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*Annual
Report*

LOS ANGELES

TRANSIT LINES



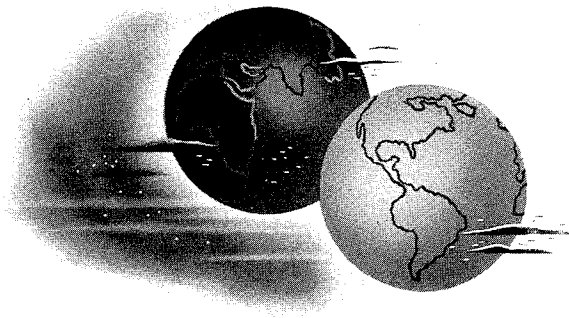
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IN MEMORIAM

IT IS with profound respect that we pay homage to the gold stars which appear on our Service Flag . . . to the men from our ranks who made the supreme sacrifice. The Star of Bethlehem will forever shine upon the graves of those who bear these names, for like the Prince of Peace, they gave their lives to make men free.

H. F. Osborne
J. H. Baldrige
L. M. Kelsey
L. G. Hume
Z. A. Barrows
G. L. Barron
C. L. Brogan
Guy Barnett
G. E. Keith
T. F. Hoyne
W. P. Cody
Antonio Hernandez
W. C. Thorman
L. D. Canatsey
L. M. Lininger
R. F. Chesnut
T. E. Nolan
G. W. Honts
T. E. Languille
E. R. George
John Van Mourik
P. S. Lewis
James Aitken



. . . A HISTORIC YEAR

The year 1945 will go down in history as one of the most notable of all times. Marking the conclusion of the most terrifying of all wars, it likewise brought the promise of a new world . . . a better world, in which men can live with assurance of lasting peace and prosperity.

It was only natural that the change from war to peace should bring with it many social and economic dislocations with consequent impacts upon American industry. And the transit business was no exception.

Your Company had the foresight to anticipate most of these problems. Plans for their solution were completed long before V-J Day. At the close of 1945, most of these plans were in operation.

The movement of people is a vital public service. We recognize and accept this responsibility. Every effort is being made to give Los Angeles the sound, efficient transportation service to which it is entitled.

One of the purposes of this Annual Report is to show the progress made during 1945 toward the achievement of our peacetime objectives.

A handwritten signature in cursive script, reading "W. R. Fitzgerald".

President and General Manager
Los Angeles Transit Lines

FACTS ABOUT LOS ANGELES



which reflect the need for an expanding transit system

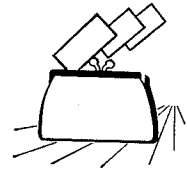
THE following facts may be considered significant in viewing your Company's future operations. Statistical data was obtained from the Los Angeles Chamber of Commerce and recognized research bureaus. All "estimated figures" are based on a projection of long term trends and are not colored by abnormal war activities.

Population



Los Angeles is now America's fourth city, and is the fastest growing metropolitan area in the United States. Population grew from 102,470 in 1900 to 1,504,277 in 1940. The official figure for 1945 is 1,805,687 for the City.

Income



Income rose from \$1,984,000,000 in 1939 to \$5,443,000,000 in 1944. 1945 showed a further gain, reaching approximately \$5,500,000,000. The peacetime level, based on normal trends, is estimated at \$3,783,274,000.

Building Permits



The value of new construction during 1939 was \$74,790,441, dropping to \$50,779,723 in 1944. In 1945, however, the figure rose to \$85,212,656. Los Angeles will require 240,000 dwelling units by 1950, and 105,000 are needed now.

Retail Sales



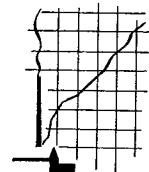
Retail sales in 1945 were almost double those in 1939, amounting to approximately \$2,542,000,000. Although a drop-off is expected in the future, the peacetime level is estimated at \$2,238,000,000, which is \$923,503,000 higher than in 1939.

Bank Debts



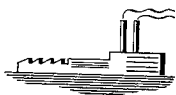
Bank debts in Los Angeles City are expected to attain a peacetime level of \$15,178,571,000, or 50% higher than the 1939 figure of \$10,014,725,007. During the war period, bank debts amounted to \$22,326,365,236 in 1944 and reached approximately \$26,000,000,000 in 1945.

Industrial Payrolls



The industrial payrolls of Los Angeles County rose from \$166,630,467 in 1939 to \$1,125,000,000 in 1944. Cancellation of war contracts lowered this figure in 1945 to approximately \$812,000,000. Industrial payrolls are estimated at \$460,000,000 in the first normal peacetime year.

Industrial Reconversion



Growth of Pacific Coast markets has stimulated the reconversion of Los Angeles war industries. At the close of 1945 over 80% of those industries planning to make peacetime consumer goods were ready for production.

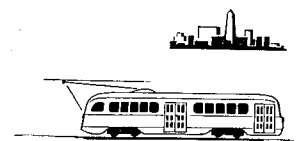
New Industries



12,709 new jobs were created in 1945 by 226 new industries in the Los Angeles area, totaling a capital investment of \$34,742,000. This investment is eight times the new business capital invested in 1939, with the number of new industries doubled in number.

A CHALLENGE AND AN OPPORTUNITY

The Company looks to the future with confidence. The City's rapid growth will constantly provoke many new transit problems. Financial and managerial resources must be maintained in strength at all times. Sound management plus progressive policies will meet and surmount these problems as they arise.



1945 INCOME AND STATISTICS AT A GLANCE

Income:

Operating Revenue	\$22,022,459.39
Other Income	42,920.23
Total	\$22,065,379.62

Expenses:

Labor	\$10,822,757.26
Other Expenses (excluding labor):	
Maintenance—Plant and Equipment	1,387,757.99
Power, Fuel and Lubricants	946,214.85
Transportation	302,336.90
General Administration	550,901.12
Insurance, including Injuries and Damages	2,363,368.13
Depreciation	2,043,068.15
Taxes and Licenses	2,074,713.82
Interest and Carrying Charges	355,767.25
Total Expenses	\$20,846,885.47
Net Income:	\$ 1,218,494.15

Passenger Revenue

Passenger revenue reached an all-time high of \$21,516,416 during 1945. This was an increase of 1.87% over 1944, a record year. Increases for previous years were 9.68% for 1944 over 1943; 21.74% for 1943 over 1942, and 20.34% for 1942 over 1941. Passenger revenue will no doubt decline with a return to a post war normalcy. However, there is a possibility that a substantial amount of these gains will be retained due to the population increase and general industrial activity of this locality.

