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ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 LONG BEACH MOTOR BUS COMPANY request-)
 ing authority to increase rates of)
 fare and suspension of paragraph (4))
 in Decision No. 60787.)

Application No. 43358

George H. Hook and John Munholland, for Long Beach Motor Bus Company, applicant.
Henry E. Jordan and Gerald Desmond, by Edward T. Bennett, for the City of Long Beach, Henry L. Goerlick, for the City of Lakewood, interested parties.
Hugh N. Orr, for the Commission staff.

O P I N I O N

Long Beach Motor Bus Company operates an urban passenger stage service in Long Beach and the surrounding area. By this application, filed April 28, 1961, it seeks authority to increase its fares as follows:

	<u>Present Fares</u>	<u>Proposed Fares</u>
Single-Zone Cash	20 Cents	25 Cents
Single-Zone Token	3 for 50 Cents-(16-2/3)	5 for \$1
Each Additional Zone	5 Cents	7 Cents
School Commutation	12 for \$1-(8-1/3)	20 for \$2.40-(12)

Public hearings were held before Commissioner Frederick B. Holoboff and Examiner William E. Turpen at Long Beach on July 19, 20 and 21, 1961.¹ Evidence was presented by the applicant, by

¹ For the convenience of the parties, the hearing in the instant application was held concurrently with a hearing on a petition filed by the City of Long Beach in Application No. 41963, involving a question of routes of two lines of the bus company. The two matters will be considered in separate decisions.

engineers of the Commission's staff, and by the City of Long Beach. The matter was submitted July 31, 1961, upon the filing of concurrent briefs.

The engineer from the Commission's staff offered for consideration an alternate fare structure. This differed from the applicant's proposal only with respect to school fares, calling for 10 rides for \$1.00 (10 cents each) as compared to applicant's proposal of 20 rides for \$2.40 (12 cents each). The chief engineer of the Bureau of Franchises and Public Utilities of the City of Long Beach proposed another alternate fare structure, calling for no change in the 20-cent cash fare or the 5-cent additional zone fare, but canceling the present token fare and increasing the school fare to the same extent as in the staff's alternate proposal.

Applicant's present fares were established pursuant to Decision No. 56685, dated May 13, 1958, in Application No. 39633. In February of 1960, applicant filed Application No. 41963, in which it sought authority to make changes in its routes and schedules which would result in a reduction of about 20 percent of its annual bus mileage. Decision No. 60787, dated September 27, 1960, in that proceeding authorized route changes and service reductions which resulted in a mileage decrease of about 10 percent. Applicant placed these route and service changes in effect on November 1, 1960.

Applicant's treasurer testified that following these route and service changes the company suffered a far greater decrease in traffic than was anticipated. He stated that the operating results for the first five months of 1961 showed an operating loss of \$10,163. This loss, and wage increases effective June 1, 1961, prompted applicant to file the present application seeking an increase in fares.

Studies showing estimated operating results, for a test year of September 1, 1961, to August 31, 1962, under present and

proposed fares were introduced by applicant's treasurer and by a transportation engineer of the Commission's staff. The estimated operating results are set forth in Table No. 1 below.

TABLE NO. 1

Estimated Operating Results under Present and Proposed
Fares for 12 Months Ending August 31, 1962

	<u>Present Fares</u>		<u>Proposed Fares</u>	
	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>
<u>Operating Revenues</u>				
Passenger	\$1,756,200	\$1,761,400	\$2,055,500	\$2,065,600
Special Bus	30,000	36,200	30,000	36,200
Advertising	14,000	15,200	14,000	15,200
Other		3,300		3,600
Total Operating Revenues	<u>\$1,800,200</u>	<u>\$1,816,100</u>	<u>\$2,099,500</u>	<u>\$2,120,600</u>
<u>Operating Expenses</u>				
Equipment, Maintenance and Garage	\$ 341,950	\$ 335,200	\$ 341,950	\$ 335,200
Transportation	1,075,500	1,075,400	1,075,500	1,075,400
Traffic and Advertising	8,100	6,700	8,100	6,700
Insurance and Safety	90,175	126,000	90,175	126,000
Administrative General	141,095	131,700	141,095	131,700
Operating Taxes	211,200	210,000	216,620	215,500
Depreciation	43,115	51,959	43,115	51,959
Total Expenses	<u>\$1,911,135</u>	<u>\$1,936,959</u>	<u>\$1,916,555</u>	<u>\$1,942,459</u>
Net Operating Revenues	\$ (110,935)	\$ (120,859)	\$ 182,945	\$ 178,141
Other Income	1,200		1,200	
Income Taxes	100	100	95,080	91,836
Net After Taxes	<u>\$ (109,835)</u>	<u>\$ (120,959)</u>	<u>\$ 89,065</u>	<u>\$ 86,305</u>
Rate Base	\$ 591,530	\$ 720,437	\$ 591,530	\$ 720,437
Rate of Return	-	-	15.06%	12.0%
Operating Ratio	106.09%	106.7%	95.76%	95.9%

() - Indicates loss.

