

Although Atkinson Transportation Company and South Los Angeles Transportation Company are separate corporate entities, they have the same general officers and operate with the same administrative and maintenance facilities. In general, their physical operations are conducted as an integrated service. Their fares, however, are maintained on different bases.

The fares of Atkinson Transportation Company are based on a single-zone system. Those of the South Los Angeles Transportation Company are on a two-zone basis. Their respective fares in cents per one-way ride are as follows:

Atkinson Transportation Company

Adult	10
Child	10 (a)
Student	7½ (b) (40-ride book of tickets, \$3)

- (a) Children of less than 5 years of age are transported without charge when not occupying a seat.
- (b) Student fares apply only on regular school days between the hours of 7:00 A.M. and 5:00 P.M.

South Los Angeles Transportation Company

	<u>One Zone</u>	<u>Two Zones</u>
Adult	10	15
Child	10 (a)	15 (a)
Student	6½ (b) (40-ride single-zone book of tickets, \$2.50)	12½ (b)

- (a) Children of less than 6 years of age are transported without charge when accompanied by a fare-paying passenger. Not more than 2 children per fare-paying passenger are transported without charge.
- (b) Student fares apply for the transportation of students of less than 21 years of age, attending primary or secondary schools, when going to or returning from such schools.

The objectives of applicant companies in this matter are two-fold. First, they seek increased revenues through the establishment of increased fares. Second, they seek to unify their operations further by the establishment of uniform fares to apply between all points on their combined lines. To this end they propose to make the following changes in their fare structures:

- a. Increase their basic 10-cent fare to 15 cents.
- b. Eliminate all fare zones, so that all lines would be within a single zone.
- c. Increase the student fares to 8½ cents per ride (40-ride book of tickets, \$3.40).
- d. Provide more liberal transfer privileges between their lines.

As justification for the increases in fares which they seek, applicants allege that their present fares have been in effect since 1953; that since 1953 many of their costs of operation have increased substantially; that they have not been able

to overcome the adverse effect of the cost increases upon their earnings, and that despite the most rigid economies and the employment of the most efficient methods of operation possible they suffered a loss of more than \$28,000 from their operations during 1960.¹ They state, furthermore, that since the beginning of 1961 their traffic has diminished as a result of an action of the Los Angeles Metropolitan Transit Authority establishing a fare of 25 cents as the basic fare over the Transit Authority's lines. In this connection applicants state that they normally interchange a great number of passengers with the Transit Authority. This number diminished with a loss in passenger volume which the Transit Authority experienced following the increase in its fares. Applicants say that insofar as their own operations are concerned the decline in passenger volume has intensified their rate of financial loss. They estimate that their combined losses for 1961 will be in excess of \$35,000. They aver that unless they are afforded immediate financial relief in the form of increased fares it will be necessary for them to terminate their services.

Applicants' objective in undertaking to bring about a greater unification of their services is a general strengthening of their operations. As stated above, a substantial portion of applicants' traffic is interchanged with lines of the Los Angeles Metropolitan Transit Authority. Through further unification of their operations applicants seek to encourage greater patronage of their combined services and thereby to lessen their dependence for traffic on the Transit Authority.

¹ According to balance sheet information which was submitted with the application, the combined net worth of the two companies at the close of 1960 was approximately \$93,000.

Evidence in this matter was submitted by four witnesses for applicants -- applicants' president, vice president, traffic manager, and a representative of the drivers of applicants' buses. Two transportation engineers of the Commission's staff presented and explained reports covering studies which they had made of applicants' operations. Representatives of the City of Los Angeles participated in the proceeding as protestants to the granting of the application.

In general the evidence which was presented by applicants' witnesses was directed along the following lines: applicants' relationships with, and the pay scale of, their drivers; the level of applicants' service, and applicants' finances and financial prospects.

The witness who testified from the point of view of applicants' drivers stated that applicants enjoy a good relationship with their drivers. However, a matter of concern to the drivers is the fact that their pay scale includes no allowance for retirement benefits other than those which apply under the federal social security program. The witness said that because of applicants' straitened financial circumstances the drivers have not pressed for supplemental benefits to date. He declared in effect, however, that applicants will have to overcome this deficiency in their pay scale if they are to attract and retain a good class of drivers for their operations.

The level of applicants' service was reviewed by the traffic manager witness, who discussed and explained the time schedules under which the operation of the buses is conducted.

This witness asserted that under present scheduling the level of service that is being provided is the minimum that is consistent with the public's need for transportation. Hence, reductions in service do not provide a feasible avenue for accomplishing reductions in applicants' present operating losses.