Operating Statistics

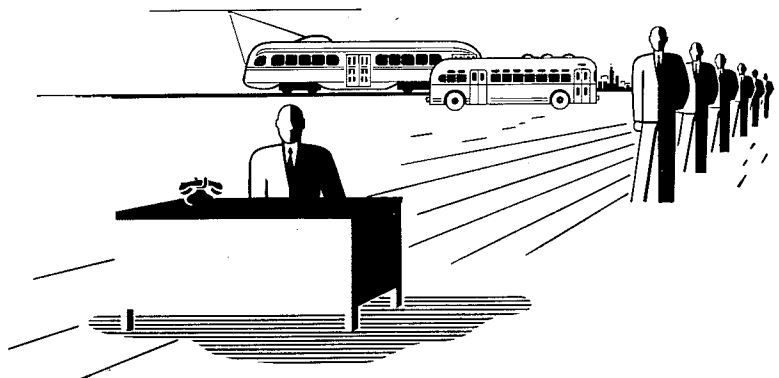
Street Railway Operations:

	1945	1944
Revenue Car Miles	25,178,688	24,833,315
Passenger Revenue	\$15,727,084	\$15,248,680
Revenue per Car Mile	62.46¢	61.41¢
Operating Expenses per Car Mile	54.15¢	46.24¢
Miles of Track operated at end of year (single track equivalent)	346	346

Bus Operations:

Revenue Bus Miles:		
Regular Service	13,156,006	12,888,518
Chartered Service	763,078	1,155,593
Total	13,919,084	14,044,111
Passenger Revenue	\$ 5,789,332	\$ 5,873,458
Chartered Service Revenue	297,328	439,756
Total	\$ 6,086,660	\$ 6,313,214
Revenue per total Bus Mile	43.73¢	41.82¢
Operating Expenses per total Bus Mile	44.15¢	32.25¢
Miles of Bus Routes operated at the end of year	225	213

WHAT IT TAKES TO MOVE NEARLY PEOPLE A DAY



Operating a transit company in a major metropolitan area calls for a highly diversified and efficient organization. Some idea of the scope of our operations is indicated by the following facts. It calls for complete integration of men, machines and methods.

- During 1945, over 305,000,000 riders were served by the Los Angeles Transit Lines.
- Approximately 1,000 vehicles are required to serve the transit needs of Los Angeles. Of these, 300 are motor coaches and 700 are streetcars.
- The official employe family consists of 3,848 men and women.
- The Los Angeles Transit Lines system covers 221 miles of 1-way rail routes and 119 miles of 1-way coach routes.
- In serving the public, our streetcars and motor coaches complete an average of over 13,000 trips each day.
- Throughout the system, there are 3,500 car stops to allow riders to board and alight from vehicles. There is an average of 5½ stops to each mile of single track.
- Over 300,000 transfers and tickets are picked up each day from passengers who use more than one line to reach their destinations.
- 1,240,333 inner and outer zone weekly passes were purchased by riders at a cost of \$1.25 per pass in 1945. In addition, 1,278,001 joint weekly passes were purchased for \$1.50 each. The latter passes are good on the Los Angeles Transit Lines, the Pacific Electric Railway, and the Los Angeles Motor Coach Lines.
- School children are transported at special rates depending upon distance traveled. Two tickets are available—one at 3½ cents and the other at 6 cents. In 1945, over 4,227,000 school tickets were turned in as fares to the Los Angeles Transit Lines.
- The system comprises 5 divisions, each strategically located at a point where various lines originate. Each division has a superintendent, a clerical force, cashiers, and a corps of mechanics for emergency repairs. Two similar divisions are required for the Los Angeles Motor Coach Lines, which are owned jointly by the Los Angeles Transit Lines and the Pacific Electric Railway.
- The Company's main office is located in its own 10-story building at Eleventh and Broadway.
- Transportation offices are located at 962 West Twelfth Place.
- The Company operates a 24-hour telephone information service.

Our Motto and Our Objective . . .
SAFETY - COURTESY - SERVICE



THE Company's operative rights on street railway routes are covered by franchises granted by municipal or county ordinances conforming to provisions of the Los Angeles City Charter or State Statutes.

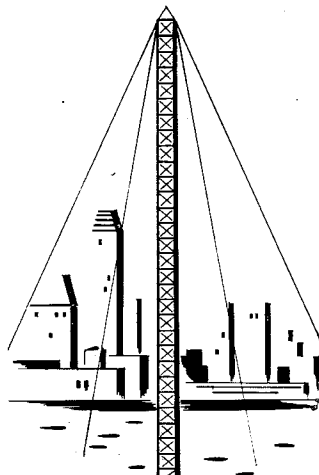
Motor coach routes are authorized by certificates of convenience and necessity issued by the California Railroad Commission.

FRANCHISES

Rail franchises have, in the past, been granted for short portions of routes and have been numerous and varied. In December, 1944, at the request of the City of Los Angeles, the Company filed with the City applications for new over-all franchises covering rail routes and motor coach routes within the City. When granted, these will replace present rail franchises and will be additional authority for motor coach operation. Of the thirty rail franchises within the City of Los Angeles operative as of the date of the application, twenty-three will have expired by the end of 1947, and rather than obtain renewals of these early, piece-meal franchises, it appeared desirable to obtain over-all franchises.

***T**HE Company's application for these franchises was approved by the City and, after publication of the Notice of Sale, the franchises were awarded to the Company on March 14, 1946. The new franchises, which extend over a period of 21 years, will be effective thirty days subsequent to official publication of the franchise ordinances. It is estimated that the effective date will be some time in May, 1946.*

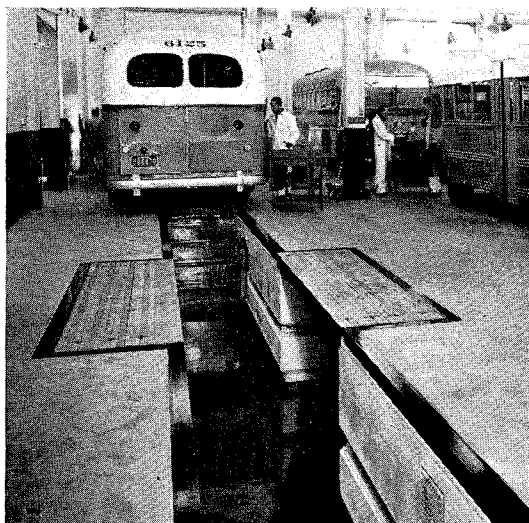
SYSTEM IMPROVEMENTS



POST war plans went into operation during 1945. Starting with our rolling stock, a program of modernization was initiated to embrace every operating unit in the Company's system. Streetcars and motor coaches which performed gallant war service began to receive a series of rejuvenation and beauty treatments. This included complete modernization, both inside and out, as well as new paint jobs before they returned to active duty. Already 376 units have taken the complete course, requiring 1,930 gallons of paint and 376 gallons of thinner. The program will continue as fast as possible, until completed, so that old equipment will approximate the sleek appearance of the Company's new vehicles which are being delivered and are on order.

Offices, shops, garages and sub-stations were not overlooked. In applying the 6,500 gallons of paint required to cover approximately 60 acres of building surfaces, 718 paint brushes were worn out. To further dramatize the scope of this project, it is comparable to painting one billboard every mile for 8,000 miles. To insure permanence, paint materials were especially ground to match our specifications. In all instances, interiors were finished in tones conducive to better lighting and working conditions.

All machinery on the system was painted, too.



• Modern treatment in pits, featuring flush lights, white walls, and recessed planks, expedites work.

• KITF calling mobile unit to proceed and unsnarl traffic tie-up.

. . . accomplished during 1945

Paint was used not only to give a uniform appearance but as a protection against oxidation.

