

ORIGINALDecision No. 70066

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, for interim
relief from presently authorized
rates of fare and for relief from
order requiring purchase of new
equipment.

Application No. 48028

(Filed November 2, 1965)

INTERIM OPINION AND ORDER

Pasadena City Lines, Inc., operates a common carrier passenger stage service within and between the City of Pasadena and adjacent cities and communities. By this application, it seeks authority to establish increased fares on less than statutory notice.

Applicant's present fare structure is constructed on a four-zone basis. With one exception, the basic fare per one-way ride within a single zone is 20 cents cash or 16-2/3 cents token (tokens, six for \$1.00).¹ For transportation beyond a single zone, an additional fare of five cents per zone, or fraction thereof, applies. A commute fare of ten cents per one-way ride (20-ride commutation ticket, \$2.00) applies for the transportation of students of less than 21 years of age going to and from school.

¹ The exception applies in connection with transportation over applicant's No. 8 route (known as the Craig/Washington Line). The basic fare over said line is 25 cents cash or one token plus five cents.

By this application, Pasadena City Lines seeks to increase its basic cash fare to 25 cents per single zone ride, to eliminate its token fares, and to double the price of its commutation tickets for students. No change is sought in the inter-zone fares.

In addition, applicant asks that it be relieved from complying with directives contained in Decisions Nos. 65008 and 68121 concerning the purchase of new buses. Under said decisions, Pasadena City Lines, Inc., is required to place into service 15 new buses of not less than 36-passenger capacity prior to January 1, 1968. At least five of said buses should be acquired and placed in service by January 1, 1966. Applicant states that it has not purchased any of said buses because it has not had, does not, and will not have, the financial means to carry out said bus purchase program.

Pending hearing on its foregoing fare increase requests, applicant asks that it be granted immediate and ex parte authority to increase its fares by cancelling its 16-2/3 cents token fare, thus leaving the 20-cent cash fare to apply as the basic single zone fare. It states that as a result of operating losses over the past several years, its cash position has been impaired to the point where it can no longer meet its current bills.

Applicant reports that during the 12 months through September, 1964, it lost \$60,102; that it lost \$62,868 during the year through September, 1965; and that its available cash as of October 20, 1965, to meet then overdue bills totaling \$31,091 was but \$8,378. Applicant further reports that as a result of a

recently negotiated wage contract, it has become committed to wage increases which will increase its operating expenses by about \$9,500 during the 12 months commencing with October, 1965. It estimates that under present fares it will incur a loss of \$94,460 during the year 1966. It also estimates that if the requested ex parte fare increases are authorized and put into effect, said fares will return additional revenues of about \$45,000 during the year.

Data which applicant submitted to show its financial position as of September 30, 1965, and expected revenues and expenses under its present level of fares and services, if maintained throughout the year 1966, are as follows:

Balance Sheet as of September 30, 1965

Assets

Current Assets (including advances to officers of \$43,987)	\$ 95,979
Carrier Operating Property (depreciated)	117,918
Franchises and Organization Expense	40,652
Investment in Property Held for Sale (yecht)	45,078
Total Assets	<u>299,617</u>

Liabilities and Shareholders' Equity

Current Liabilities	127,621
Shareholders' Equity	171,996
Total Liabilities and Equity	<u>299,617</u>

Estimated Revenues, Expenses and Operating Results
Year 1966

Revenues

Passenger	\$770,760
Charter	2,200
Advertising	15,000
Total Revenues	<u>787,960</u>

Expenses

Maintenance	\$151,440
Transportation	501,650
Traffic	2,330
Insurance and safety	52,040
Administration	79,690
Depreciation	8,970
Operating taxes	86,300
Total Expenses	<u>882,420</u>

Net Loss \$ 94,460

Operating Ratio 112%

In seeking authority to make interim increases in its fares through cancellation of its 16-2/3-cent token fares, applicant alleges, in effect, that it is in such dire need for additional revenues to maintain its operations that it cannot await the course of ordinary procedures to provide timely relief. That applicant is confronted with a pressing need for cash cannot be disputed. The volume of the overdue bills in excess of \$31,000, in relation to available cash of about \$8,400 to pay said bills, clearly shows such a need. In addition, applicant is confronted with further drains upon its cash reserves. Applicant's cash flow, as indicated by its revenue and expense estimates for the year 1966, is a negative amount of about \$7,100 per month -- cash receipts total about \$65,700 per month, whereas cash outlays total \$72,800 per month.

Further, the volume of the expected loss during 1966 under present fares and services presages a further and serious impairment of applicant's resources unless checked by early remedial action.

Applicant's financial situation is such that action on the sought interim fare increases should not be deferred pending consideration of applicant's other fare increase proposals. Said proposals are a second step in a procedure which applicant has undertaken to overcome losses stemming from declining patronage and revenues and increases in expenses. As an initial step, applicant sought and was granted authority to make various changes in its routes to improve its services or to eliminate some unnecessary services. Also, it was granted authority to establish a basic fare of 25 cents for service over its Craig/Washington line (Decision No. 69719, dated September 22, 1965, Application No. 47580).

Information which was developed in connection with Application No. 47580, plus that which is set forth in the present application, points to a need for both an extensive and intensive review of applicant's operations before the authorization of further fare increases in general.² For example, the record in Application No. 47580 indicates that applicant is incurring losses aggregating almost \$50,000 annually from its operations over two of its eight routes (routes 2 and 6). Since such losses total more than half of the predicted loss of \$94,460 which has prompted the instant application, a question which is raised thereby is the extent that applicant can reasonably recoup such losses through

² Ordering paragraph 2 of Decision No. 68121 provided "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."

increased fares assessed against patrons of its profitable or less unprofitable routes.

