

ORIGINAL

Decision No. _____

62097

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Pasadena City Lines, Inc.,)
requesting authority to increase)
certain rates of fare.)

Application No. 43036

John W. Holmes and George H. Hook,
for applicant.
D. F. Fugit, for Brotherhood of
Railroad Trainmen and D. H. Sheets;
K. D. Walbert, for Department of
Public Utilities and Transportation,
City of Los Angeles; interested parties.
A. C. Porter, for the Commission staff.

OPINION

By this application filed January 19, 1961, Pasadena City Lines, Inc., a corporation engaged in the transportation of passengers in the City of Pasadena, Arcadia and Monrovia and areas adjacent thereto, seeks authority to discontinue its present token fare now selling at the rate of two tokens for twenty-five cents and to increase the school fare from a rate of 40 tickets for \$2.60 to 20 tickets for \$2.00.

Public hearing was held April 11, 1961, before Examiner J. E. Thompson at Pasadena. Notices of the time and place of hearing had been posted in all buses operated by applicant and had been published in a newspaper of general circulation in Pasadena.

Applicant has a zone system of fares. The adult fare structure which has been in effect since May 19, 1958, is set forth as follows:

Adult Fare Structure

<u>Length of Ride (No. Zones)</u>	<u>Cash Fare</u>	<u>Token Fare</u>
1	15c	T = 12½c
2	20c	T + 5c = 17½c
3	25c	T + 10c = 22½c
4	30c	T + 15c = 27½c

As may be seen, applicant's adult fare proposal would result in an increase of 2½ cents per ride for those passengers using tokens.

The present school ticket fare has been in effect since December 10, 1951. The proposed school fare represents an increase from 6½ cents per ride to 10 cents per ride.

Evidence was presented by applicant and by the Commission's staff. Since May 19, 1958, motor coach operators have received increases aggregating 23 cents per hour in their basic hourly rate of pay. Applicant's contract with the bargaining agent for such employees provides for a further increase of three cents per hour to become effective May 1, 1961. Since May 1958 applicant's shop employees have been granted hourly wage increases totalling 31 cents per hour and, pursuant to present contract provisions, will receive an additional 6 cents per hour effective August 22, 1961. Applicant has been confronted with other increases in expenses and also declining patronage.

Estimates of the operating results of applicant for a rate year ending May 31, 1962, under present fares and under proposed fares were submitted by applicant and by the staff. The forecasts are set forth in Table I as follows:

TABLE I

Summary of the Estimated Results of
Operations of Pasadena City Lines, Inc.
Under Present and Proposed Fares
For Year Ending May 31, 1962

	1960 Book Record	Applicant's Estimates		Staff's Estimates	
		Present Fares	Proposed Fares	Present Fares	Proposed Fares
Coach Miles	1,743,322	1,741,300	1,741,300	1,741,500	1,741,500
No. Adult Passengers					
1 Zone	5,668,198	5,384,753	5,159,670	5,513,900	5,277,200
2 Zone	94,930	90,235	87,735	89,500	86,900
3 Zone	34,622	32,662	32,048	32,700	32,100
4 Zone	29,495	28,233	27,959	27,900	27,600
Total	5,827,245	5,535,883	5,307,412	5,664,000	5,423,800
Revenues					
Adult Pas- sengers \$	-	\$723,939	\$807,915	\$740,460	\$825,265
School Pas- sengers	-	21,567	33,180	22,230	31,900
Joint Transfer	-	4,992	4,992	5,040	5,040
Mail Carriers	-	4,177	5,013	4,190	5,025
Subtotal	\$794,647	\$754,675	\$851,100	\$771,920	\$867,230
Special Bus Revenue	752	300	300	700	700
Advertising Revenue	8,693	8,600	8,600	8,500	8,500
Total	\$804,092	\$763,575	\$860,000	\$781,120	\$876,430
Expenses					
Operating	\$686,309	\$698,525	\$698,525	\$698,700	\$698,700
Deprecia- tion	13,193	12,050	12,050	13,540	13,540
Operating Taxes	80,770	81,325	82,600	81,410	82,720
Total	\$780,272	\$791,900	\$793,175	\$793,650	\$794,960
Operating Income	\$ 23,320	\$(28,325)	\$ 66,825	\$(12,530)	\$ 81,470
Income Taxes	7,890	100	31,150	-	39,020
Operating Income After Taxes	\$ 15,430	\$(28,425)	\$ 35,675	\$(12,530)	\$ 42,450
Operating Ratio, Percent	98.1	103.7	95.9	101.6	95.2

() - Indicates red figures.

The only substantial difference in the estimates of the results of operations is in connection with the forecasts of the number of adult passengers for the future rate year.