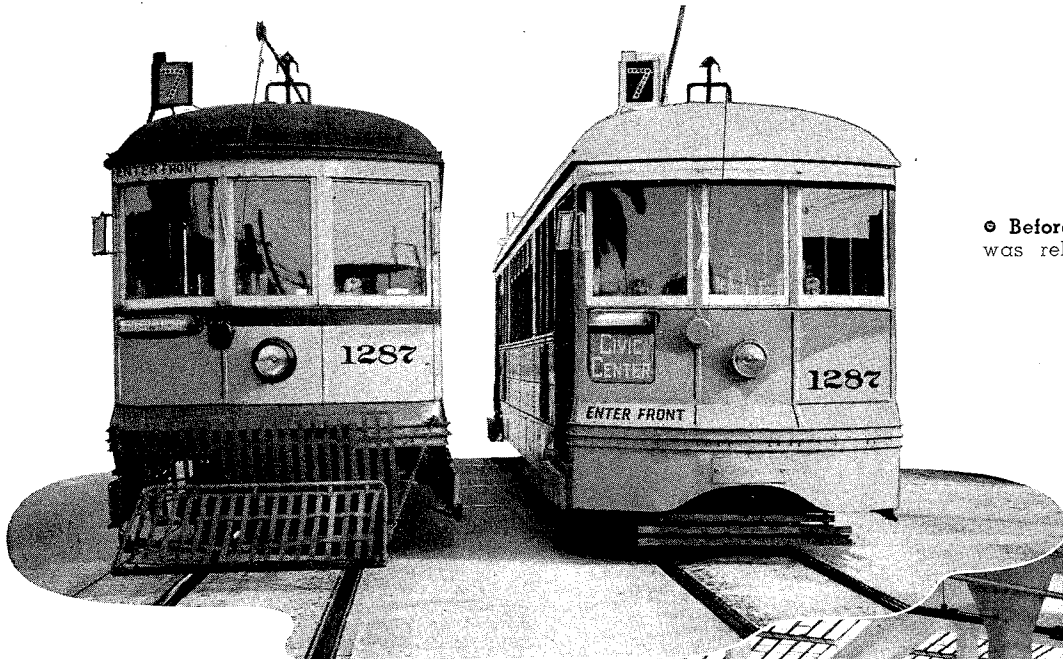
Cyclone fencing was installed around all shops, garages, carhouses and sub-stations, not only as a protective measure but to permit the public to observe the Company's modernization efforts.

Modernization included new alignments of equipment. A thorough engineering study disclosed many ways to increase operating efficiency and, at the same time, contribute to the comfort of workers. New methods, new machines . . . all with an eye to cutting operating costs . . . were installed.

Of primary importance is the new short wave radio communicating system, Company owned and operated. Station KITF is located on top of the Los Angeles Transit Lines building in downtown Los Angeles. KITF is on the air 24 hours a day. From this nerve center dispatchers are in constant two-way communication with 22 mobile units. As accidents, traffic tie-ups, and equipment failures are reported, mobile units are notified immediately and instructions are issued to meet each emergency.

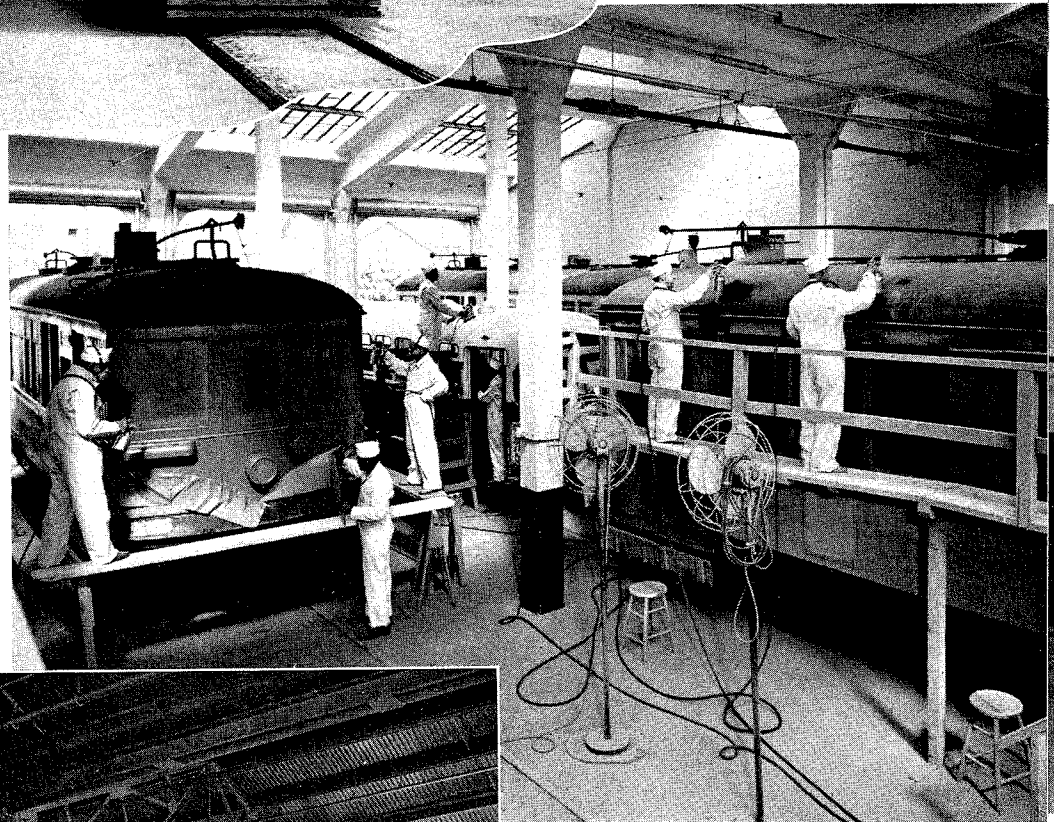
Finally came the offices of the Company. Each department and its activities was analyzed. Some departments were eliminated . . . others streamlined. Efficiency was the keynote and today, from a functional standpoint, work flows in a straight line with a minimum of bottlenecks and duplicated effort. All offices were redecorated to provide better lighting and more pleasant working conditions.



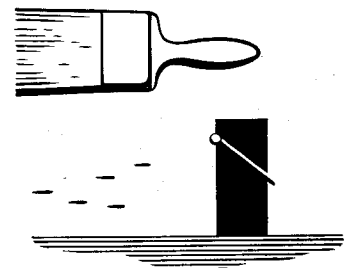
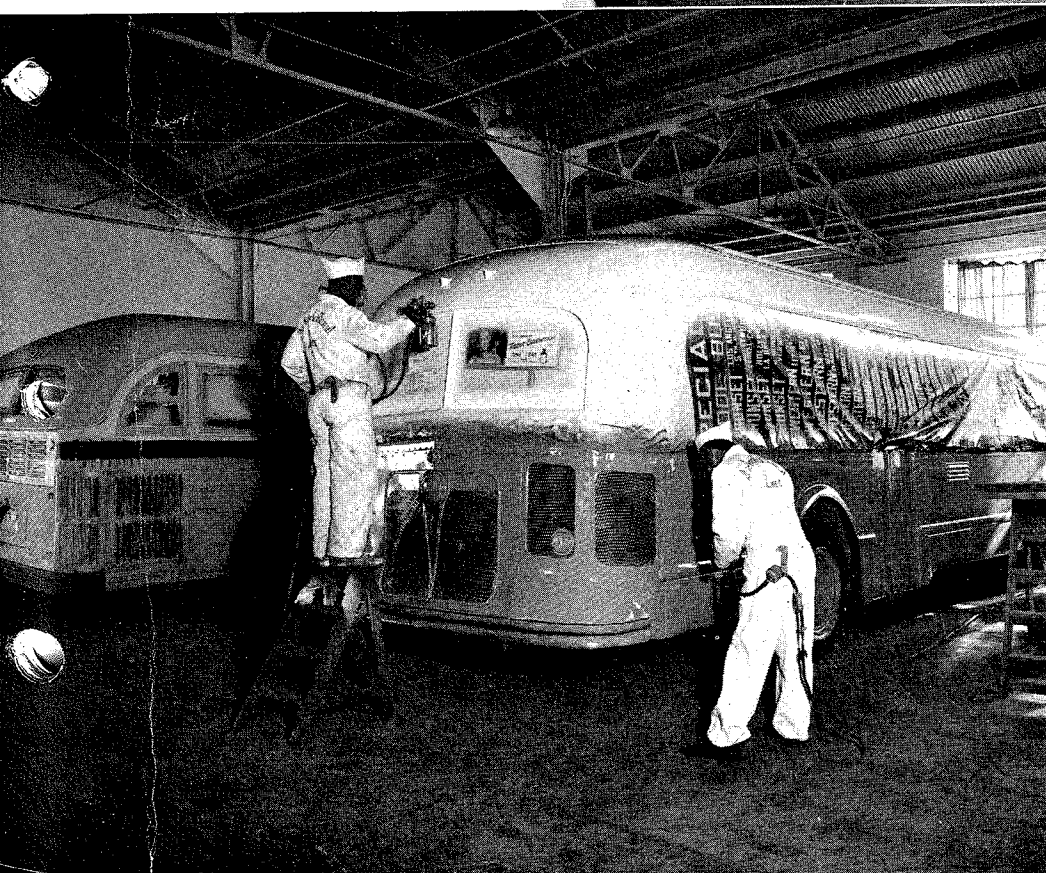


