

ORIGINAL

Decision No. 78885

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. 52435  
(Filed February 5, 1971)

Charles Boehm, for Eastern Cities Transit, Inc.,  
applicant.  
William H. Well and Edward C. Crawford, for 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.

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

Cash	15 cents
Token (2 tokens, 25 cents)	12½ 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 15-cent cash fare to 20 cents and its 12½-cent token fare to 16 2/3 cents (3 tokens, 50 cents).

Public hearing on the application was held before Examiner Abernathy at East Los Angeles on May 6, 1971. Evidence was presented by applicant's treasurer and by its manager, by an accountant and by a transportation engineer of the Commission's staff, and by several of applicant's patrons or representatives thereof.

Applicant's fares were established at their present level on May 4, 1970, pursuant to authority granted by Decision No. 77128, dated April 21, 1970, in Application No. 51651. Estimates were submitted in that proceeding to the effect that during the ensuing year said fares would produce net operating revenues of about \$16,000, resulting in an operating ratio of 94.5 percent and a rate of return of 12.3 percent.

According to evidence which was presented in this matter by applicant's treasurer, actual operating experience has fallen far short of expectations. A deterioration of economic conditions in applicant's service area has resulted in a decline in the patronage of applicant's services. This decline became pronounced

in November, 1970, and has continued.<sup>1/</sup> Largely as a consequence, applicant's operations for the year resulted in a financial loss of \$1,242.<sup>2/</sup>

The record shows that another circumstance which has severely affected applicant's financial situation is the fact that applicant has recently had to grant substantial wage increases to

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<sup>1/</sup> Passenger data which were submitted by the Commission engineer show that the volume of applicant's patronage decreased about 12 percent following the establishment of the present fares on May 4, 1970. (Said fares are 50 percent higher than the fares previously in effect.) In the following three months the amount of decrease was reduced to about 10 percent. However, it became substantially higher in subsequent months. The percent of decrease in passenger patronage during the subsequent months was reported by the engineer as follows:

	<u>Percent of change from same month, preceding year</u>
<u>1970</u>	
September	-14.2
October	-14.1
November	-16.3
December	-20.1
<u>1971</u>	
January	-23.9
February	-28.6*
March	-21.7

\* Earthquake in Los Angeles area, February 9, 1971.

<sup>2/</sup> The Commission accountant reported the amount of the loss for 1970 as being \$1,063.

its drivers and mechanics. Applicant estimates that as a result of these increases in wages and in wage related expenses its operating costs have been increased by more than \$20,000 annually.

Estimates were presented and explained by applicant's treasurer to show expected financial operating results for the coming year (a) if present fares are continued in effect and (b) if the sought increased fares are established. Estimates of similar purport were also submitted by the transportation engineer of the Commission's staff. The respective estimates are summarized in Tables Nos. 1 and 2 below:

Table No. 1

Estimated Financial Results of Operations  
Under Present Fares

	(1) <u>Applicant</u>	(2) <u>Commission Engineer</u>
Operating Revenues		
Passenger	\$260,923	\$255,700
Advertising	4,290	4,290
Total	<u>\$265,213</u>	<u>\$259,990</u>
Operating Expenses		
Maintenance	\$ 62,311	\$ 63,720
Transportation	166,089	167,390
Traffic	35	60
Insurance	25,093	25,120
Administration	14,441	15,010
Depreciation	10,556	9,170
Taxes and Licenses	19,174	16,140
Total	<u>\$297,699</u>	<u>\$296,610</u>
Loss	\$ 32,486	\$ 36,620

