

ORIGINAL

Decision No. 77128

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
EASTERN CITIES TRANSIT, INC., a)
corporation, to increase rates and)
fares for the transportation of)
passengers in the vicinity of East)
Los Angeles, Los Angeles County,)
California.)

Application No. 51651
(Filed January 23, 1970)

Charles Boehm, for Eastern Cities
Transit, Inc., applicant.
Edward C. Crawford and William H.
Well, for the Finance and
Accounts Division and the Trans-
portation Division, respectively,
of the Commission's staff.

O P I N I O N

Applicant is a passenger stage corporation operating in, and in the vicinity of, Belvedere (East Los Angeles). By this application it seeks authority to establish increased fares on five days' notice to the Commission and to the public.

On March 16, 1970, a public hearing on the application was held in East Los Angeles before Examiner Abernathy.

Applicant's present fares per one-way ride for adults and for children six years old or older are as follows:

Cash	10 cents
Token (3 tokens, 25 cents)	8-1/3 cents

Children younger than six years of age are carried free when accompanied by an adult passenger and when not occupying a seat to the exclusion of other adult passengers.

Applicant proposes and seeks authority to increase its 10-cent cash fare to 15 cents and its token fare to 12½ cents (2 tokens, 25 cents).

Evidence in support of the sought fare increases was submitted by applicant through its treasurer, its manager and through a representative of the Transportation Agency of the State of California (Agency). These witnesses collectively testified that applicant is confronted with a loss of more than \$40,000 during the coming year; that causative factors for said loss are (a) a decline in applicant's revenues as a result of cancellation of subsidies for services which applicant has been performing for the Agency, and (b) increases in wage, insurance, tire, and depreciation costs and license expense applicable to applicant's operations.

The services which applicant has been performing for the Agency consist of the operation of two routes in addition to those which applicant has been regularly operating. One of said routes was operated between East Los Angeles and the City of Commerce, and the other was (and is) operated between the intersection of Hammel Street and Bonnie Beach Place, on the one hand, and the intersection of City Terrace Drive and Hazard Avenue -- all within East Los Angeles -- on the other hand. These routes were initiated, and have been operated, on the Agency's behalf as demonstration transportation projects. As of December 31, 1969, the Agency ended its subsidy of the City of Commerce route because of insufficient patronage, and applicant terminated the service involved. As of March 31, 1970, the Agency also ended its subsidy of the City Terrace route. However, applicant proposes to continue service over that route, believing that said route is an integral part of its other operations, and that the patronage thereof is

sufficient to warrant its continuance.^{1/}

With respect to the mentioned expense increases, applicant predicts that because of said increases (together with the increase in service on the City Terrace route) its operating expenses for the coming year will exceed those for comparable operations during the past year by more than \$9,000. It estimates that if its present fares are continued in effect during the coming year, it will lose more than \$40,000, whereas it will earn about \$15,700 if the sought fares are authorized and assessed. These estimates are set forth more fully in Table No. 1 below:

Table No. 1

Estimated Results of Operations for
12 Months Through January, 1971

	<u>Under Present</u> <u>Fares</u>	<u>Under Proposed</u> <u>Fares</u>
<u>Revenues</u>		
Passenger	\$236,621	\$297,384
Advertising	4,290	4,290
Total	<u>\$240,911</u>	<u>\$301,674</u>
<u>Expenses</u>		
Equipment, maintenance and garage	\$ 62,145	\$ 62,145
Transportation	154,138	154,138
Sales, tariff, advertising	35	35
Insurance and safety	24,984	24,984
Administrative	13,113	13,113
Depreciation	11,671	11,671
Taxes and Licenses	16,734	16,734
Total	<u>\$282,820</u>	<u>\$282,820</u>
Net Operating Revenues	<u>(\$41,909)</u>	\$ 18,854
Interest Income (Net)	<u>1,493</u>	<u>1,493</u>
Total Income	<u>(\$40,416)</u>	\$ 20,347
Income Taxes	<u>-</u>	<u>4,588</u>
Net Income	<u>(\$40,416)</u>	\$ 15,759
Operating Ratio	117.4%	93.7%

 Indicates loss

^{1/} Applicant has been operating its service over its City Terrace route nine hours per day (8:30 a.m. to 5:30 p.m.) Mondays through Fridays. It proposes to expand this service to twelve hours per day (7:00 a.m. to 7:00 p.m.) Mondays through Saturdays.

Evidence relating to the financial aspects of applicant's operations was also submitted by an accountant and by a transportation engineer of the Commission's staff. The accountant presented balance sheet, profit and loss and other financial data which he had developed from a review and analysis of applicant's operations and records over the past several years. Among other things he reported that had it not been for the subsidies which applicant has been receiving from the Agency during the past three years, applicant's operations would have resulted in substantially increasing losses each year. Data which he presented in this regard are as follows:

Table No. 2

Summary of Applicant's Financial Results of Operations
for Years 1967, 1968 and 1969

	<u>1967</u>	<u>1968</u>	<u>1969</u>
Operating Revenues	\$225,839	\$229,235	\$235,856
Operating Expenses	<u>228,953</u>	<u>265,737</u>	<u>272,868</u>
Operating (Loss) before Subsidy	<u>(\$3,064)</u>	<u>(\$36,502)</u>	<u>(\$37,012)</u>
Subsidy	<u>8,524</u>	<u>45,756</u>	<u>41,177</u>
Net Operating Income	\$ 5,560	\$ 9,254	\$ 4,165

The relationship of the subsidized operations to the nonsubsidized operations, in terms of mileage, was reported by the accountant as follows:

Table No. 3

Comparison of Miles Operated in
Subsidized and Nonsubsidized Operations,
Years 1967, 1968 and 1969

	<u>1967</u>		<u>1968</u>		<u>1969</u>	
	<u>Miles*</u>	<u>Percent</u>	<u>Miles*</u>	<u>Percent</u>	<u>Miles*</u>	<u>Percent</u>
Subsidized	13	3.4	80	17.8	80	17.9
Nonsubsidized	<u>372</u>	<u>96.6</u>	<u>370</u>	<u>82.2</u>	<u>367</u>	<u>82.1</u>
Total	385	100.0	450	100.0	447	100.0

*Miles in thousands.

