

ORIGINALDecision No. 62206

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
ofLONG BEACH MOTOR BUS
COMPANY

Application No. 41963

to re-route and consolidate certain of its existing Routes, for a certificate of convenience and necessity covering such routes in lieu of the existing certificates covering present Routes and for authority to change schedules and frequency of service, and for authority to file new tariffs as to school fares.

John Munholland and George H. Hook, for Long Beach Motor Bus Co., applicant.
Henry E. Jordan, for the City of Long Beach,
Henry L. Goerlick, for the City of Lakewood,
protestants.
Hugh N. Orr, for the Commission staff.

SUPPLEMENTAL OPINION

Decision No. 60787, dated September 27, 1960, in this proceeding, authorized the Long Beach Motor Bus Company to make various changes in its routes and schedules resulting in approximately a ten percent reduction in its annual mileage. The reduction in service was conditioned on applicant instituting a program of replacing a portion of its fleet with new buses. Accordingly, paragraph (4) of the order in Decision No. 60787 provided:

"(4) That the certificate granted in paragraph (1) of this order is granted on the condition that applicant agree to purchase ten additional new buses before June 30, 1961, and thereafter purchase fifteen additional new buses each succeeding year until a total of sixty new buses has been purchased. The filing of the acceptance as required by paragraph (3) (a), above, shall constitute acceptance of this condition."

Applicant accepted this condition by filing the required acceptance of the certificate.

By petition for modification, filed May 4, 1961, applicant now seeks an order of the Commission suspending the operation of the above-referred to ordering paragraph until completion of hearings on a fare increase application^{1/} recently filed by applicant, and thereafter rescinding said paragraph until such time as applicant's actual earnings will justify the purchase of the new buses. In its petition applicant contends that the requirement to purchase new buses was based on the finding in Decision No. 60767 that, as a result of the service changes authorized therein, applicant would realize a net income, after taxes, of \$96,076 per year. Applicant states in its petition, however, that in the first five months following the effectiveness of the service changes, it has suffered a loss of approximately \$10,000, and that applicant's current operations and its present financial condition do not justify the purchase of new buses.

Public hearing on the petition for modification was held before Examiner William E. Turpen at Long Beach on June 12, 1961. Evidence was submitted by applicant and by the Commission staff. A representative of the City of Long Beach assisted in developing the record.

Applicant's treasurer introduced into evidence an exhibit which indicated that the number of passengers carried since the reduced service was instituted October 30, 1960, has declined by 13 percent over the similar year-earlier period, whereas previous months showed much smaller declines over the corresponding year-earlier month. The exhibit also showed that for the four-month period January 1 to April 30, 1961, applicant's operating expenses exceeded

^{1/} Application No. 43358, filed April 28, 1961.

its operating revenues by \$8,680. The witness stated that his company had relied on the estimate of earnings set forth in Decision No. 60787, in deciding to accept the condition requiring the purchase of new equipment. Another witness for applicant testified that the City of Long Beach was considering purchase of the Long Beach Motor Bus Co.

The Commission staff engineer presented a report which showed that of the 103 buses operated by applicant, all but five are over ten years old. He stated that the conditions which caused him to recommend the bus replacement program had not changed and that his recommendations were not based on the earning position of applicant. The staff recommended that the company be required to proceed with the bus replacement program.

The chief engineer of the Bureau of Franchises and Public Utilities of the City of Long Beach opposed the granting of the petition. He contended that an insufficient length of time has passed since the institution of the reduced service to provide a fair test. He urged that the bus replacement requirement not be canceled.

We do not believe that the fact that consideration is being given by the City of Long Beach to the purchase of the company should affect in any way the question of whether or not applicant should purchase new equipment. There is no assurance at the present time that such a sale will be consummated. Furthermore, if the new equipment is purchased and the company is then sold, it may reasonably be anticipated that applicant will be able to dispose of such equipment at a price at least the equivalent of its book value.

It appears that the conditions which prompted us to adopt the bus replacement program have not changed. The people of Long Beach are still entitled to have modern equipment in service for their use. It thus appears that the only question is whether applicant's present earning position makes it necessary to suspend or cancel the condition in question.

The requirements for the purchase of new buses was not based on the revenues to be earned by applicant. Decision No. 60787 in no way implies that the purchase of new equipment is dependent upon applicant's earning position. The Commission finds that applicant has not shown that the bus replacement program set forth in Decision No. 60787 should be suspended or rescinded. ✓

In view of the closeness of the June 30 date, applicant will be granted a three-month extension of the time in which to procure the first ten buses. Applicant will be further directed to have a contract negotiated for the purchase of the ten buses within thirty days from the effective date of this order.

SUPPLEMENTAL ORDER

Based upon the evidence of record and on the findings and conclusions set forth in the preceding supplemental opinion,

IT IS ORDERED that ordering paragraph (4) of Decision No. 60787, dated September 27, 1960, in Application No. 41963, be and it is hereby amended by substituting the date "September 30, 1961" for the date "June 30, 1961" appearing therein.

IT IS FURTHER ORDERED that applicant shall have a contract negotiated for the purchase of ten new buses within thirty days from the effective date of this order.

IT IS FURTHER ORDERED that the petition for modification, filed May 4, 1961, in this proceeding be and it is hereby denied.

This order shall become effective on the date hereof.

Dated at San Francisco, California, this 27th day of JUNE, 1961.

Robert B. Boye
 President

W. L. ...

E. ...

George D. ...

Fredrick B. ...
 Commissioners