(1) Year ending April 30, 1972

(2) Year ending June 30, 1972

Table No. 2

Estimated Financial Results of Operations  
Under Proposed Fares

	(1) <u>Applicant</u>	(2) <u>Commission Engineer</u>
Operating Revenues		
Passenger	\$310,405	\$307,300
Advertising	4,290	4,290
Total	<u>\$314,695</u>	<u>\$311,590</u>
Operating Expenses		
Maintenance	\$ 62,311	\$ 63,720
Transportation	166,089	167,390
Traffic	35	60
Insurance	25,093	25,120
Administration	14,441	15,010
Depreciation	10,556	9,170
Taxes and Licenses	22,453(a)	17,830(b)
Total	<u>\$300,978</u>	<u>\$298,300</u>
Net Operating Income	\$ 13,717(a)	\$ 13,290
Rate Base	#	\$145,016
Operating Ratio	95.6%(a)	95.7%
Rate of Return	#	9.2%

# Not provided

(1) Year ending April 30, 1972

(2) Year ending June 30, 1972

(a) Adjusted figure

(b) Exclusive of income tax on interest income  
on loan to parent corporation

Several of applicant's patrons or their representatives also presented evidence in the form of testimony. These witnesses included the Executive Director of the Stovall Home for the Aged, which home consists of a 102-unit low-rent facility for the elderly and which is located along applicant's City Terrace route. The Executive Director urged that reduced fare privileges be granted to senior citizens and school children, as is done by Southern California Rapid Transit District; that transfer privileges be provided between applicant's City Terrace route and other routes; and that applicant extend its hours of service along the City Terrace route. The concern of the other of applicant's patrons who testified was directed mainly to the establishment of transfer privileges to meet their transportation needs, which, they explained, centered about going to and from shopping centers located on another of applicant's routes.

Responding to said testimony by, or on behalf of, the company's patrons, applicant's treasurer stated that the matter of transfer privileges would be analyzed with members of the Commission's staff and appropriate provisions would be devised and established. He indicated that other of the proposals could not

be adopted without unduly burdening applicant's operations in general.

Discussion, Findings and Conclusions

The record herein demonstrates that under present fares applicant is experiencing operating losses of such magnitude that its ability to continue its services for the public is being seriously threatened. It appears that, short of reducing its present level of service, applicant has undertaken to overcome its losses by effecting economies reasonably available to it. Hence, if applicant's present level of service is to be continued, applicant should be permitted to increase its fares.

With respect to the anticipated operating results for the coming year if the sought fare increases are authorized and the increased fares are established, we note that the respective estimates of applicant's treasurer and of the Commission engineer are in substantial agreement. The revenue estimates of the treasurer are somewhat more optimistic than those of the engineer. The record shows, however, that the treasurer's figures were developed in late January or early February of this year in

conjunction with the development of this application. The engineer's figures, on the other hand, reflect more recent operating experience. We are of the opinion that the engineer's figures, both as to revenues and expenses, represent applicant's more probable operating experience for the coming year and should be adopted as basis for our findings and conclusions herein.

We find that:

1. Applicant is incurring substantial losses from its operations under present fares.
2. The predicted earnings of \$13,290 for the coming year through June 30, 1972, under the proposed fares (as represented by an operating ratio of 95.7 percent and a rate of return of 9.2 percent) are reasonable.<sup>3/</sup>
3. The increases in fares which applicant seeks have been shown to be justified.

Conclusions

1. The sought fare increases should be authorized.

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It appears that by the time that such increased fares as may be authorized herein can be made effective, applicant will experience a loss of at least \$10,000 from its operations during the early part of 1971. Hence, taking into account applicant's loss of about \$1,200 for the year 1970, it appears that applicant's operating revenues over the two and one-half years from January, 1970, through June, 1972, will be hardly more than sufficient to meet the operating expenses incurred during that period.



2. Because of applicant's need for prompt relief from the losses which it is experiencing under present fares, 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 15 cents a ride to 20 cents a ride;
  - b. To increase its token fare of  $12\frac{1}{2}$  cents per ride (2 tokens, 25 cents) to  $16\frac{2}{3}$  cents per ride (3 tokens, 50 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 29th day of JUNE, 1971.

[Signature]  
Chairman  
William J. [Signature]  
[Signature]  
Vernon L. Sturgen

Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.