The evidence which was presented by the Commission engineer dealt mainly with forecasts which he had developed to show applicant's financial operating results for the coming year if present fares are maintained and if the sought fares are established. The engineer's estimates are set forth in the following table:

Table No. 4

Estimated Results of Operations
Under Present and Proposed Fares
For Year Ending with June 30, 1971

	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Revenues</u>		
Passenger	\$235,100	\$289,200
Other	<u>4,300</u>	<u>4,300</u>
Total Revenues	\$239,400	\$293,500
<u>Operating Expenses</u>		
Maintenance	\$ 61,160	\$ 61,160
Transportation	151,140	151,140
Traffic	40	40
Insurance	24,950	24,950
Administration	13,460	13,460
Depreciation	8,820	8,820
Operating Taxes	<u>15,910</u>	<u>15,910</u>
Total Operating Expenses	\$275,480	\$275,480
Net Operating Revenues	<u>(\$36,080)</u>	\$ 18,020
Income Taxes	<u>100</u>	<u>2,000</u>
Net Income	<u>(\$36,180)</u>	\$ 16,020
Rate Base	\$130,670	\$130,670
Operating Ratio	115.1%	94.5%
Rate of Return	-	12.3%

 Indicates loss.

Based on their analyses of applicant's operations and finances, the Commission witnesses recommended that the sought fare increases be authorized.

A number of applicant's patrons or their representatives also testified. These included the Executive Director of the Stovall Home for the Aged, the manager of the East Los Angeles Service Center, and other leaders of the community served by applicant's City Terrace route. As indicated by its name, the Stovall Home for the Aged provides housing for the elderly. It operates a 102-unit, low-rent facility which will ultimately accommodate about 160 elderly persons. The East Los Angeles Service Center is a community service project of the State which is the focal point of activity of some 25 agencies, including a child youth clinic, an employment service, a rehabilitation clinic, and various other social services.

The concern of these patrons or their representatives was directed to insuring the continuance of the City Terrace operations and to an expansion thereof to include Sunday service and service to adjacent areas. They stressed that the area involved is relatively isolated, and that it is largely inhabited by low-income families who must rely on public facilities to meet their transportation needs. None of these witnesses voiced opposition to the establishment of the increased fares which applicant seeks.

The record shows that applicant's fares have been maintained at their present level since 1955. It appears that one means by which applicant has been able to avoid increasing its fares over so long a period has been through deferral of equipment purchases. The subsidies which applicant received during 1967, 1968 and 1969 have also been a contributing factor. Now, however,

with the exception of two new buses which were placed in service in December, 1969, applicant's other 15 buses are 15 years old or older, and applicant is having to embark upon a bus replacement program with the resultant expense increases (such as depreciation and interest expense) applicable thereto. In view of these circumstances, together with the level of applicant's losses since its subsidies have been canceled, it is evident that applicant has no recourse but to increase its fares if its services (including the expansions thereof proposed by applicant) are to be sustained.^{2/}

Findings

We find that:

1. Applicant's revenues under present fares are not sufficient to sustain its operations.
2. The increase in revenues which applicant would realize from establishment of the proposed fares will produce earnings which are not excessive in relation to applicant's needs.
3. The increases in fares which applicant seeks are justified.

^{2/} The service expansions to which reference is made are (a) the expansion of service on the City Terrace route to include service 12 hours a day, from 7:00 a.m. to 7:00 p.m., Mondays through Saturdays, and (b) an hourly service on Sundays over the City Terrace route as proposed by applicant in a letter to the Commission dated March 17, 1970. Said letter is hereby made a part of the record in this matter as Exhibit No. 2. Other service extensions or expansions which were advocated by some of applicant's patrons may not be acted upon at this time. It may be that applicant and the community or communities involved may wish to give further consideration to said matters.

Conclusions

1. The sought fare increases should be authorized.
2. Because of the financial exigencies with which applicant is confronted, applicant should be authorized to establish the increased fares on less than thirty days' notice, and the order herein should be made effective five days after the date hereof.

O R D E R

IT IS ORDERED that:

1. Applicant, Eastern Cities Transit, Inc., is authorized
 - a. To increase its present cash fare of 10 cents a ride to 15 cents a ride;
 - b. To increase its token fare of 8-1/3 cents per ride (3 tokens, 25 cents) to 12½ cents per ride (2 tokens, 25 cents).

Amendments to applicant's tariff to be made as a result of this order shall be filed not earlier than the effective date of this order, and 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 an 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 five days after the date hereof.

Dated at San Francisco, California,
this 21st day of APRIL, 1970.

Augusta
President

J. P. ...
[Signature]

Yvonne L. Sturgeon
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.