• Before and after car No. 1287 was rebuilt and modernized.

• Busy painters are rapidly completing Company's redecorating program.



• New colors of green, yellow and white being sprayed on coach.



PREVENTATIVE

MAINTENANCE

. . . a new term in transit

THIS phrase, which is now widely accepted by the industry, originated during the installation of our system of checks and inspections which are given to every one of the Company's rapidly growing fleet of motor coaches. Unlike a streetcar, a motor coach cannot run from 20,000 to 40,000 miles without a check-up. Moreover, such check-ups must be made by highly skilled and trained inspectors.

Each motor coach on the system is checked after every 2,000 miles of service. A second major inspection is made at the 4,000 mile mark. Thus each piece of equipment gets a working over every twenty days.

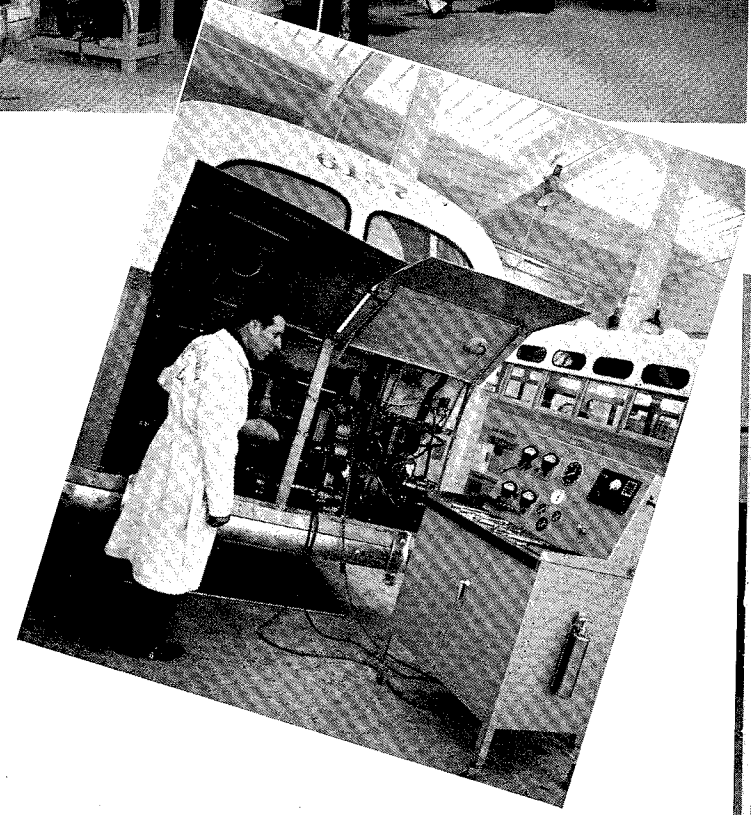
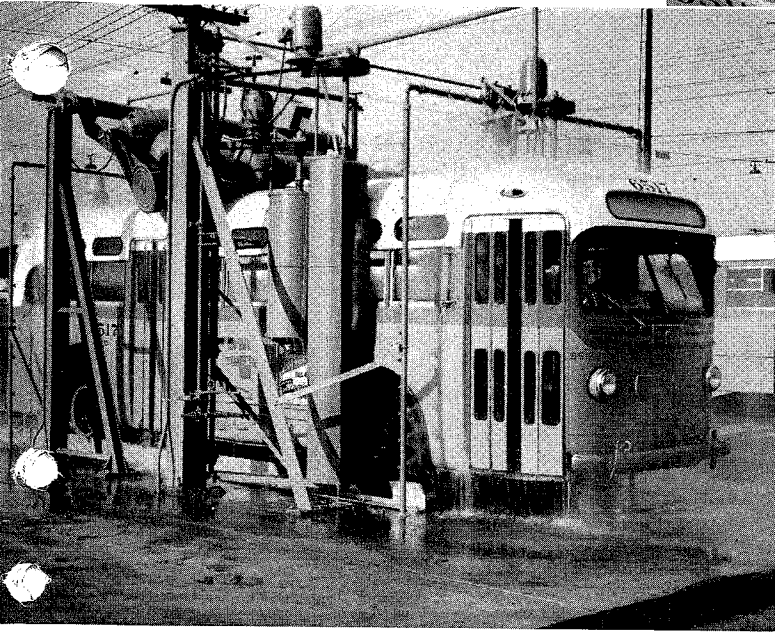
This system of preventative maintenance includes a thorough cleaning of rolling stock, both inside and out, since dirt can frequently hide a defect which may result in future mechanical trouble.

Preventative maintenance has eliminated 75% of breakdowns while coaches are in operation. Such failures are extremely costly since they require that a repair truck be sent to the scene of the emergency. Likewise, they are an annoyance to the rider who has to wait for a relay coach to take him to his destination.

All buildings and yards, where maintenance operations take place, have been scientifically redesigned to expedite work.

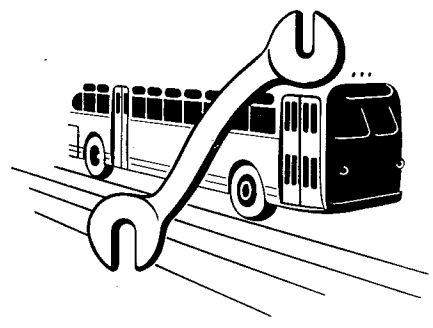


• **Over 6 acres** of space in the heart of the city is required to maintain 350 coaches at peak efficiency. Shown is the major inspection building which has pit capacity of 24 coaches.



• Electric eye stops and starts washer which completes job in 20 seconds.

