

**ORIGINAL**Decision No. 65229

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of AIRPORT SERVICE, INCORPORATED, a Corporation operating Limousine Service as a passenger stage corporation, of passengers, baggage, express, newspapers, and mail, between Long Beach and Los Angeles International Airport, Pasadena and Los Angeles International Airport, and Long Beach and Lockheed Air Terminal at Burbank, to increase rates and fares for the transportation of passengers between Long Beach, Long Beach Municipal Airport, Lakewood and North Long Beach and Los Angeles International Airport, Pasadena and Los Angeles International Airport, Long Beach, Long Beach Municipal Airport, Lakewood and North Long Beach and Lockheed Air Terminal, Burbank, all in California.

Application No. 44782Filed September 12, 1962;  
amended January 28, 1963.O P I N I O N

Airport Service, Incorporated, is engaged in the business of transporting persons, baggage and express, as a passenger stage corporation, between Long Beach, Lakewood, and Pasadena, on the one hand, and the Los Angeles International Airport, the Lockheed Air Terminal at Burbank and the Ontario International Airport, on the other hand. Its services to and from the Los Angeles International Airport and the Lockheed Air Terminal are operated on a scheduled and nonscheduled basis; those to the Ontario International Airport are operated on a nonscheduled basis.<sup>1</sup>

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<sup>1</sup> Applicant's services between Pasadena and the Lockheed Air Terminal are on a nonscheduled basis only.

By this application Airport Service, Incorporated, seeks authority to effect increases in its passenger fares to and from the Los Angeles International Airport and the Lockheed Air Terminal. Applicant's present fares for the transportation involved, and the fares which it seeks to establish, are as follows:

Fares per One-Way Ride, per Adult (a)

	<u>Present</u>	<u>Proposed</u>
<u>Between:</u> Los Angeles International Airport		
<u>And:</u> Long Beach (b)	\$2.17	\$2.40
Lakewood (c)	2.17	2.40
Pasadena (d)	2.27	2.50
 <u>Between:</u> Lockheed Air Terminal		
<u>And:</u> Long Beach (b)	3.04	3.25
Lakewood (c)	3.04	3.25

(a) Childrens' Fares:

Child, 5 years or older but ) One half of adult fare  
less than 12 years of age ) for corresponding ride.

Child, 12 years of age or older.... Adult fare applies.

Child of less than 5 years of age.... No charge.

(b) Breakers Hotel, 210 East Ocean Boulevard; Lafayette Hotel, Linden at Broadway; North Long Beach (depot), 6580 Atlantic Avenue; Long Beach Municipal Airport, 3365 Lakewood Boulevard.

(c) 5242 Lakewood Boulevard.

(d) Green Hotel, 50 East Green Street; Huntington-Sheraton Hotel, 1401 South Oak Knoll Avenue.

Applicant states that its fares have been maintained at their present level since the inauguration of its service from Long Beach in 1951 and from Pasadena in 1955. It further states that since 1951 it has experienced substantial increases in virtually all categories of its operating costs and that it can no longer operate profitably under present fares. It estimates that unless it is permitted to increase its fares, its operations for the year ending with June, 1963, will result in a loss of \$14,995. Applicant's estimates of revenues and expenses in this respect are as follows:

Revenues	\$368,585
Expenses	<u>383,580</u>
Loss	\$ 14,995

In order to show the level of earnings which it expects to realize under the proposed fares, applicant also submitted estimates of its financial operating results for the twelve months through June, 1963, which estimates were developed on the assumption that the proposed fares have been assessed throughout the year. These estimates are summarized in the table below:

Table No. 1  
Estimated Financial Results of Operations  
Under Proposed Fares,  
Year Ending with June, 1963

Operating Revenues	\$406,410
Operating Expenses	<u>383,580</u>
Net Operating Revenues	\$ 22,830
Federal Income Taxes	<u>4,342</u>
Net Income	\$ 18,488*
Rate Base	\$205,510
Rate of Return	9.00%*
Operating Ratio	95.5%*

\*Adjusted to reflect exclusion of non-operating revenues and expenses.

