GH

ORIGINAL

Decision No. 68121

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. 44674
Investigation on the Commission's own motion into the operations, equipment and service of PASADENA CITY LINES, INC.	Case No. 7867

John W. Holmes, for Pasadena City Lines, Inc., applicant and petitioner in Application No. 44674 and respondent in Case No. 7867.
Fred Matheny, for City of Pasadena; R. W. Russell, by K. D. Walpert, for City of Los Angeles; D. F. Fugit, for Brotherhood of Railroad Trainmen; interested parties.
Elmer Sjostrom, C. V. Shawler, Timothy J. Canty, Fred G. Ballenger and W. F. Hibbard, for the Commission's staff.

SUPPLEMENTAL OPINION

By Decision No. 65008, dated February 26, 1963, in Application No. 44674, Pasadena City Lines, Inc. was authorized to increase its passenger fares. Ordering paragraph 4 of the decision reads as follows:

> "Applicant is directed to place in service during each of the three twelve-month periods consecutively following immediately the effective date of this order five new 45-passenger buses, the first group of five buses to be placed in service as soon as possible after said effective date. Applicant shall advise the Commission in writing as each new bus is placed in service."

Under the terms of said ordering paragraph the first group of five new buses was to be in service by March 18, 1964. On February 24, 1964 Pasadena City Lines, Inc.[1/] filed its petition for modification of Decision No. 65008. Therein the carrier stated that it had

1/ Pasadena City Lines, Inc. is the respondent in Case No. 7867, the applicant in Application No. 44674 and the petitioner in the Petition for Modification of Decision No. 65008. The carrier will be generally hereafter referred to as "applicant".

complied with all provisions of the order in said decision, except the requirement to purchase new buses and that it had not placed any new buses in service because its financial condition would not permit the large outlay of cash and the very substantial increase in liabilities that would be necessary in order to carry out the directive in question. Applicant alleged that its operating expenses had increased substantially in excess of the amount estimated by it and the Commission's staff at the time of the hearing in Application No. 44674 and that the revenues of applicant had failed by a large margin to reach the level, under the authorized fares, anticipated by the staff. Assertedly, operations during the calendar year of 1963 resulted in a net loss of $3,664. Applicant requested a suspension of the requirements of ordering paragraph 4 of Decision No. 65008 until applicant's financial condition should justify and allow purchase of the new buses.

Since it was not practicable to reach a decision with reference to the aforesaid petition prior to March 18, 1964, the Commission issued, on March 17, 1964 an interim order in Application No. 44674, suspending the requirements of ordering paragraph 4 of Decision No. 65008 until further order of the Commission. By its Order Instituting Investigation, dated March 24, 1964, in Case No. 7867 the Commission instituted an investigation on its own motion for the purpose of determining:

1. Whether Pasadena City Lines, Inc. should be ordered to obtain and place in service new or modern motor vehicles in addition to or in replacement of any motor vehicles then owned or operated by it for the transportation of passengers.

2. Whether any other order or orders that might be appropriate should be issued in the lawful exercise of the Commission's jurisdiction. Also, by another order dated March 24, 1964, the Commission reopened Application No. 44674 for the purpose of determining whether

ordering paragraph 4 of Decision No. 65008 should be modified or rescinded.

Public hearing on these matters was held before Examiner Bishop at Pasadena on May 8 and 19, 1964. Opening briefs were filed on July 6, 1964 and with the filing of a reply brief by applicant on July 17, 1964, the matters were taken under submission.

Evidence on behalf of applicant was presented by its president, its vice-president, its secretary-treasurer, its superintendent of transportation, a certified public accountant whose firm provides a tax and accounting service for applicant and by two staff members of the California Highway Patrol. Evidence in behalf of the Commission's staff was presented by three witnesses: a public utility financial examiner and two Transportation Division engineers, one a senior engineer from the Engineering Economics Branch, the other an assistant engineer from the Engineering Operations Branch. Six members of the public testified in their own behalf.