Applicants' president and vice president both testified in considerable detail concerning the financial aspects of their companies' operations. For the most part, the matters upon which they so testified have been mentioned hereinabove in the recitation of the principal allegations upon which this application is based. In addition, the witnesses stated, in substance, that applicants' plant is in need of substantial repairs and that many of the buses should be replaced. They said, however, that because of losses which have been experienced in recent years applicants do not have either the funds or the credit to carry out the needed repair and replacement program. Hence the impact of the losses upon applicants' ability to maintain its operations is doubly severe. The vice president also submitted figures to show his estimates of applicants' operating results during the coming year if present fares are continued in effect and if the sought fares are established. Summaries of these estimates are set forth in tables hereinbelow.

The evidence which was submitted by the Commission engineers deals with both the service aspects and the financial aspects of applicants' operations. One engineer reported on a check which he had made of applicants' equipment and level of service. Insofar as the equipment is concerned, he stated that he had

found the buses to be clean and in good mechanical condition.² Regarding the matter of service, he said that his checks show that applicants' schedules provide adequate service during periods of peak passenger demands and reasonable frequency during off-peak periods. He concurred with the views of applicants' traffic manager that reductions in schedules would not be practicable at the present time.

The report of the other engineer was prepared on a study which he had made of applicants' operations and records to develop, among other things, estimates of applicants' financial operating results for the coming year if present fares are maintained and if the proposed fares are established. In his estimates the engineer gave effect to the trend of applicants' traffic as determined from an analysis which he had made of applicants' traffic data. His expense estimates were reached on the basis of applicants' operating experience, adjusted as necessary to take into account current expense levels.

In Tables Nos. 1 and 2, below, the engineer's estimates of applicants' operating results under present and proposed fares are set forth and compared with corresponding estimates which were submitted by applicants' vice president.

² The engineer's testimony in this respect was similar to that of the representative of applicants' drivers, who also testified concerning the condition of the buses, stating that they are maintained in safe operating condition.

Table No. 1

Estimated Financial Results
of Operations
Under Present Fares

	<u>Applicant</u> (a)	<u>Commission</u> (b) <u>Engineer</u>
Revenues	\$510,600	\$519,700
Expenses	<u>587,430</u>	<u>565,650</u>
Net Operating Revenues	<u>(\$ 76,830)</u>	<u>(\$ 45,950)</u>
Income Taxes	*	<u>100</u>
Net Income	*	<u>(\$ 46,050)</u>
Operating Ratio	*	108.9%

 Indicates loss

(a) Year ending with June 30, 1962

(b) Year ending with September 30, 1962

*Figures not submitted

Table No. 2

Estimated Financial Results
of Operations
Under Proposed Fares

	<u>Applicant</u> (a)	<u>Commission</u> (b) <u>Engineer</u>
Revenues	\$593,600	\$622,840
Expenses	<u>589,190</u>	<u>566,980</u>
Net Operating Revenues	\$ 4,410	\$ 55,860
Income Taxes	*	<u>16,170</u>
Net Income	*	\$ 39,690
Operating Ratio	*	93.6%

(a) Year ending with June 30, 1962

(b) Year ending with September 30, 1962

*Figures not submitted

The foregoing estimates of the Commission engineer were supplemented by two other estimates of operating results which he had developed on the assumption that the record herein might not warrant the authorization of the full amount of the increases which applicants seek. These other estimates and the alternate fare structures represented thereby are summarized in Table No. 3 below:

Table No. 3

Estimated Financial Results
of Operations
Under Alternate Fares

	<u>Alternate "A"</u>	<u>Alternate "B"</u>
Revenues	\$602,360	\$585,630
Expenses	<u>566,710</u>	<u>566,480</u>
Net Operating Revenues	\$ 35,650	\$ 19,150
Income Taxes	<u>9,250</u>	<u>3,660</u>
Net Income	\$ 26,400	\$ 15,490
Operating Ratio	95.6%	97.4%

Alternate Fares per One-Way Ride

Alternate "A"

Adult)	15 cents, cash, or
Child, 6 years old or older)	13-1/3 cents, token (a)
Student)	7½ cents, ticket (b)

(a) Tokens, 3 for 40 cents
(b) 40-ride school ticket, \$3.00

Alternate "B"

Adult)	15 cents cash, or
Child, 6 years old or older)	12½ cents, token (c)
Student)	7½ cents, ticket (d)

(c) Tokens, 4 for 50 cents
(d) 40-ride school ticket, \$3.00

Exception was taken by applicants' vice president to various of the revenue and expense estimates of the engineer, particularly as such estimates might seem to justify the authorization of lower fare increases than those sought. The vice president contended that the engineer's estimates tend to overstate the revenues and understate the expenses for the coming year, and that applicants are in dire need of the full amounts of the fare increases requested. Certain of the differences between the vice president's and the engineer's estimates will be touched upon below.

The granting of this application was opposed by representatives of the City of Los Angeles on grounds associated with the admitted fact that applicants are delinquent in their payment of franchise taxes to the City. The City's representatives also challenged the accuracy of applicants' records and asserted that an audit thereof should be made before the authorization of fare increases.

