
60 "	30 "

The Statler and Biltmore Hotels in the Los Angeles area and the Roosevelt Hotel in the Hollywood area would continue to be the major terminals. The other designated points in the Los Angeles and Hollywood areas would be served by three Volkswagen buses which applicant proposes to purchase. Two "wagons" would be used in the Los Angeles area and one in Hollywood, with passengers being transferred to and from through buses at the three hotels. On the outbound trips, except at the major terminals, only those passengers who had made reservations would be picked up; on the inbound trips, passengers would be delivered to the named discharge points closest to their destinations. In cases where

the number of passengers exceeds the capacity of the Volkswagens, buses or taxicabs would be used.

In the area designated "Airport Vicinity," no service is being performed by applicant at the present time. The requested authority is to serve four large motels in said area which are patronized regularly by air-line personnel and passengers. This service would be operated on a regular schedule or "on call," depending on the demand, and would provide public transportation to those passengers who are now required to use taxicabs or station wagons operated by the motels. The type of service proposed and the fares proposed to be charged are not competitive with that provided by local bus operators.

Many witnesses testified that there is a public need for the services as herein proposed. Objections were voiced by some Hollywood hotel operators to the proposed shuttle service between their hotels and the Roosevelt Hotel terminal on the grounds that it would require an undesirable and inconvenient transfer for their patrons without any compensating advantages over the operation of a mainline bus to their respective hotels.

The protest of Los Angeles Transit Lines was based principally on the grounds that its buses and streetcars operate between many of the named points in the Los Angeles area and the Biltmore Hotel terminal. As applicant proposes a special and direct connecting transfer service for air-line passengers only, the protest does not appear well founded. Air-line passengers staying at hotels carry hand baggage that would be inconvenient to handle on and off buses or streetcars and it is doubtful that this type of passenger now uses protestant's service to any material extent.

The Commission having considered applicant's proposal to extend and enlarge its present operations, as hereinabove set forth,

is of the opinion and finds that public convenience and necessity require that service be established as hereinafter authorized. For clarification, and in order to bring applicant's operating authority down to date, an in-lieu certificate will be granted in place of the existing rights.

Application No. 38416

In order to establish the proposed Volkswagen shuttle bus service to and from the thirty-one additional points in the Los Angeles, Hollywood and airport areas, as set forth hereinabove, applicant contends that it will be necessary to increase its fares. There is testimony that applicant's service is satisfactory and adequate to meet the requirements of its present operating authority. However, it is applicant's contention that its volume of business is not keeping pace percentagewise with the volume of passengers using air-line transportation at the Los Angeles International Airport and that in order to get more business it is necessary to increase the frequency of its service and serve more territory by establishing said additional points of pickup and discharge; that the improved service will require more personnel and equipment and would result in added mileage, which, to some extent, must be compensated by higher fares.

Present and proposed fares are as follows:

<u>Between</u>	<u>and</u>	<u>Present Fare</u>	<u>Proposed Fare</u>
Los Angeles	L. A. International Airport and Lockheed Airport	\$1.20	\$1.35
Hollywood	"	1.20	1.35
Beverly Hills	"	1.20	1.35
West Los Angeles	L. A. International Airport	1.20	1.35
Santa Monica	"	1.10	1.35
Culver City	"	1.20	1.35
L. A. International Airport	Lockheed Airport	1.93	1.93
"	L. A. International Airport vicinity (new service)	-	.50
"	Hollywood Park Race Track	1.10	1.10
Los Angeles	Grand Central Airport	.75	To be discontinued.
Lockheed Airport	"	.25	"

Children 5 years to 12 years of age: one-half fare.

Applicant's financial condition as of December 31, 1956 was as follows:

Assets	\$445,089.84	
Liabilities	<u>259,566.78</u>	
Net Worth		\$185,523.06
Represented by:		
Capital Stock	\$ 96,330.00	
Surplus	<u>89,193.06</u>	
		\$185,523.06

Applicant's net income after income taxes for the year ending December 31, 1956 was \$21,084.38. For the first four months of 1957, net income before income taxes was \$1,963.59.

Although applicant's traffic has not kept pace percentage-wise with the rate of increase in air travel, its trend of patronage has been consistently upward since 1951. Its operating ratio has changed from 82.1% in 1951 to 94.3% in 1956, and net annual operating income, before income taxes, has dropped from \$95,058 to \$44,662 during the same period. ✓

Applicant's book record results of operation for the 12 months ending December 31, 1956 and the Commission staff's estimate of results of operation for the year ending December 31, 1957 under present fares and present service are as follows:

	Applicant's Book Record <u>Year 1956</u>	P.U.C. 1957 Est. Present Fares <u>Present Service</u>
Bus Miles Operated	1,255,070	1,213,000
Revenue	\$778,002	\$790,770
Expense, Depreciation and Taxes	<u>733,340</u>	<u>633,650</u>
Net Before Income Taxes	\$ 44,662	\$157,120
Income Tax	<u>23,578</u>	<u>79,220</u>
Net Income	<u>\$ 21,084</u>	<u>\$ 77,900</u>
Operating Ratio	97.3%	90.1%
Rate Base	\$257,053	\$411,350
Rate of Return	8.2%	18.9%

Applicant did not present an estimate of results of operation for the year ending December 31, 1957 based on present fares and present service.