It is clear from an examination of the above table that the net operating results as estimated by the applicant and by the staff do not differ to a great extent. In respect to revenues, the difference in passenger revenues is due only to a small difference in the estimate of the percentage loss of traffic. In regard to special bus revenue, the staff used a figure approximately the same as the actual experience over a recent 12-month period, whereas

applicant reduced this figure by eliminating several large charter events that it does not expect to recur. The staff also included an allowance, shown as other revenue, for tokens sold but not used.

With respect to the operating expenses, the differences in four items require comment. Applicant has based its estimates for liability insurance and management fees on percentages of revenues, whereas the staff's estimates are based on special analyses made by the staff of the actual conditions. In previous proceedings involving this applicant, we have adopted the staff's method of estimating these two items of expense as appearing to reflect actual conditions more accurately. The present record contains nothing to change this viewpoint.

Decision No. 60787, dated September 27, 1960, in Application No. 41963, required applicant to institute a program of replacing its fleet of buses over a period of years. Accordingly, the staff's estimates for equipment, maintenance and depreciation reflect the inclusion of 10 new buses for the full rate year and an additional 15 new buses for three months of the rate year, whereas applicant included only the 10 new buses for the full year. Recognition of the purchase next year of the additional 15 buses appears proper. Therefore, the staff's estimates for these accounts appear to be more reasonable than those of applicant. For the same reason the staff's computation of the rate base should be adopted. In order that there be no misunderstanding about the obligation of applicant to purchase these 15 new buses, we hereby place applicant on notice that it is obligated to purchase an additional 15 new buses during the year ending June 30, 1962. Applicant's rates are being fixed herein based upon said obligation. Applicant is hereby further placed on notice that the Commission will expect full compliance with the aforesaid condition, and with the conditions set forth in Decision No. 60787 relating to the purchase of additional new buses,

to wit, that applicant shall purchase 15 new buses each succeeding year ending June 30 until a total of 60 new buses has been purchased. ✓

The City of Long Beach did not make an independent study of applicant's operating results, but extracted figures from the exhibits of both applicant and staff, in general, taking the greater of the two in case of revenues, and the smaller of the two in case of expenses, with adjustments made in certain instances. The net results were calculated on the basis of the City's alternate proposal of no increase in cash fare. The method employed by the City is largely mechanical and produces an operating ratio margin of only 2.66 percent which, under the circumstances, cannot be considered reasonable.

Table No. 1 clearly shows that under the present fares applicant will not be able to earn sufficient revenue to meet its expenses. Under the proposed fares, the operating results as estimated by either the applicant or the staff would not be unreasonable. For the reasons previously stated, for the purpose of this proceeding the staff's estimate of operating results, as shown in Table No. 1, will be adopted. This will produce a net income after taxes of \$86,305 and result in an operating ratio of 95.9 percent. Therefore the Commission finds as a fact and concludes that the fare increases sought herein by applicant are justified and that the anticipated operating results under such fares are reasonable.

The city administrator of the City of Lakewood presented a resolution adopted by the City Council protesting any increase in fares. The assistant superintendent of Long Beach Unified School District protested the proposed increase in school fares. Two patrons of the bus company testified that they thought the company should offer more service and lower fares. The above testimony has not been discussed in detail but has been given consideration.

Several matters regarding revenues, expenses and rate base also have not been discussed, but have been considered in reaching our conclusions.

O R D E R

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

IT IS ORDERED:

1. That Long Beach Motor Bus Company be and it is hereby authorized to publish and file increased fares as follows:

Adult Fare, per one-way ride:

Single zone - 25 cents cash, or one token
Two zones - 32 cents cash, or one token
plus 7 cents
Three zones - 39 cents cash, or one token
plus 14 cents

Tokens to be sold at the rate of 5 for \$1.00

School Fare, good in and between all zones, at
the rate of 20 rides (tickets or tokens)
for \$2.40


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

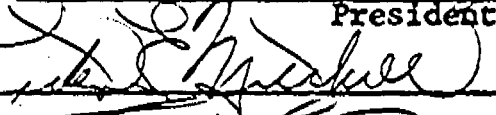
3. That, in addition to the customary filing and posting of tariffs, applicant shall give not less than five days' notice to the public by distributing and posting in its buses a printed explanation of the increased fares.

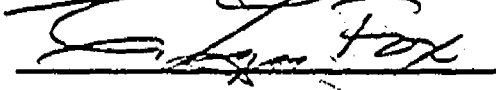
4. That the authority granted in paragraph 1 above shall expire unless exercised within sixty days after the effective date of this order.


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


Dated at San Francisco, California, this 21st day of November, 1961.



President







Commissioners