The record discloses the following facts which are relevant to the question at issue: At the time of the original hearing of this application, September 20, 1962, and until May 1963, National City Lines (National), of Chicago, Illinois, was sole stockholder of applicant.[2/] During the period of ownership by National, supervisory control of applicant was exercised by Pacific City Lines, Inc. (Pacific), another wholly-owned subsidiary of National. In January 1963, applicant declared a cash dividend of $124,288, constituting the total amount of its temporary cash investments, which was 76

2/ Applicant was organized in 1940, when it acquired from Pacific Electric Railway Company certain property and operative rights. Applicant was wholly owned by Pacific City Lines, Inc., Oakland, California, until 1948 when ownership was transferred to National City Lines.

percent of the par value of outstanding capital stock and 36 percent of common equity before dividends. This dividend was paid to National, the sole stockholder. In May 1963, National sold all of the stock of applicant to Wilcox-Manning Transportation Company, a company formed for that purpose. The consideration was approximately $230,000, which was paid in cash.

At the aforesaid hearing on September 20, 1962, the Commission's staff recommended that applicant be required to institute a bus replacement program. When the above-mentioned dividend was declared by applicant in January 1963, Application No. 44674 was under submission and the utility was aware of the staff's recommendation to the Commission. As hereinbefore stated, on February 26, 1963, the Commission issued its decision authorizing applicant to increase its fares and directing it to institute the bus replacement program set forth in the above-quoted ordering paragraph 4.

The record further discloses that two men, Ray C. Wilcox and T. J. Manning, were associated in the formation of the Wilcox-Manning Transportation Company. They had been previously associated in business enterprizes in British Columbia. Wilcox provided the funds for the purchase of applicant's stock from National. He had had no prior experience in the operation of transit systems. Manning furnished the operating experience,[3/] which had been extensive. On transfer of ownership of applicant's stock from National, Manning was installed as president of applicant. He resigned from this position in December, 1963, and no longer has any connection with applicant. On his resignation Mr. Wilcox became president.

3/ According to the record Manning was associated with Pasadena bus operations prior to their acquisition by National, and for many years was an officer and director of National; however, at the time of the above-mentioned transfer of control of applicant to Wilcox-Manning Transportation Company he was not a director of, nor did he own stock in, National.

The record further discloses that as a consequence of their business ventures in British Columbia, Manning owed Wilcox substantial sums of money which Manning was not in a position to repay. According to testimony of one of applicant's officers, the formation of Wilcox-Manning Transportation Company, with the assumption of control of applicant, was intended as a means whereby Wilcox might recoup some or all of the aforementioned losses.

A balance sheet, prepared by applicant's accounting witness, reflects the carrier's condition as of March 31, 1964. Listed among the current assets is an item of $33,565.04 designated "Officer-open account, temporary advances".[4/] This amount represents withdrawals made personally by Wilcox for purposes which the record does not disclose. In the same balance sheet is set forth under "Other Assets" an entry reading "Investment in property held for sale-42' Chris Craft diesel-powered boat". The book value of this property is shown as $32,702.25. The record indicates that the acquisition of the boat by applicant was the result of a series of involved transactions, bearing upon the financial dealings between Wilcox and Manning, and represents actual cash outlays by applicant.

The staff's financial witness presented a statement of "Source and Application of Funds" for applicant. This statement

4/ As of February 29, 1964, this account reflected an entry of $30,607. This account apparently began with a cash advance of approximately $7,600 in June, 1963 to Manning, followed by other similar advances to Manning. These cash advances, by November 1963 totaled about $26,000. The open accounts were settled in December, 1963. During the six months period in question the advances averaged $13,900. The amounts taken above from the balance sheets of February 29 and March 31, 1964, represent new advances made to Manning since the close of 1963. It appears that no interest was charged by applicant on any of the advances hereinabove mentioned.

covers the period from January 1, 1959 through February 29, 1964. It is reproduced in Table I, below:

TABLE I

Funds Provided		
Gross Revenues		$4,370,368
Less: Operating exp. (1)	$4,184,038	
Management Fees	132,999	4,317,037
Net Income		$ 53,331
Non-Cash Expenditures		
Depreciation and Amortization		74,126
Decrease in Working Capital		219,476
Total Funds Provided		$ 346,933
Funds Applied		
Fixed Asset Purchases		$ 136,952
Dividends		173,428
Increase in Prepaid Items		3,851
Purchase of non-operating property		32,702
Total Funds Applied		$ 346,933

(1) Including income taxes but excluding management fees.

The financial examiner observed that the significant decrease in working capital, primarily liquid assets, is roughly equivalent to funds applied to dividend payments and purchase of non-operating property. The dividends paid out in the period in question, he added, amounted to 105.9 percent of the par value of outstanding capital stock.