Applicant's and the staff's estimated results of operation for the year ending December 31, 1957 under present and proposed fares and proposed service are as follows:

	Applicant		P. U. C.	
	Present Fares	Proposed Fares	Present Fares	Proposed Fares
Mileage	1,835,639	1,835,639	1,793,570	1,793,570
<u>Revenue</u>				
Passenger	\$ 669,007	\$ 812,212	\$ 810,690	\$ 898,620
Contract	102,683	102,682	102,680	102,680
Other	6,312	6,312	6,320	6,320
Total	\$ 778,002	\$ 921,206	\$ 919,690	\$1,007,620
<u>Operating Expense</u>				
Maintenance	\$ 116,112	\$ 116,112	\$ 120,730	\$ 120,730
Transportation	391,042	391,042	376,370	376,370
Station	13,888	13,888	13,890	13,890
Traffic and Advertising	16,625	16,625	9,570	9,570
Insurance	50,340	50,340	44,360	44,360
Administration	63,678	63,678	46,180	46,180
Operating Rents	120,559	120,559	68,420	73,830
	\$ 772,244	\$ 772,244	\$ 679,520	\$ 684,930
Depreciation	\$ 56,627	\$ 56,627	\$ 37,130	\$ 37,130
Operating Taxes & Licenses	57,307	57,307	52,370	52,430
Total	\$ 886,178	\$ 886,178	\$ 769,020	\$ 774,490
Net Before Income Taxes	\$(108,178)	\$ 35,028	\$ 150,670	\$ 233,130
Income Taxes	-	18,915	75,740	120,200
Net Income	\$(108,178)	\$ 16,113	\$ 74,930	\$ 112,930
Operating Ratio	113.9%	98.3%	91.9%	88.8%
Rate Base	\$ 314,806	\$ 314,806	\$ 420,330	\$ 420,330
Rate of Return	-	5.1%	17.8%	26.9%

(Red Figure)

The Commission staff's estimates of operating expenses were based on company experience, with adjustments in certain accounts. All expense items of a fixed character were based on current costs. Accounts involving labor were changed according to the terms of applicant's union wage agreement. Accounts that vary with mileage reflect expenses accordingly. In estimating the rate base, no depreciation expense was allowed for fully-depreciated items of plant and equipment. Estimated service lives of buses were extended from seven to eight years. Property leased from affiliated interests was treated as owned, and provision was made

for the acquisition of new equipment during the rate year 1957. The staff's estimated results of operations for the year 1957 under present and proposed fares and proposed services were compiled according to usual Commission procedures and practices in similar matters, except that revenue was increased by the amount of additional expenses anticipated to be incurred under proposed operations, without provision for earnings, as the proposed increased schedules and shuttle service represent an added convenience and improvement to the existing service and should attract additional traffic. ✓

Applicant's basis for its estimates were actual costs, where known, using most recent figures, or cost per mile, depending on the particular accounts.

A variance of approximately \$86,000 in passenger revenue and approximately \$112,000 in operating expenses in estimated results under proposed fares and proposed service is difficult to justify by this record, except to the extent that, in the case of passenger revenue, the passenger trend, which has been steadily upward, has not been taken into consideration by applicant's figures. The differential in operating expenses is primarily due to methods used in arriving at estimates for supervisory employees and salaries, liability and property damage insurance, management fee or "home office" charges, proration of certain expenses between affiliated companies, and depreciation expense.

The Commission is of the opinion that applicant's proposed estimated results of operation under present fares and proposed service is not realistic in view of the staff's estimated operating results for the year 1957, under present fares and present service, of a 90.1% operating ratio and 18.9% rate of return. Although applicant did not present an estimate for 1957 on a similar basis, the record shows that it is not considering any increase in passenger revenue ✓



as indicated by travel trend. The number of bus miles to be operated, which applicant estimates under the proposed service, also seems somewhat high, as trips to the Civic Center area will not, in all probability, be required during weekends and holidays, nor will it be necessary to call at many of the points of pickup and discharge on all schedules; it may also be possible to dispense with some mainline schedules, depending on weather conditions.

We have carefully examined the record and are of the opinion and find that public convenience and necessity require that applicant be granted an in-lieu certificate, enlarging its present passenger stage operations as hereinafter set forth. On the other hand, we are unable to find, upon the evidence adduced, that applicant's proposed increase in fares has been justified. It appears that the staff has based its results of operation upon accounting procedures which are in line with the Commission's policy pertaining to the several items of operating expense hereinabove mentioned. We conclude that the estimated operating results under present fares will be adequate to support the operation including the proposed additional service. The Commission will make its order as follows:

O R D E R

A public hearing having been held in the above-entitled proceeding, the Commission being fully advised in the premises and finding that an increase in fares as requested in Application No. 38416 as amended is not justified, and also finding that public convenience and necessity require the establishment and operation of the proposed enlargement and extension of applicant's present passenger stage operation as hereinafter set forth,

IT IS ORDERED:

(1) That Application No. 38416 of Airporttransit, a corporation, be and it hereby is denied.