In a similar vein, it should be pointed out that applicant's charge of 5 cents per zone or fraction thereof for transportation beyond a single zone has been in effect for more than 17 years. During this time, applicant has increased its basic cash fare for travel within a single zone from 7 to 20 cents. These increases in intra-zone fares, without any increases in inter-zone fares, raise a question of whether the further increases which applicant is now seeking in its intra-zone fares rest, in fact, upon costs which should be charged to and borne by the inter-zone operations.

The losses in patronage which applicant has experienced and is experiencing raise a question of whether applicant is providing some services or operating some schedules which are no longer reasonably required by public convenience and necessity. In undertaking to justify the further fare increases, applicant should be prepared to show that it has endeavored to effect all economies reasonably possible and consistent with public convenience and necessity including those required by the Commission in ordering paragraph No. 2 of Decision No. 68121.

Another matter to be considered is the failure of applicant to comply with directives of the Commission concerning a bus replacement program. As mentioned earlier herein, applicant has been directed by Decisions Nos. 65008 and 68121 to place 15 new buses into service prior to January 1, 1968, with five of said buses to be placed in service by January 1, 1966.³ Applicant's response, in part, to these directives is that it "is not aware

³ Pending the further consideration indicated, the directive to place 5 new buses into service by January 1, 1966, should stand suspended.

of significant demand by its customers for new buses". Apparently, it presumes that it can continue with impunity to operate older and older buses until confronted with an overwhelming clamor from its patrons for new equipment. If so, its viewpoint is not realistic, nor in accordance with law. Section 451 of the Public Utilities Code states, in part, that

"Every public utility shall furnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

Applicant should be aware of the fact that any right it may have to reasonable compensation for its services presupposes that its services meet legal requirements. Since, in effect, the equipment directives of the Commission point out deficiencies in applicant's equipment, this fact should be taken into account in evaluating applicant's need for increased revenues.

Applicant's other allegation that "it has not had, does not, and will not have, the financial means to carry out the ... bus purchase program" directed by the Commission, impels the comment that such allegation is not deemed to be a substantiated and sufficient reason for non-compliance with the Commission's equipment directives. It is noted that while applicant has been alleging insufficient funds to purchase needed new buses, it has been maintaining an outstanding loan of almost \$44,000 to its president, that it has increased an investment in a yacht from \$34,346 to \$45,068, and that it has been paying its president and its vice-president a total compensation of about \$27,000 a year,

notwithstanding uncontested conclusions of the Commission in Decision No. 68121, supra, that \$12,800 constitutes reasonable and sufficient compensation for said officers.

For the reasons set forth hereinabove, the interim authorization of the fare increases that would result from cancellation of applicant's 16-2/3-cent token fares which apply as an alternate to the 20-cent cash fares should be authorized as a measure to maintain and preserve applicant's operations pending further consideration of said operations and of the fare increases which applicant otherwise seeks by Application No. 48028. We find said increases to be justified. They will be authorized subject to the conditions which are hereinafter specified. Public hearing on this phase of Application No. 48028 is not necessary. The City of Pasadena has also considered the matter and has indicated that it does not oppose the authorization of the interim increases involved.

As a condition to placing into effect the increased fares which are authorized below, applicant will be expected and required to strengthen its financial position by collection of its outstanding loans to its officers on or before April 1, 1966, and by disposing of its yacht on or before April 1, 1966. The following order will so provide.

Good cause appearing,

IT IS ORDERED that:

1. Pasadena City Lines, Inc., is hereby authorized to amend its Local Passenger Tariff No. 18, Cal. P.U.C. No. 18, to cancel therefrom the provisions relating to the sale of tokens at the rate of 6 for \$1, and the acceptance of one of said tokens in lieu of 20 cents cash for transportation over its lines.

2. The exercise of the authority granted by the above paragraph 1 is made subject to the following conditions:

- a. Pasadena City Lines, Inc., shall collect any and all loans or advances to its officers on or before April 1, 1966.
- b. Pasadena City Lines, Inc., shall utilize not more than one-third of any monies so collected from its officers to pay past due bills. The remaining monies shall be held subject to further order of the Commission.
- c. Pasadena City Lines, Inc., shall not make any further loans or advances to its officers except upon approval of the Commission.
- d. Pasadena City Lines, Inc., shall dispose of the above-mentioned yacht on or before April 1, 1966. All monies received from the disposition of said yacht shall be held subject to further order of the Commission.

3. Tariff publications required to be made by Pasadena City Lines, Inc., 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, provided that Pasadena City Lines, Inc., has filed with the Commission its acceptance of the conditions specified in paragraph 2 above.

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

5. In addition to the required posting and filing of tariffs, Pasadena City Lines, Inc., shall give notice to the public by posting in its buses 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.

6. The fare increase authority herein granted shall be subject to modification upon further order of the Commission in this proceeding.

7. The directive in ordering paragraph 1 of Decision No. 68121 that Pasadena City Lines, Inc., acquire five new buses prior to January 1, 1966, is suspended until further order of the Commission.

The effective date of this order shall be one day after the date hereof.

Dated at San Francisco, California, this 7th day of DECEMBER, 1965.

Frederick B. Halchett
President

John E. Mitchell

George L. Trover

Augustor

William B. Bennett
Commissioners