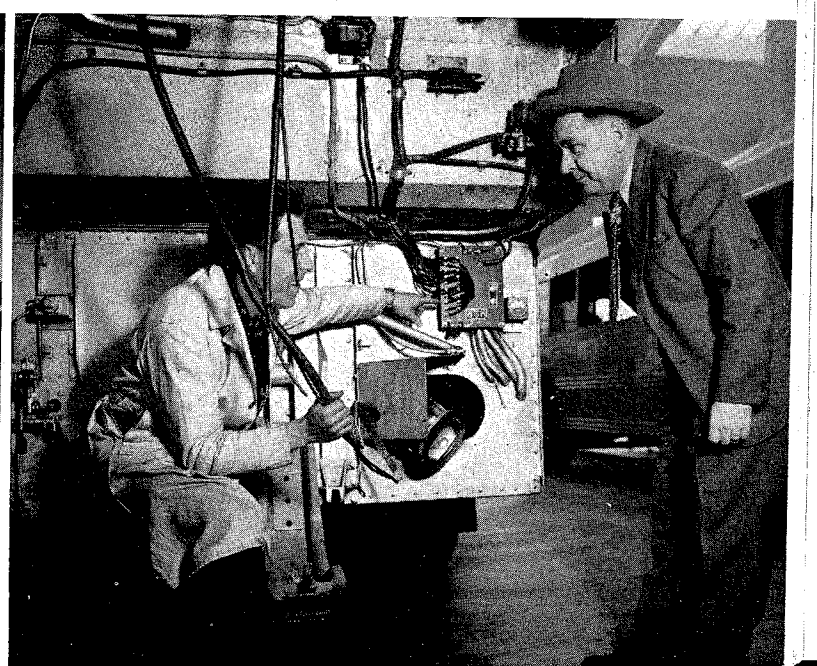
• Above right: Checking Chassis while coach motor is being overhauled.



• Movable bench tests motor performance during regular inspection.

• Fume free workshops are the result of new suction ducts.

• Barney Larrick, authority on preventative maintenance, looks over rewiring job which increases road performance.



ASSEMBLY LINE METHODS

. . . reduce maintenance man hours

MAINTENANCE of streetcar and coach motors is a major project in the transit industry. It is one of the large items listed under "Operating Expense." Savings in maintenance costs, however small, add up to important totals.

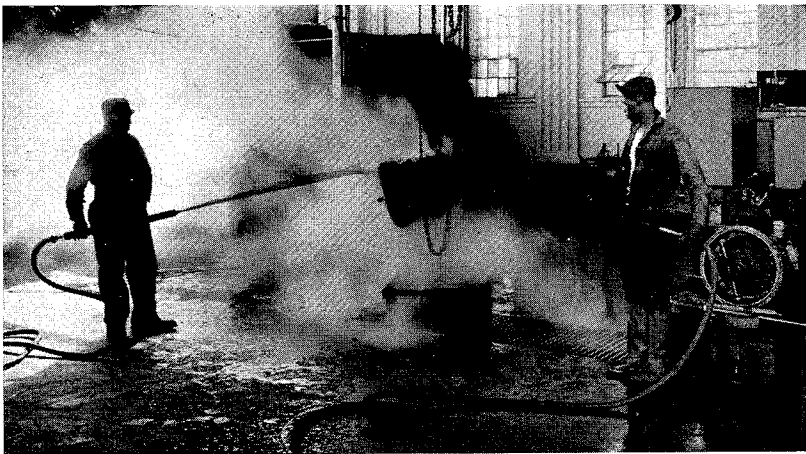
Your Company has applied assembly line methods to the task of overhauling motor equipment for both streetcars and coaches. In simple terms, assembly line methods consist of having the necessary time

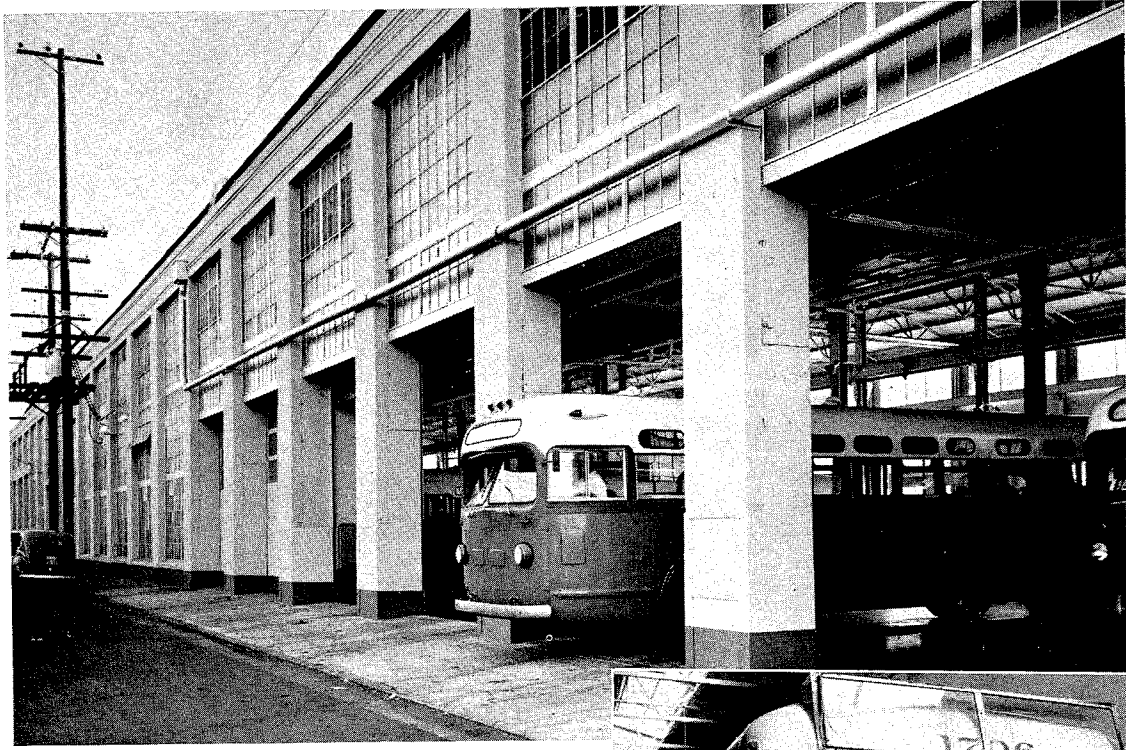
and labor saving devices so placed that equipment entering the shop with a disabled motor is progressively repaired. When the car or coach reaches the exit door, it is ready to drive out under its own power.

Assembly line methods have resulted in a sharp reduction in maintenance man hours. Moreover, workers favor the plan because special equipment eliminates heavy lifting and permits a degree of shop cleanliness heretofore impossible.

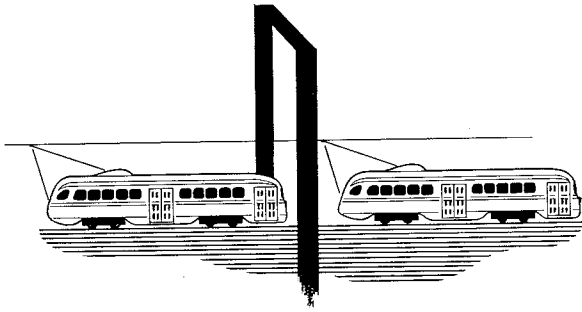
● **Steam cleaning** is the first step in motor overhaul.

● **Assembly line** methods in action. Dismantled motor starts at left and ends up rebuilt at extreme right.