(2) That a certificate of public convenience and necessity be and it hereby is granted to Airporttransit, a corporation, authorizing it to establish and operate as a "passenger stage corporation," as defined in Section 226 of the Public Utilities Code, for the transportation of persons between points and over routes more particularly set forth in Appendix A, attached hereto and made a part hereof, and subject to the conditions and restrictions, if any, as set forth in said Appendix A.

(3) That in providing service pursuant to the certificate herein granted, there shall be compliance with the following service regulations:

- a. Within thirty days after the effective date hereof, applicant shall file a written acceptance of the certificate herein granted. By accepting the certificate of public convenience and necessity herein granted, applicant is placed on notice that he will be required, among other things, to file annual reports of his operations and to comply with and observe the safety rules and other regulations of the Commission's General Order No. 98, and provide insurance protection as required by General Order No. 101. Failure to file such reports, in such form and at such time as the Commission may direct, or to comply with and observe the provisions of General Order No. 98 and General Order No. 101, may result in a cancellation of the operating authority granted by this decision.
- b. Within sixty days after the effective date hereof, and upon not less than five days' notice to the Commission and the public, applicant shall establish the service herein authorized and file in triplicate and concurrently make effective tariffs and time schedules satisfactory to the Commission.

(4) That the certificate of public convenience and necessity herein granted by paragraph (2) of this order shall be in lieu of any and all operating authority heretofore granted to Airporttransit,

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and all prior operating authority heretofore granted to Airporttransit is hereby revoked.

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

Dated at San Francisco, California, this 15<sup>th</sup> day of October, 1957.

*E. H. Fischer*  
President  
*Ray E. Lutz*  
*Michael D. Dale*  
*R. V. Frisby*  
*S. J. Fox*  
Commissioners

Airporttransit, by certificate of public convenience and necessity granted in the decision noted in the margin, is authorized to transport persons (a) between the Los Angeles and Hollywood territories, as said territories are hereinafter described, and the City of Beverly Hills, on the one hand, and the Los Angeles International Airport and the Lockheed Air Terminal, on the other hand; and (b) between the West Los Angeles and Inglewood-Hawthorne territories, as said territories are hereinafter described, and the Cities of Santa Monica and Culver City, on the one hand, and the Los Angeles International Airport, on the other hand; and (c) between the Los Angeles International Airport and the Hollywood Park Race Track; and (d) between the Los Angeles International Airport and Lockheed Air Terminal; subject to the following conditions and restrictions:

- a. Applicant shall transport only airline passengers, airline employees, and employees of the Department of Airports of the City of Los Angeles, and their baggage.
- b. Applicant shall pick up and discharge passengers only at points and places to be named in applicant's tariff and situated within the territories and cities hereinabove named.
- c. The transportation service herein authorized to the Hollywood Park Race Track shall be rendered only on days when thoroughbred and harness races are scheduled and for passengers destined to said race track and originating at the Los Angeles International Airport.

Issued by California Public Utilities Commission.

Decision No. 55705, Applications Nos. 38416 and 38420.

- d. Subject to the authority of this Commission to change or modify such passenger stage operation at any time, Airporttransit shall conduct said operation over and along the most direct or appropriate route or routes, subject, however, to local traffic requirements.
- e. The Los Angeles, Hollywood, West Los Angeles and Inglewood-Hawthorne territories within which applicant is authorized to name pickup and discharge points are described and bounded as follows:

Los Angeles Territory

Beginning at the intersection of Sunset Boulevard and Alameda Street, thence west on Sunset Boulevard, south on Figueroa Street, west on Fifth Street to its junction with Sixth Street, continuing west on Sixth Street, south on Western Avenue, east on Olympic Boulevard, north on Alameda Street to point of beginning.

Hollywood Territory

Beginning at the intersection of Franklin Avenue and Western Avenue, thence west on Franklin Avenue, south on La Brea Avenue, west on Hollywood Boulevard, south on Fairfax Avenue, west on Sunset Boulevard to Beverly Hills city limits, south along Beverly Hills city limits to Olympic Boulevard, east on Olympic Boulevard, north on Western Avenue to point of beginning.

Issued by California Public Utilities Commission.

Decision No. 55705, Applications Nos. 38416 and 38420.

West Los Angeles Territory

Beginning at the intersection of Wilshire Boulevard and the western Beverly Hills city limits, thence west on Wilshire Boulevard to Santa Monica city limits, south along Santa Monica city limits to Olympic Boulevard, east on Olympic Boulevard to Beverly Hills city limits, thence north along Beverly Hills city limits to Wilshire Boulevard, the point of beginning.

Inglewood-Hawthorne Territory

Beginning at the intersection of Manchester Boulevard and La Brea Avenue, thence west on Manchester Boulevard, south on Sepulveda Boulevard, east on El Segundo Boulevard, north on Hawthorne Avenue and La Brea Avenue to Manchester Boulevard, the point of beginning.

Issued by California Public Utilities Commission.

Decision No. 55705, Applications Nos. 38416 and 38420.

End of Appendix A