An examination of the carrier's balance sheet, the financial examiner stated, indicated that none of the present equipment is encumbered by debt, and that applicant's financial condition, together with the estimate of operating results projected by another staff witness, would support debt financing for the purchase of new buses.

Exhibits introduced by applicant's accounting witness purport to show the necessary cash outlays and increase in operating expenses for the years 1964 through 1976 which would be entailed in the purchase of 15 new coaches if purchased in three successive years. According to his study cash outlays would range from $29,540 in the first year (1964) to a peak of $98,880 in 1966, remaining relatively high in the next three years then dropping off to $10,068 in 1971.5/ The estimated increases in operating expenses as a result of purchasing new buses would reach a peak of 6.6 percent in 1966, tapering off to 1.3 percent in 1976. Included in the witness's estimate of expenses were licensing, depreciation and interest.6/ Another exhibit of this witness showed the downward trend in recent years in the net earning position of applicant. In 1959 the net revenue was $47,034. In 1962 and 1963 losses of $10,479 and $3,589, respectively, were experienced.

This witness also contrasted the actual operating results of the 12-month period ended October 31, 1963, with those estimated for the same period (as a projected rate year) by the staff in the original hearings in Application No. 44674.7/ Whereas the staff had estimated net income after income taxes of $39,850 and an operating ratio of 95.8 percent, there was actually a loss of $3,155 and an operating ratio of 103.5 percent. It is to be observed, however, that the staff estimate assumed that the increased fares would be in effect

5/ The witness anticipated that under customary time-payment contracts the new buses would be entirely debt-free by 1972.

6/ It is here noted that, for rate-making purposes, the Commission does not recognize interest expense as an operating expense.

7/ The staff estimate in question was one in which it was assumed that a suggested alternate basis of fares would be adopted (as it was) and that no new buses would be required.

for the full 12-month period, whereas said fares became operative about half-way through the test period. Moreover, the actual expenses included management and accounting service fees amounting to more than $26,000, whereas the staff had estimated that a reasonable allowance for the 12-month period would be something less than $25,000.

A comparison of recorded operating results for the year ended December 31, 1963, with estimated operating results for a projected 12-month period ended June 30, 1965, was presented by the engineer from the Commission's Engineering Economics Branch. Estimated operating results were developed on two bases: first, assuming that no new buses are purchased, and secondly, under the assumption that five newly purchased buses are in operation during the entire 12-month period. The witness estimated the same amount of revenue under each basis. He estimated less maintenance expense but a substantial increase in depreciation expense for operations with new buses as compared with operation in the absence of new buses.

In developing his estimate of operating results with new buses the engineer gave effect, in his calculation of income taxes, to the investment credit which would accrue to applicant by reason of the purchase of said vehicles.[8/] He also included such a credit in his calculation of income taxes for estimated operating results which contemplate no purchase of new buses. This is not proper, since, in the absence of new equipment, applicant would not be permitted, under the tax laws, to take such a credit.

8/ The Internal Revenue Act of 1962 prescribes a business investment tax credit based generally on the purchase of equipment. In a letter dated December 18, 1962, this Commission instructed all utilities and carriers to account for this tax credit in accordance with the method commonly known as "flow through".

In Table II, below, the above-described actual and estimated operating results are summarized. The results for the projected rate year, without the purchase of new buses, as developed by the staff engineer, have been adjusted by eliminating the aforesaid investment tax credit.

TABLE II

	Book Record Year Ended 12-31-63	Estimated Results 12-months ending 6-30-65 Without New Buses	Estimated Results 12-months ending 6-30-65 With New Buses
Revenue	$906,001	$931,300	$931,300
Expenses	909,602	885,800	888,400
Net Before Income Taxes	$ (3,601)	$ 45,500	$ 42,900
Income Taxes	100	16,640	5,660
Net after Taxes	$ (3,701)	$ 28,860	$ 37,240
Operating Ratio#	100.4%	96.9%	96.0%
Rate Base	---	$153,450	$286,230
Rate of Return#	---	18.8%	13.0%

After Income Taxes ( ) Indicates loss.