Applicant estimated passengers under present fares for the year ending May 31, 1962, to be 95 percent of the passengers transported during the twelve months ended December 31, 1960. The number of passengers under proposed fares was estimated by applying a diminution factor of one fourth of the percent of the proposed fare increase to the estimated number of passengers under present fares.

The staff's engineer estimates the number of passengers under present fares for the year ending May 31, 1962 as 97 percent of the number of passengers transported during the twelve months ended January 31, 1961. This three percent downtrend projected over a period of 16 months is based upon a comparison of the number of passengers transported during the year ended January 31, 1960, with those transported during the year ended January 31, 1961. The estimate appears to be unduly optimistic. The comparison of the periods ended January 31 shows the smallest rate of downtrend that has occurred. This is partly illustrated by the following:

Comparison of the Number of
Adult Passengers Transported
During the 12 Months Ended as Shown

<u>12 Months Ended</u>	<u>1959-1960</u>	<u>1960-1961</u>	<u>Percent Decrease</u>
December 31	6,074,714	5,827,245	4.07
January 31	6,013,736	5,839,211	2.90
February 29/28	6,031,921	5,819,027	3.53
March 31	6,020,254	5,795,337	3.74

According to applicant, January 1960 had an unusually small number of passengers, whereas the number of passengers

transported during January 1961 was higher than would reasonably be expected. The difference in patronage was attributed to weather conditions. Even if we assume that the forecast of passengers should be based upon the downtrend reflected by a comparison of the 1960 and 1961 periods ending January 31, the amount of passengers estimated by the staff would reflect the number of passengers which could be expected for the twelve months ended January 31, 1962, and not for the twelve months ended May 31, 1962.

We have analyzed the data showing the number of adult passengers transported each month from January 1959 to and including March 1961. The number of passengers has decreased at an irregular rate; however, since May 1960 the average downtrend in the number of passengers transported during the twelve preceding months has been on the order of one third of one percent each month. A projection of this downtrend to the twelve months ending May 31, 1962, corroborates the estimate made by applicant.

The other estimates made by the staff support those made by the applicant. The small difference in estimated depreciation expense results from the applicant using a service life of 12 years on five motor coaches placed in operation in 1960 and the staff using a service life of 10 years for that equipment.

In making its estimates of depreciation, applicant used the straight-line method. This reflects the method used in its books of account and also the method used for income tax purposes.

Out of 49 motor coaches all but 5 have been fully depreciated. The only other properties on which there is a charge for depreciation expense are fare boxes and some office furniture and equipment.

There are two items of expense which are determined on different bases by the applicant and the staff. Applicant's expense estimate for bodily injury and property damage insurance and for management are based on a percentage of revenue whereas the staff has based these expenses on cost. As in the past we conclude the cost basis is proper although in this instance the resulting differences are not significant.

The proposed increase in the school ticket fare is over fifty percent. We find that such increase has not been justified. Applicant estimated there would be 331,800 school passengers for the year ending May 31, 1962, whether under present fares or under proposed fares. A fare of 7.5 cents per ride, therefore, should result in school ticket revenues of \$24,885 instead of the \$33,180 estimated under the proposed school fare. We estimate the following operating results for a future rate year under the cash fares proposed by applicant and a school ticket fare of 7.5 cents (20 rides for \$1.50):

Revenues		\$851,705
Expenses		
Operating	\$698,525	
Depreciation	12,050	
Operating Taxes	<u>22,485</u>	
Total Expense		<u>793,060</u>
Operating Income		\$ 58,645
Income Taxes		26,680
Income after Taxes		<u>\$ 31,965</u>
Operating Ratio (Percent)		96.2

After full consideration of the facts and circumstances of record we find that the increases resulting from the discontinuance of token fares are justified and that an increase in school ticket fares from 6.5 cents (40 rides for \$2.60) to 7.5 cents (20 rides for \$1.50) is justified. We further find that such increased fares

should provide an operating ratio of 96.2 percent which we find is reasonable for the operations conducted by applicant.

O R D E R

An application having been filed, a public hearing having been held and based on the evidence therein adduced,

IT IS ORDERED:

1. That applicant is authorized to discontinue its present token fare and to establish an increased school ticket fare of 20 rides for \$1.50.

2. That the tariff publication to be made as a result of the order herein may be filed not earlier than the effective date hereof and may be made effective on not less than five days' notice to the Commission and to the public.

3. That, in addition to the requested posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed explanation of the increases in fares. Such notice shall be posted not less than five days before the effective date of the fare change and shall remain posted until not less than ten days after said effective date.

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

5. That in all other respects Application No. 43086 of Pasadena City Lines, Inc. is denied.

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

Dated at San Francisco, California, this 6th day of June, 1961.

Charles W. Page
 President

John E. Mitchell

E. Lynn Fox

George H. Grover

Fredrick B. Halloff
 Commissioners