

ORIGINAL

Decision No. 56845

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  
rate and fare structure for the  
transportation of persons under  
Public Utilities Code 454.

Application No. 39825

Vernon P. Spencer and A. W. Howe, for Inglewood City  
Lines, applicant.  
Jack C. Sanders, for the Department of Public Utilities  
and Transportation of the City of Los Angeles,  
interested party.  
Glenn E. Newton, for the staff of the Public Utilities  
Commission of the State of California.

O P I N I O N

Inglewood City Lines operates as a passenger stage corpora-  
tion between points within the City of Inglewood and adjacent  
areas. By this application it seeks authority to establish  
increased fares on less than statutory notice.

Public hearing on the application was held before Examiner  
C. S. Abernathy at Inglewood on April 23, 1958. Evidence was pre-  
sented by applicant through its president and by an engineer of  
the Commission's staff. A representative of the City of Los  
Angeles participated in the proceeding as an interested party.

Applicant's present fares and the fares which it  
seeks to establish are as follows:

	<u>Present fare per ride</u>	<u>Proposed fare per ride</u>
Adult		
Cash	\$.13	\$.14
Token	.125 (tokens, 2 for 25¢)	.1333 (tokens, 3 for 40¢)
Child, cash fare	.07	.10
Student, token fare	.07 (tokens, 10 for 70¢)	.10 (tokens, 10 for \$1.00)

Applicant's fares for adult passengers were established at their present level on September 27, 1957, pursuant to authority granted by Decision No. 55572. Applicant states that increases in labor costs which became effective January 1, 1958, or which will become effective July 1, 1958, will offset the earnings which were anticipated under the fares authorized by Decision No. 55572; that since the time its present fares were established it has experienced a sharp decline in traffic; that as a consequence of these factors it is incurring severe losses from its operations, and that the losses will continue unless it is permitted to establish increased fares as sought. Applicant reported that its operations for the first three months of 1958 have resulted in a loss of \$6,112 with a corresponding operating ratio of 110.4 percent. It estimated that this loss will be increased to \$20,965 by the end of 1958 if present fares are continued in effect. Establishment of the sought fares, applicant estimated, will result in net annual revenues of about \$6,000 with an operating ratio of 97.8 percent.

With reference to the increases which are sought in the fares for students, applicant states that the present fares first became effective in December, 1947; that since then three new high schools and numerous grade schools have been built in applicant's service area; that transportation to and from these schools has required the establishment of special routes, the use of additional equipment, and overtime and minimum wage guarantees for drivers of the school buses, and that present operating costs are such that the service cannot be maintained without an increase in the fares.

The Commission engineer likewise submitted estimates of operating results under present and proposed fares which he had developed from a study of applicant's operations and records. These estimates are summarized in the table below:

Estimated Results of Operation under Present and Proposed Fares  
for 12 Months Ending April 30, 1959

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
Revenues	\$244,240	\$267,190
Expenses	257,185	260,470
Net Income *	(12,945)	6,720
Rate Base	71,400	71,400
Operating Ratio	105.3%	97.5%
Rate of Return	—	9.4%

\* After income taxes  
   Indicates loss

The engineer also submitted estimates which he had developed on an alternative basis under which the adult fares would be increased as proposed, but instead of an increase to 10 cents from 7 cents in the student fares, these fares would be increased to 8 cents. The engineer estimated that under this basis of fares applicant's net income for the coming year would be \$3,590, and that the corresponding operating ratio and rate of return would be 98.6 and 5.0 percent, respectively.

Extensive discussion of the evidence is not necessary. It is clear from the estimates of applicant and of the engineer that if applicant's fares are continued at their present level during the coming year they will not produce sufficient revenues to sustain the services involved. It also appears that with the sought fares in effect, the margin of revenues over expenses, as represented by an operating ratio of 97.8 percent under applicant's estimate or of 97.5 percent under the engineer's estimate, will not be substantial. Upon consideration of the applicable facts and circumstances it is concluded and found that the operating results under the sought fares will be reasonable and that the fare increases have been shown to be justified. The application will be granted, including a request to make the increases effective on five days' notice to the Commission and to the public. The latter action is justified by applicant's need for early relief from its present losses. For like reason the order herein will be made effective on less than the usual statutory period.

The increases which will be effected in the fares for students will be relatively greater than those in the fares for

adults. However, were the increases in the student fares to be limited to an amount approximately commensurate with the increases in the adult fares, as would be the case were the alternate fare basis proposed by the engineer adopted, the resultant earnings would be insufficient. Aside from the revenue aspects of the matter, it appears that as a result of retention of the student fares at the level that was established more than ten years ago, such fares have become unduly low in relation to increases in operating costs which applicant since has experienced and which have been reflected in increases in the adult fares.<sup>1</sup> It appears that with an increase in the student fares as sought, such fares will more fairly contribute to the support of the school service.

O R D E R

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

IT IS HEREBY ORDERED that:

1. Inglewood City Lines be, and it hereby is, authorized to amend its Local Passenger Tariff No. 17, Cal. P.U.C. No. 17, on not less than 5 days' notice to the Commission and to the public, to establish increased fares as follows:

	<u>Fare per ride</u>
Adult	
Cash	\$.14
Token	.1333
	(Tokens, 3 for \$.40)
Child, cash fare	.10
Student, token fare	.10
	(Tokens, 10 for \$1.00)

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At the time that present 7 cent student fare was established, the corresponding fare for adults was 10 cents cash or 8-1/3 cents based on the sale of tokens at the rate of 3 for 25 cents.

2. In addition to the required filing of tariffs Inglewood City Lines shall notify the public of the fare changes herein authorized by posting a statement of the fare changes in each of its vehicles. Said notice shall be posted not less than five days before the date that the fare changes are made effective, and shall remain posted until not less than ten days after said effective date.
  
3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

This order shall become effective ten days after the date hereof.

Dated at San Francisco, California, this 17<sup>th</sup> day of June, 1958.

*Edwin Mitchell*  
 President

*Ralph Lytle*

*Edwin Fox*

*Theodore Jensen*

Commissioners