The record shows that advance notices of the ~~hearing~~ **hearing on** this application were posted in applicants' buses and were published in newspapers of general circulation in the area served by applicants. Other than the representatives of the City of Los Angeles, no one appeared in opposition to the granting of the application.

Discussion, Findings and Conclusions

At the outset of this discussion it should be stated that we find that applicants have shown an urgent need for additional revenues to maintain their operations. The situation which confronts applicants requires increases in their revenues not only to offset heavy operating losses but also to shore up their financial position. Regarding the latter aspect of applicants' revenue needs, the record is clear that applicants' capital structure has been seriously impaired by the losses which have been, and are being, experienced.

These losses have come at a time when ordinary operations will soon require relatively substantial capital commitments for plant repairs and equipment replacements.

Generally speaking, the revenue and expense estimates of the Commission engineer which are shown in Tables Nos. 2 and 3 above are more complete and provide a better basis for our action herein than do the revenue and expense estimates of applicants' vice president. It also appears, however, that in some respects the engineer's estimates tend to overstate the earnings which applicants would realize either under the sought fares or under the alternate fare proposals of the engineer.

The record herein does not provide a basis for specific adjustments in the engineer's revenue and expense estimates. Nevertheless, we find that applicants' volume of traffic and level of expenses will be such during the coming year that neither of the engineer's alternate fare proposals would return earnings sufficient for applicants' reasonable needs. We further find that the earnings which applicants would realize from the fares which they propose would be somewhat less than those shown in the engineer's estimates, and that said earnings are, and will be, reasonable in the circumstances in which applicants' services are being provided, and will be provided during the coming year. We find and conclude that the increased fares which applicants seek have been shown to be justified. The application will be granted.

With reference to the opposition of the City of Los Angeles to the authorization of the sought fares increases, it should be pointed out that the establishment of the increased fares should improve applicants' ability to meet past-due tax bills. Thus, the fare increases should tend to satisfy the principal objections upon which the City's opposition to the proposals is based.

In view of applicants' urgent need for relief from their present losses as soon as possible, they will be authorized to establish the increased fares on five days' notice to the Commission and to the public. Also, the order hereinbelow will be made effective ten days after the date hereof.

O R D E R

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

IT IS HEREBY ORDERED that:

1. Atkinson Transportation Company and South Los Angeles Transportation Company be, and they hereby are, authorized to amend their tariffs entitled Local and Joint Passenger Tariff No. 4, Cal. P.U.C. No. 4, and Local Passenger Tariff Cal. P.U.C. No. 5, respectively, to establish the increased fares and the related rules and regulations which are set forth in Appendix "A" attached hereto and by this reference made a part hereof. The tariff publications herein authorized to be made 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.

2. In addition to making the tariff filings required in connection with the establishment of the increased fares and related rules and regulations herein authorized, Atkinson Transportation Company and South Los Angeles Transportation Company shall notify the public of said changes in fares, rules and regulations by posting a statement of said changes in their terminal and in each of their buses. Said notice shall be posted not less than five days before the date that the changes are made effective, and shall remain posted until not less than ten days after said 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 1st day of November, 1961.

George B. Payne
President
W. E. Marshall
F. Lynn Fox
George H. Grover
Frederick B. Helshoff
Commissioners

APPENDIX "A" TO DECISION NO. 62760

Authorized Fares (in cents per one-way ride) (a)

Adult	15
Child	15 (b)
Student	8½ (c)

(Student fare based on purchase
of 40-ride book of tickets for \$3.40)

- (a) Subject to the rules hereinbelow governing transfers between lines, the authorized fares apply for transportation between any two points on the lines of Atkinson Transportation Company or of South Los Angeles Transportation Company, or between a point on the lines of Atkinson Transportation Company and a point on the lines of South Los Angeles Transportation Company.
- (b) Children of less than 6 years of age will be transported without charge when accompanied by a fare-paying passenger. Not more than 2 children per fare-paying passenger will be transported without charge.
- (c) Student fares apply for the transportation of students under 21 years of age, when traveling to or from school on regular school days between the hours of 7:00 A.M. and 5:00 P.M.

Authorized Rules Governing Transfers between Lines of Issuing Company or between Lines of Atkinson Transportation Company and Lines of South Los Angeles Transportation Company.

- (a) Transfers will be issued upon request at the time fare is paid or valid transfer tendered, and will be good only for passenger to whom issued.
- (b) Transfers will be honored on day of issue and within time punched.
- (c) Transfers will entitle passenger to one continuous trip in a general direction away from point of origin, via the most direct route, when used at a connecting point between lines.
- (d) Under the provisions set forth above, transfers issued on connecting lines of the South Los Angeles Transportation Company will be honored for passage on lines of the Atkinson Transportation Company, and vice versa.

(End of Appendix)