

ORIGINAL

Decision No. 68261

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of) HIGHLAND TRANSIT, INC., to increase) rate of fares for the transportation) of passengers in the City of San) Pedro, California.)	Application No. 46776 (Filed July 3, 1964; amended October 20, 1964)
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Ivan C. Smith, for Highland Transit, Inc.,
 applicant.
Robert Landier, for San Pedro Motor Bus
 Company; and R. W. Russell, Chief Engi-
 neer and General Manager, Department of
 Public Utilities and Transportation, by
K. D. Walpert, for the City of Los
 Angeles, interested parties.
Kenji Tomita and Glenn E. Newton, for the
 Commission staff.

O P I N I O N

Highland Transit, Inc., (Highland) is a passenger stage corporation operating between points in the San Pedro district of the City of Los Angeles and in adjacent portions of Los Angeles County. Passenger bus operations are also conducted in the same general area by Gaylord M. Anderson, doing business as La Rambla Bus Lines, and by San Pedro Motor Bus Company, a joint organization of three individuals, operating the Point Fermin line, the Gaffey Street line and the Barton Hill line. Anderson operates under the jurisdiction of this Commission.¹ San Pedro Motor Bus Company operates wholly within the City of Los Angeles, and is subject to

¹ Gaylord M. Anderson has filed Application No. 46737 seeking increases in fares to the same levels as sought by Highland in Application No. 46776.

the jurisdiction of that City.² Passenger fares are uniform among the three companies and there are free transfer privileges between the several lines.

By this application, Highland Transit, Inc., seeks authority to increase its fares. The present adult one-way fare is 15 cents, the single-ride children's fare is 10 cents, and 30-ride school tickets are sold for \$2.50 (8-1/3 cents per ride). Highland proposes to increase the adult one-way fare to 20 cents, the single ride children's fare to 15 cents, and the 30-ride school ticket to \$3.50 (11-2/3 cents per ride).

Applications Nos. 46737 and 46776 were consolidated for hearing. These matters were heard and submitted before Examiner Mallory at San Pedro on October 8, 1964.³ Notice to the public of the application and hearing was made by the service of copies of the application upon local authorities and by the posting of notices of hearing in applicant's buses and terminal. No one appeared in opposition to the relief sought.

Evidence was adduced by applicant's president and accountant and by a financial examiner and a transportation engineer of the Commission's staff. In support of the application, Highland's president testified that applicant operates four buses. In addition to management duties, the witness stated that he also maintains the equipment and substitutes as a bus driver. The witness stated that operations are being conducted near the break-even point and that unless fares are increased applicant no longer can continue

² San Pedro Motor Bus Company has filed a request with the Department of Public Utilities and Transportation of the City of Los Angeles to increase fares to the levels sought by Highland and Anderson in Applications Nos. 46776 and 46737.

³ Application No. 46737 is being decided in a separate order of the Commission.

operations. Applicant's accountant testified concerning financial data contained in the application. The following table summarizes applicant's results of operations for the year 1963, and estimated results of operations for the year 1964 under proposed fares and current expense levels, as set forth in the application.

TABLE I

Highland Transit, Inc.

Results of Operations
(Applicant)

<u>Item</u>	<u>1963</u> <u>Actual</u>	<u>1964</u> <u>Estimated</u>
Operating Revenues	\$27,997	\$32,966
Operating Expenses	27,690	30,603
Net Operating Profit	<u>307</u>	<u>2,363</u>
Operating Ratio	98.9%	92.8%

An investigation of applicant's operations was conducted by the staff of the Commission. The results of this investigation were set forth in an exhibit prepared and presented jointly by two staff members, one from the Finance and Accounts Division and the other from the Transportation Division. This report contains estimated results of operations under present and proposed fares for the year ending October 31, 1965, as set forth in the following table.

TABLE II

Highland Transit, Inc.

Estimated Results of Operations
(Commission Staff)

<u>Item</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Revenue</u>		
Passenger	\$25,000	\$30,410
Other	400	400
Total Revenue	<u>25,400</u>	<u>30,810</u>
<u>Expense</u>		
Repairs, Service, Tires and Tubes	5,310	5,310
Drivers' Wages	10,350	10,350
Fuel and Oil	1,700	1,700
Other Transportation Expense	1,200	1,200
Insurance	2,500	2,550
Office Salaries and Expense	3,440	3,440
Total	<u>24,550</u>	<u>24,550</u>
Depreciation	1,860	1,860
Operating Taxes	3,010	3,140
Total Expense	<u>29,420</u>	<u>29,550</u>
Net before Income Taxes ...	(4,120)	1,070
Income Taxes	100	190
Net Income	<u>(4,120)</u>	<u>1,070</u>
Operating Ratio	116.2%	96.5%
Rate Base	\$13,930	\$13,930
Rate of Return	-	7.7%

(Red Figure)

The estimated results of operations developed by applicant and by the Commission staff differ in minor respects because of the different periods covered. Applicant's estimated revenues are developed on current levels of traffic. Staff estimates are based upon the declining trend in traffic levels since 1962. Different rates of diminution in patronage because of the increased fares were used by applicant and the staff. The diminution factor used by the staff is developed from the experience over the past several years of bus companies of similar size. Applicant used a judgment figure based upon experience under its last fare increase in 1959.

The staff's estimate of revenues appears reasonably to reflect the revenues which may be anticipated by applicant under present and proposed fares for a test year.

Operating expenses for the test year developed by the staff differ from those of applicant in the following respects. The staff estimates include an additional amount to cover remuneration for service performed by applicant's president, but not reflected in applicant's historical record. Operating taxes were also adjusted in the staff estimate to eliminate weight fee payments for transit buses in accordance with recently enacted legislation. It appears that the staff estimates of expenses reasonably reflect expenses which will be incurred during the test year.

Under present fares, an operating deficit is indicated by the staff for the test year. Under proposed fares, applicant estimates annual earnings of \$2,363 and an operating ratio of 92.8 percent. The corresponding staff estimate of yearly income is \$1,070, with an operating ratio of 96.5 percent. The staff estimates the rate of return to be 7.7 percent under proposed fares.

Based upon its study, the Commission staff concludes that applicant's present fares are inadequate and that the proposed fares should be authorized.

The Commission finds that the fares sought in the application are reasonable and the increases are justified. The application will be granted. Inasmuch as applicant is in urgent need of additional revenue, the authorized fares may be published on five days' notice.

O R D E R

IT IS ORDERED that:

1. Highland Transit, Inc., is authorized to establish the following passenger fares:

Adult one-way fare	\$0.20
Children's one-way fare	.15
30-ride school ticket	3.50

Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof, on not less than five 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, applicant 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 less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 24th day of NOVEMBER, 1964.

Frederick G. Holcomb
President

George E. H. [unclear]

Walter [unclear]

George H. Hoover

William [unclear]
Commissioners