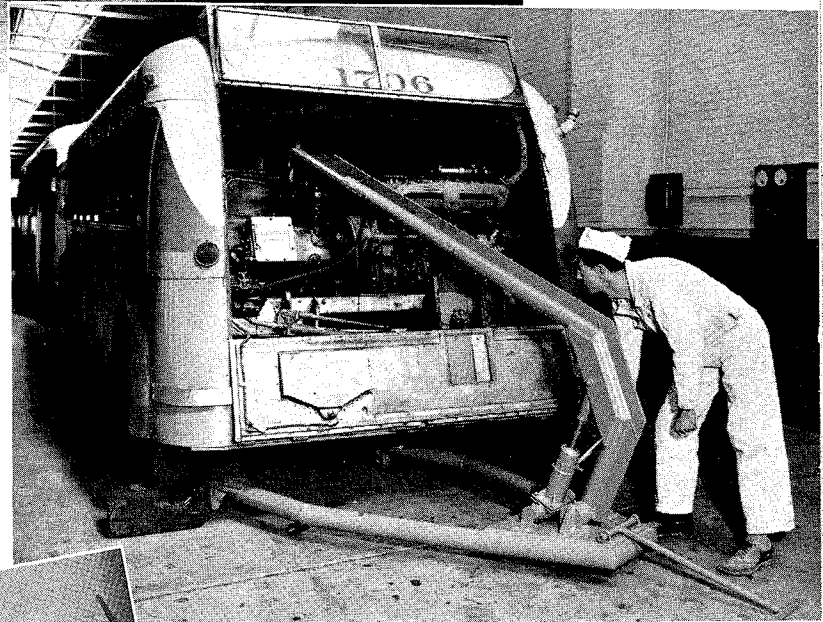




● Ready to go back into active service, coach leaves shops through new exit door under its own power.



● Clark Lift rolls motor from the unit overhaul department to the installation section.



● Hydraulic arm lifts and sets the motor into coach chassis.



PECIALISTS

. . . experts in efficiency

DESPITE their outward appearance of ruggedness, streetcars and motor coaches contain many delicate parts and instruments. Installing and servicing these "nerve centers" requires specialists who are highly skilled and have a special aptitude for precision work. On them rests the responsibility of maintaining the sensitive units in perfect working order. It can be said that their work is a major factor in maintaining the operating efficiency of rolling stock.

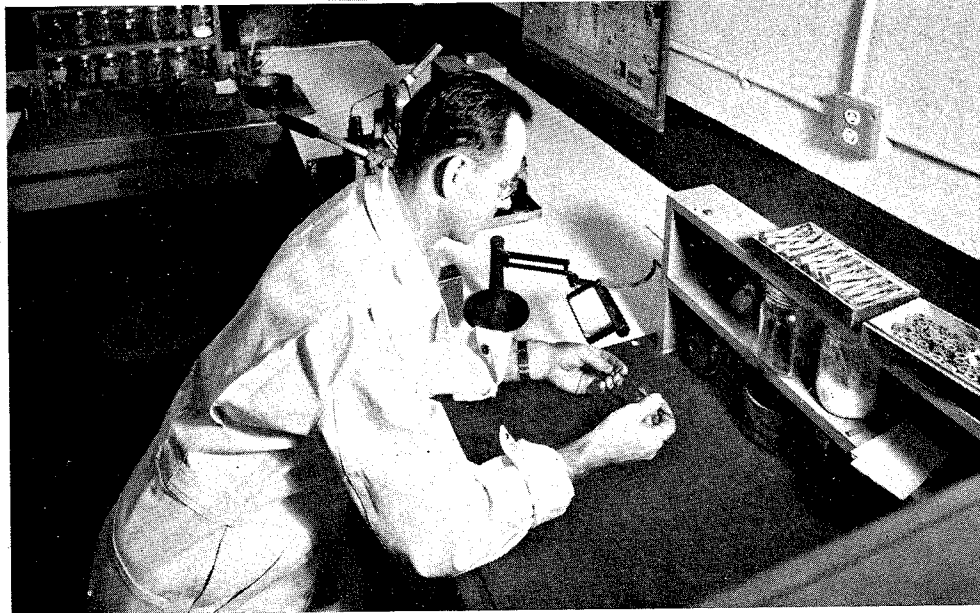
Other groups of specialists are known as trouble shooters and technical expediters. These highly trained

experts are the men who are constantly devising new methods and techniques for performing technical jobs faster, easier and more economically. They have created many of the ingenious machines and instruments which have added to the efficiency of the Company's mechanical operations.

In view of the vital work of these experts in efficiency, technical shops are equipped with the latest tools and test instruments and many of their working surroundings have the appearance of mechanical research laboratories.

• Right: **Second savers** in clearing service delays are the drivers of these emergency trucks.

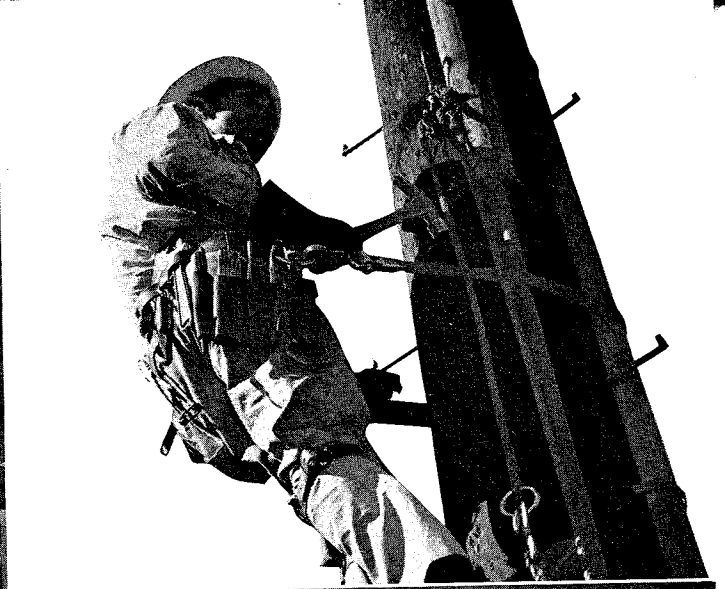
• **Diesel injectors** are cleaned under magnifying glass by a specialist in dust proof room.



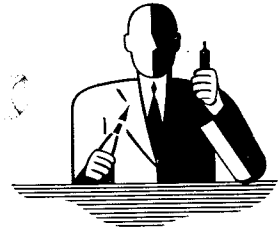


● Efficient methods plus technical experts increase speed of small unit overhauls.

● Above Right: High Efficiency is illustrated by this lineman.