The engineer's estimate of greater revenues for the projected rate year than were received during 1963 reflects the effect, for a full 12-month period, of the fare increases authorized by Decision No. 65008, above. His estimate of the number of passengers is a projection of the monthly average of passengers carried in 1963. Considering the fluctuations in that year as a whole, he estimated that the trend was, and would continue, approximately on a level. Applicant, however, contends that there has been a consistent downward trend in patronage for the past few years and that such trend will continue. The staff engineer included in his presentation a graphic depiction of applicant's traffic for the period from January 1959 to March 1963. An analysis of the graph discloses two significant features: following each December peak of holiday traffic there was a sharp decline in patronage, which was later reversed and following each of the two fare increases (one in 1961, the other in 1963) there was also a temporary falling off. The general level of patronage following each fare increase was generally lower than before, but the seasonal drop in January and February of each year did not contribute to these declines. Thus, in 1962, when there was no fare increase, the trend of the year was level. There was a longer decline in the first half of 1963 than in the other fare increase year shown (1962) because the fare increase of 1963 followed closely the seasonal falling off in January and February. As pointed out by the staff engineer, however, the second half of 1963 exhibited a slightly rising trend of traffic. In the light of the foregoing analysis, it appears that the engineer's estimate of riders for the projected rate year is a reasonable one.

The total expenses estimated by the engineer for the rate year are somewhat lower than those recorded for 1963. In some categories increases over that year are anticipated. The principal reduction estimated by the witness was in the category of management fees and general officer salaries. The book records for 1963 show no charge to salaries of general officers but include an item of $27,002 for management fees and expenses. It appears from the record that this figure reflects payment of management fees to National for the earlier part of the year and similar payments to Wilcox-Manning Transportation Company for the balance of the year. The engineer includes an estimate of $12,800 for salaries of general officers and makes no provision for management fees.[9/] He considered the indicated amount as proper for a transit operation of the size of applicant.

9/ Since January 1, 1964, the operations have been managed by applicant's vice-president and general manager.

Applicant considers that it is not realistic to develop, as the staff engineer has done, estimated operating results for a single projected year. The carrier's accounting witness pointed out that, as shown in his exhibits, the additional operating costs associated with the purchase of new buses would be much greater during the second and succeeding years than during the first year of new bus operation. (In this connection it is noted that by far the greatest item of added expense is that of charges to depreciation). He had developed estimated "average" annual operating results for the years 1966 through 1970, assuming that 15 new coaches would be purchased. The net result thus developed shows an estimated annual loss of $64,000, including average interest payments of $8,000. In arriving at this result the accountant developed a revenue estimate somewhat less than that of the staff engineer, and his broad categories of estimated expenses were generally substantially higher than those forecast by the engineer. The accountant further calculated that it would require a fare increase productive of 15 percent more revenue than that which he estimated for the "average" year to produce an operating ratio of 95.3 percent and a corresponding rate of return of 10.8 percent.

Because of the likelihood of changed conditions, it does not appear practicable for the purpose of this proceeding to develop reliable estimates of operating results for more than one fiscal 12-month period or calendar year in the future. The estimates of operating results for a one-year period developed by the staff engineer appear reasonable. They will be adopted.

The evidence adduced by the Commission's traffic engineering witness and various witnesses offered by applicant support the conclusion that applicant's buses are in good operating condition and are satisfactorily maintained. The aforesaid traffic engineer pointed out, however, that four of the buses are 1941 models and that 36 of the vehicles were built in 1947. He testified that buses of such ages cannot be kept in service indefinitely, and was of the opinion that applicant should have instituted a bus replacement program. He recommended that applicant be required to purchase a minimum of five new 45-passenger buses during each of the next three years.

The staff traffic engineer presented an analysis of schedules and load on the various routes of applicant. Effective in April of this year, he testified, certain service reductions were made on routes where the frequency of schedules was greater than the volume of traffic required. These reductions were worked out in consultation with the Commission's staff and will result in an annual saving of 95,000 bus miles. This was the first service reduction since 1956. He indicated that other reductions might be made without affecting the adequacy of applicant's service. However, he did not make a specific recommendation in this regard.

As hereinbefore stated, several members of the public testified or made statements from the floor. One witness testified that the service rendered by applicant is essential, and that it should not be required to purchase new buses until it is financially able to do so. She suggested the desirability of a new route which would circle the civic center of Pasadena. The remainder of the public participants directed their remarks to service matters. Complaints were made that some of the drivers were not courteous, that some did not allow elderly people to board the buses, that only a few drivers call the stops, that in some instances the "silent radios" and "no smoking" rules are not enforced, that schedules should be more frequent, particularly on Sundays and late in the evening, and that there should be cross-town buses and routes to parks and public gardens not now served. One witness contrasted the quality of transit service in Pasadena with that in Santa Monica, to the disadvantage of the former. He pointed out that passenger traffic has increased in the latter city, in contrast to the general trend.