Applicant's operations and records were reviewed and analyzed in connection with this matter by an engineer of the Transportation Division of the Commission's staff. On the basis of data thus obtained, the engineer also developed estimates of applicant's financial results of operation under present and proposed fares. The engineer's report is included in the record herein as Exhibit No. 1.

The estimates of the engineer differ from those of applicant in several material respects. The differences stem in part from the fact that applicant's estimates were developed for the year ending with June 30, 1963; those of the engineer were developed for the full year 1963. In other respects applicant predicted that the volume of its traffic would be about four percent below that for the preceding year. The engineer concluded from his analysis of the trend of applicant's traffic that the level of traffic for 1963 would be about the same as for 1962. In the matter of expenses the engineer included in his estimates adjustments to disallow certain expenses which, in his opinion, are not proper charges against the operations from a rate standpoint. On the other hand he included adjustments to make provision for expenses which are applicable to the operations, but which are not fully reflected in applicant's figures. The

engineer's estimates are summarized in Table No. 2 below:

Table No. 2  
Estimated Financial Results of Operations  
Under Present and Proposed Fares,  
Year Ending with December, 1963

	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenues	\$381,350	\$420,010
Operating Expenses	<u>386,560</u>	<u>388,950</u>
Net Operating Revenues	( <u>\$ 5,210</u> )	\$ 31,060
Income Taxes	<u>100</u>	<u>5,340</u>
Net Income	( <u>\$ 5,310</u> )	\$ 25,720
Rate Base	\$207,090	\$207,090
Rate of Return	-	12.4%
Operating Ratio	101.4%	93.9%

( ) Indicates loss.

On the basis of the foregoing estimates the engineer concurred with applicant that under present fares applicant is not able to earn sufficient revenues to realize a reasonable return. The engineer concluded, however, that applicant's needs for additional revenues are not such as to justify all of the fare increases which are sought. As an alternative the engineer recommended that a fare of \$2.40 per adult one-way ride between Pasadena and the Los Angeles International Airport be authorized instead of the sought fare of \$2.50 per ride. In other respects the engineer recommended that the proposed fares be authorized.

The engineer's estimate of operating results under his alternative proposal is shown in Table No. 3 below:

Table No. 3 Estimated Financial Results of Operations Under Alternative Fare Proposal, <u>Year Ending with December, 1963</u>	
Operating Revenues	\$410,500
Operating Expenses	<u>338,370</u>
Net Operating Revenues	\$ 22,130
Income Taxes	<u>2,320</u>
Net Income	\$ 19,810
Rate Base	\$207,090
Rate of Return	9.6%
Operating Ratio	95.2%

Responding to the engineer's recommendations, applicant has informed the Commission that it would accept the recommended modification of its proposals.

Notices to the public concerning the proposed fare increases were posted in applicant's vehicles and terminals. No protests with respect thereto have been received by the Commission. Public hearing on this application is not necessary.

Upon consideration of the record in this matter, we hereby find that the foregoing estimates of the engineer are reasonable for the purposes of this proceeding. It is clear from said estimates that under present fares applicant no longer is able to earn sufficient revenues to sustain its operations. We

hereby find that increases in applicant's fares to the extent recommended by the engineer in his alternative proposal have been shown to be justified and that they should be authorized to become effective on less than statutory notice. To this extent the application will be granted.

O R D E R

IT IS ORDERED that:

1. Airport Service, Incorporated, be, and it hereby is, authorized to amend its Local Passenger and Express Tariff No. 1, Cal. P.U.C. No. 1, to establish the increased fares which are identified on page 2 of this Decision as "Proposed Fares."

EXCEPTION: The adult fare per one-way ride between Pasadena and Los Angeles International Airport which may be established pursuant to the authority herein granted shall not exceed \$2.40.

Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

2. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

3. In addition to the required posting and filing of tariffs, Airport Service, Incorporated, shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. Such notice shall be posted not later than five

days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

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

Dated at San Francisco, California, this 16<sup>th</sup> day of APRIL, 1963.

George H. Trover  
President

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Frederick B. Halblaff

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Commissioners