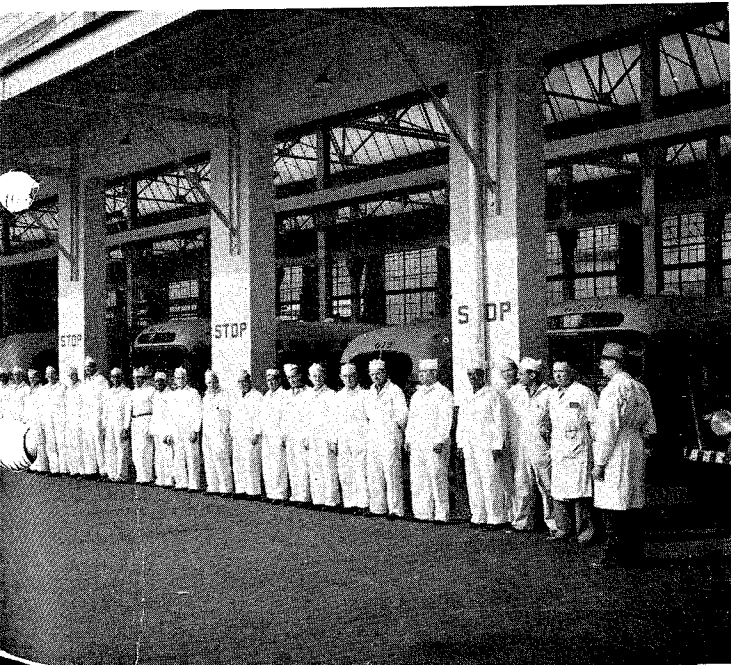
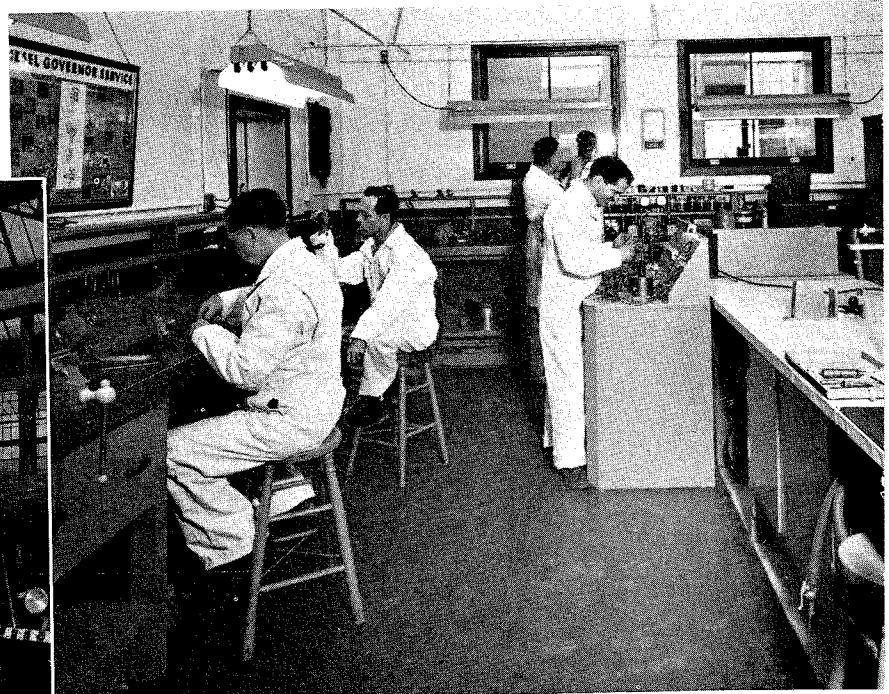


● Radio dispatcher issuing special instructions to mobile units located many miles away.



● Below: Skilled mechanics line up before one of the main garages.

● Right: These men specialize in repairing starters and other delicate and intricate motor parts.



SAFETY PROGRAM

. . . an ounce of prevention

A CAMPAIGN to reduce accidents is a major project carried on every day of the year.

The Company's Safety Program covers three phases: (1) Safety devices and education to safeguard employes; (2) Thorough training of employes in the safe operation of the Company's vehicles; and (3) Public education and cooperation with city and civic safety groups.

Accident prevention among garage, shop and division employes is furthered through a special course in the safe use of heavy machinery and fire fighting equipment.

Before starting active duty, each trainman and coach operator is given basic training on the safe operation of Company vehicles. This is followed by a series of consecutive Safety Contests. Points are issued to operators in direct relation to their safety records and may be exchanged for a wide variety of merchandise. Thus they are kept constantly reminded

of the importance of safety during their working hours.

Our Safety Program cooperates closely with such organizations as the Traffic Educational Bureau of Los Angeles and the Greater Los Angeles Safety Council. Assistance was furnished to the Los Angeles Police Department in the production of a safety film now showing in 140 theatres in the interest of public safety education.

On frequent occasions, employes have participated in special public safety programs on leading local and network radio stations. Stories in Weekly Topics, plus inside and outside car and coach posters, regularly caution riders against accident hazards.

Safety meetings are held at all Divisions. These gatherings afford the men the opportunity to ask questions and exchange views on how to keep our passengers as well as themselves safe at all times.

The men are kept continually conscious of our motto "Safety, Courtesy and Service."



• **Airing safety** with Charles Ruggles, conductorette, police and civic safety groups.

• **Camera, Action!** Safety film being shot in cooperation with the L. A. Police Dept.

EMPLOYEE RELATIONS

. . . with benefits for all

BASED on the simple axiom that an organization is a team of human beings working together for their mutual security and satisfaction, the Company has set up a program of employee relations designed to promote loyalty and efficiency.

Athletic events have an enthusiastic following. An example is the Bowling League of 50 teams which is currently completing a successful schedule.

"Two Bells" is published monthly. Each issue contains stories about departmental activities, items about employes, their families, and announcements of employe events. The magazine averages 24 pages and is illustrated with pictures and cartoons.

The Los Angeles Transit Lines maintained correspondence with their men and women in the armed forces. As proof that our employee relations plan is a "human relations" plan, nearly 100% of our war veterans are returning to their former jobs.

The Company's comprehensive employe benefit

program includes medical services; life, sickness and accident insurance; and pension and benefit funds.

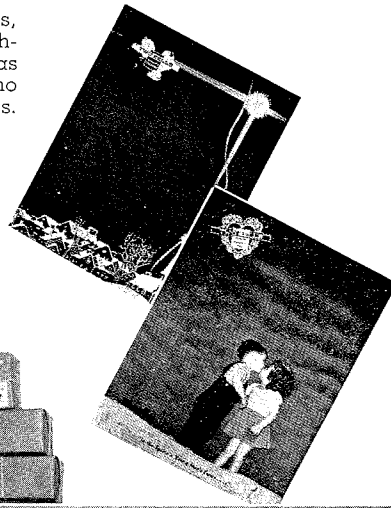
A competent staff of physicians, surgeons and specialists is available at all times to eligible employes for complete medical and surgical treatment, hospitalization, laboratory service, and home treatment when necessary.

A group life insurance plan is available and \$500 free insurance is issued to the employe.

A group sickness and accident plan, paying weekly indemnities, is administered for employes on sick or accident leave. The Wives' Death Benefit Fund provides immediate financial assistance upon the death of the employe's wife.

Special commendation is due our operators for their loyalty and patriotism during the war years. Despite trying conditions, they worked many overtime hours in moving heavy loads of defense workers to and from the war plants—they delivered the people who delivered the goods.

• **Employee activities** cover athletic events, social and club affairs, "Two Bells", monthly magazine, and special projects such as sending packages to our employes who served their country in the armed forces.



- Dash cards on outside of vehicles depict Company slogans and service betterments.



- Weekly Passes totaling 50,000 also tell our story.



- Right: "News Lines from the Transit Lines" by popular news commentator.



- Below: Car cards carried inside cars and coaches carry institutional copy.

- 100,000 Weekly Topics placed on cars and coaches carry Company messages to riding public.



Our New Slogan . . .

"Let's Go Places with the LOS ANGELES TRANSIT LINES"



E. ROY FITZGERALD
Chairman of Board
President
National City Lines



ED FITZGERALD
Vice-President and
Treasurer
National City Lines



W. RALPH FITZGERALD
President & General
Manager
Los Angeles Transit Lines

DIRECTORS and OFFICERS



FOSTER BEAMSLEY
Vice-President
National City
Lines



T. ALLAN BOX, JR.
Investment
Banker
Lester & Company



BRUCE H. GRIGSBY
Vice President
Security
First National Bank



S. M. HASKINS
Senior Partner
Gibson, Dunn & Crutcher



MAYNARD McFIE
Investments
Industrial Real Estate



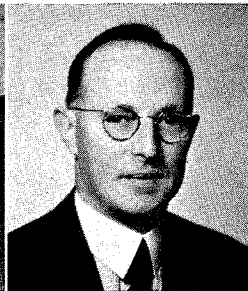
FRED A. NOLAN
President
Baltimore Transit Co.