Pursuant to a directive in Decision No. 65008, above, applicant in 1962 employed an additional field supervisor. In the light of the above-mentioned service complaints applicant is directed to supervise its drivers more closely with a view to eliminating the causes for such complaints, and to assure a uniform high standard of courtesy for all of its bus operators.

In his statement of position counsel for the City of Los Angeles, appearing as an interested party, argued that applicant's new management has not acted prudently and appears to have neglected the public interest, and that, while applicant's buses are properly maintained, he felt that service could be improved by the addition of new buses, to be purchased progressively. He suggested that applicant might be permitted to modify the program in the second year if changed conditions so required.

It does not appear necessary to set forth all the points presented by applicant in its briefs. They have all been carefully considered. Counsel therein argued essentially that applicant's present financial condition will not permit it to purchase new buses, that if a 15 percent increase in revenue were envisioned in order to finance the bus purchase program, and if the current existing rate of diminution of patronage were to be augmented by fare increases, in the end relatively few remaining riders would be paying astronomical new fares for the privilege of riding nearly empty new buses. Long before that, he argued, applicant would be out of business, and its successor, if any, would be operating a more economically rational service. The true issue in these proceedings, he contended, is whether applicant is to be forced out of business because of its inability to meet the bus purchase directive. He further argued that in any event, the record shows that the loading of applicant's vehicles, even in peak hours, is not such as to require 45-passenger buses.10/

In applicant's briefs it is argued further that the financial difficulties of the utility are due, in part, to a reduction of cash resources due to a dividend of $124,000 declared by the "former owner" of the company, and that this action should not be made the basis of punitive action against the "innocent present owner". Applicant, counsel argues, should be given an opportunity to find a reasonable solution to its financial problem, before requiring the purchase of new buses. In this connection he pointed out that applicant's president is attempting to interest the City of Pasadena in purchasing the system, and that time should be allowed for this avenue to be completely explored.

Acting on the above-mentioned staff suggestion that further economies might be obtained by additional reductions in mileage, applicant has made a study of its operations to determine whether such reductions could, by route and headway changes, be accomplished without adversely affecting the service. The results of that study are set forth in a report attached to applicant's opening brief. Counsel seeks leave therein to file the report as a late-filed exhibit. The report is hereby received as Exhibit No. 18.11/ This report, the brief argues, indicates that substantial savings in equipment may be possible if certain service adjustments are made and authorized by the Commission. Such a program, it is stated, would affect

10/ Of the 45 coaches operated by applicant, 13 are of 45-passenger seating capacity (including 5 new coaches acquired in 1960). The remainder are 36-passenger vehicles.

11/ No objection has been offered to the above request by the Commission's staff, which filed an opening brief but did not elect to file a closing brief.

the number and capacity of any new buses and would require reconsideration of the bus program. Pending the outcome of further developments in this direction the brief argues that the bus acquisition directive of Decision No. 65008 should be held in abeyance.

In its brief the staff reviews the various financial transactions hereinbefore recounted, characterizes the disbursement of funds and execution of cash advances to officers as amounting to a deliberate disregard of the Commission's bus purchase directive and argues that applicant should not be relieved of the obligation to make such purchases. The staff further contends that operating results estimated by the staff engineer for the future, coupled with liquidation of the non-utility property and repayment of advances to officers should provide sufficient funds for institution of the bus replacement program.

DISCUSSION, FINDINGS AND CONCLUSIONS

Based upon a full and adequate record made at a public hearing on September 20, 1962, the Commission concluded in its Decision No. 65008, issued on February 26, 1963, that, in addition to being authorized to increase its fares, Pasadena City Lines, Inc. should be required to institute a systematic bus replacement program, and made its order to that effect. On February 24, 1964, Pasadena City Lines, Inc., approached the Commission for the first time since the issuance of the directive, advising by petition, that it had not purchased any of the five buses required for the first year and that it would not be able to make any such purchases until its financial condition should reflect marked improvement.

The record made at the May 1964 hearings, as hereinabove reviewed, made it abundantly clear what had happened between September 1962 and February 1964. The declaration of the cash dividends in

January, 1963, the investment in non-utility property and the cash advances to officers together resulted in a decline of working capital from approximately $141,000 as of December 31, 1962, to a negative figure of about $5,000 as of February 29, 1964. At the time of the $124,000 dividend distribution in January, 1963, the company's managers were fully aware that the Commission's staff had, at the September 1962 hearing, recommended the purchase of new buses. And when the new managers assumed control in May, 1963, it is reasonable to assume that they knew of the dividend distribution and obviously were aware of the outstanding requirement for the purchase of new buses, as set forth in the decision issued in the preceding month of February.

Pasadena City Lines, Inc., a corporation, was, and is, a public utility subject to regulation by this Commission. The public utility which sought the fare increase in September, 1962, was the public utility which, in February, 1963, was directed to purchase new buses, and which is now before the Commission in these proceedings. This truism is not altered by the fact that in May, 1963, National, the sole owner of Pasadena City Lines, Inc. stock, sold all of that stock to Wilcox-Manning Transportation Company. The former and present owners of said stock were not and are not public utilities.12/

Whatever intent, therefore, may be ascribed to the former and current managers--and stockholders--of Pasadena City Lines, Inc., it is clear that that company has, by the various financial transactions described herein, treated lightly its responsibilities to this

12/ The Commission has no authority over the transfer of stock of public utilities unless such stock is being acquired by a public utility. (See Decision No. 26376, dated October 2, 1933, in Application No. 19065--Bakersfield & Kern Electric Railway Company).

Commission.[13/] And unquestionably Pasadena City Lines, Inc. by the same token lost sight of its duty in the public interest.

The evidence upon which applicant was, by Decision No. 65008, required to institute a bus replacement program is the same as that adduced in the 1964 hearings, namely, that most of applicant's buses are very old and that, therefore, prudence and the public interest require that they be systematically replaced by newer vehicles. The institution of such a program, accordingly, should still be required.

The net income to be derived from operations as reflected by the staff estimates, including elimination of so-called management fees, together with liquidation of the non-utility property, the repayment of advances to officers, and the adoption, upon proper Commission authorization, of such modifications in bus mileage operated as may appear reasonable, should enable applicant to commence the bus replacement program. Applicant is placed on notice, however, that the net income of a public utility is not intended to provide all the new or additional capital which is required because the cost of replacement buses is greatly in excess of the cost of most of applicant's original equipment.

Upon consideration, we find:

1. Applicant, through various financial transactions, executed subsequently to December 31, 1962, has so impaired its cash position as to result in its deferment of the bus replacement program required by ordering paragraph 4 of Decision No. 65008.

13/ It is here noted that, according to an unsworn statement in the record, Manning anticipated that with the fare increases of March 1963, applicant's operations would be profitable but that this expectation was not realized.

2. Applicant should take steps necessary to bring about an improvement of its net income position through the reduction of bus miles, along the lines contemplated by the study reported in Exhibit 18, where such reduction will not adversely affect public service requirements. Such modifications should be submitted for Commission authorization before adoption.

3. Present bus equipment operated by applicant, while mostly old, is well maintained and presently safe for the services conducted.

4. Applicant cannot continue to provide adequate service without a program for replacement of its older buses and should be required to institute a bus replacement program as provided for in the following order.

5. In carrying out said bus replacement program applicant should not be required to purchase 45 passenger buses.

Based upon the foregoing findings, we conclude that ordering paragraph 4 of Decision No. 65008 should be modified to require the purchase of 15 new buses of at least 36-passenger capacity, five by January 1, 1966 and five in each 12-month period thereafter to January 1, 1968.

SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. The requirements of ordering paragraph 4 of Decision No. 65008 in Application No. 44674 are modified as follows:

> 4. Applicant is directed to place in service 15 new buses of at least 36-passenger capacity prior to January 1, 1968, and the number of buses to be acquired and the dates of acquisition shall not be less in number or in time than specified in the following schedule:

Number of Buses	Shall be acquired Prior to:
5	January 1, 1966
5	January 1, 1967
5	January 1, 1968

Applicant shall advise the Commission in writing as each new bus is placed in service.

2. Applicant shall aggressively continue analysis of its routes and schedules with a view to accomplishing such reductions in bus mileage as will not adversely affect the public interest. Before making any changes of the character herein contemplated, applicant shall secure authority therefor from the Commission.

3. The investigation in Case No. 7867 is discontinued.

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

Dated at San Francisco, California, this 27th day of OCTOBER, 1964.

Frederick B. Holoboff
President

Peter E. Mitchell

Everett C. McKeage

George G. Grover

William M. Bennett
Commissioners