W. R. FITZGERALD
Pres. & Gen. Manager



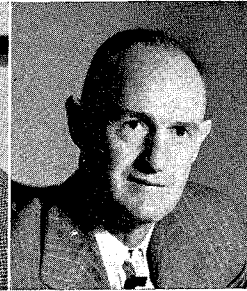
M. E. UTT
Vice-President



S. J. NOCK
Secretary-Treasurer



B. M. LARRICK
Operating Manager



J. C. YARBROUGH
Comptroller



L. A. REEVES
Asst. to Gen. Mg

LOS ANGELES TRANSIT LINES

Financial Statements, December 31, 1945

TELEPHONE TRINITY 7891

CABLE ADDRESS "RETEXO"

NEW YORK
ST. LOUIS
DETROIT
LOS ANGELES
CHICAGO
MINNEAPOLIS
CLEVELAND
CORRESPONDENTS IN
OTHER CITIES IN U.S.A.
RESIDENT PARTNER
GEORGE J. LEHMAN, C.P.A.

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

607 SOUTH HILL STREET

LOS ANGELES

February 21, 1946

AFFILIATED WITH
GEORGE A. TOUCHE & CO.
LONDON, ENGLAND
GEORGE A. TOUCHE & CO.
CANADA (7 OFFICES)

TO THE BOARD OF DIRECTORS,
LOS ANGELES TRANSIT LINES:

We have examined the balance sheet of the Los Angeles Transit Lines as of December 31, 1945, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The Company's accounts are classified in accordance with the regulations of the Railroad Commission of the State of California.

In our opinion, the accompanying balance sheet and related statement of income and surplus present fairly the position of Los Angeles Transit Lines at December 31, 1945, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for losses charged to surplus of which we approve.

Touche, Niven & Co.

LOS ANGELES TRANSIT LINES
(A California Corporation)

BALANCE SHEET, DECEMBER 31, 1945

ASSETS

CURRENT ASSETS:

Cash on demand deposit and on hand	\$1,365,540.17	
United States Government obligations, at cost, plus accrued interest	1,460,061.50	
Accounts receivable, arising in the ordinary course of business	107,707.85	
Materials and supplies, at cost	772,485.13	
		\$ 3,705,794.65

PREPAID EXPENSES:

Taxes and insurance	\$ 198,291.31	
Other	23,187.53	
		221,478.84

TANGIBLE PROPERTY (Note A):

	Cost	Depreciation	Net
Motor coaches	\$ 6,036,555.25	\$ 2,968,927.27	\$3,067,627.98
Street railway cars	10,577,904.41	7,035,469.87	3,542,434.54
Rail lines, power system, and miscellaneous equipment	19,144,041.61	13,846,079.29	5,297,962.32
Buildings	2,824,133.35	1,099,043.94	1,725,089.41
Land, right-of-way, and grading	7,528,075.19		7,528,075.19
Interest during construction and miscellaneous overhead	2,122,208.80		2,122,208.80
	<u>\$48,232,918.61</u>	<u>\$24,949,520.37</u>	23,283,398.24

INTANGIBLE PROPERTY, consisting of franchises, at cost (Note A) 17,314.54

OTHER ASSETS:

Deposit with Trustee of First Mortgage Bonds (Note C)	\$ 409,132.76	
Cash allocation—estimate of amount payable into Betterment and Retirement Fund on or before March 1, 1946 (Note C)	260,887.40	
Investment in securities, at cost	90,000.00	
Deposit as collateral for indemnity bonds	50,000.00	
Miscellaneous accounts receivable	38,352.36	
		848,372.52
		\$28,076,358.79

Reference is made to accompanying explanatory notes.

LOS ANGELES TRANSIT LINES
(A California Corporation)

BALANCE SHEET, DECEMBER 31, 1945

LIABILITIES

CURRENT LIABILITIES, exclusive of portion of term obligations due within one year (see below) :

Accounts payable, arising in ordinary course of business	\$	490,718.90
Accrued salaries and wages		377,540.69
Accrued taxes and other current liabilities		735,923.57
Payroll deductions for income and social security taxes withheld....		142,397.94
Accrued interest on term obligations		76,345.42
Reserve for federal taxes on income:		
Current year, offset in full by tax anticipation		
notes of \$387,000.00		863,006.68
Prior years (Note B)		
		<u>\$ 2,685,933.20</u>

	Due within one year	Due after one year
EQUIPMENT AND OTHER TERM OBLIGATIONS:		
Notes payable to banks, secured by liens on motor coaches, maturing \$13,179.00 monthly to August, 1950, interest at 2.18%	\$158,148.00	\$ 554,282.00
Notes payable to banks (unsecured), maturing \$315,000.00 semi-annually to March, 1950, interest at 3%	630,000.00	2,205,000.00
First Mortgage 3 7/8% Serial Bonds, maturing semi-annually at \$315,000.00 commencing September 1, 1950 and \$365,000.00 commencing September 1, 1955 to maturity in 1958		5,350,000.00
	<u>\$788,148.00</u>	<u>\$ 8,109,282.00</u>
		8,897,430.00
PREMIUM ON TERM OBLIGATIONS		105,102.25
UNEARNED REVENUE		91,532.77
RESERVE FOR INJURIES AND DAMAGES		176,000.00

CAPITAL STOCK AND SURPLUS:

Capital stock:		
Authorized, 1,100,000 shares of the par value of \$10.00 each		
Issued and outstanding, 1,095,440 shares		\$10,954,400.00
Surplus, per accompanying statement (Note D)		5,165,960.57
		<u>16,120,360.57</u>
		<u>\$28,076,358.79</u>

Reference is made to accompanying explanatory notes.

LOS ANGELES TRANSIT LINES

STATEMENT OF SURPLUS

YEAR 1945

EARNED SURPLUS:

Balance, January 1, 1945 \$4,237,551.41

Deduct:

Loss on properties retired, sold, or abandoned (Note A):

Depreciable properties	\$ 191,085.53
Nondepreciable properties	373,089.02

\$ 564,174.55

Payments to the City of Los Angeles in settlement of liability for repaving street railway lines	244,000.00
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Cost of retiring old funded debt	160,988.92
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Increase in reserve for injuries and damages, prior years	37,865.00
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\$1,007,028.47

Less:

Profit on sale of securities	\$ 3,277.97
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Credit in lieu of federal taxes on income—equivalent to tax reduction resulting from deductibility in current year of charges made directly to surplus (see income account)	326,000.00
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329,277.97

677,750.50

Balance after deductions	\$3,559,800.91
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Net income for year 1945, per accompanying statement	1,218,494.15
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\$4,778,295.06

Dividends on common shares at 25c, in cash	273,860.00
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Balance, December 31, 1945 (Note D)	\$4,504,435.06
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SURPLUS ARISING FROM DONATIONS IN AID OF CONSTRUCTION:

Balance, January 1, 1945	\$ 661,017.00
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Donations received during year	508.51
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Balance, December 31, 1945	661,525.51
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TOTAL SURPLUS, December 31, 1945, to balance sheet	\$5,165,960.57
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Reference is made to accompanying explanatory notes.

LOS ANGELES TRANSIT LINES

STATEMENT OF INCOME YEAR 1945

OPERATING REVENUE:

Passenger revenue:		
Street railways	\$15,727,084.20	
Bus operations	5,789,332.08	
	\$21,516,416.28	
Charter, advertising, and miscellaneous revenue	506,043.11	
		\$22,022,459.39

OPERATING EXPENSES:

Maintenance track	\$ 698,306.79	
Maintenance equipment	3,611,434.45	
Transportation	8,220,060.50	
Station expenses	6,872.91	
Traffic promotion	40,034.10	
Insurance, after deducting \$151,865.00 transferred from reserve for injuries and damages	2,439,140.46	
General and administrative	1,103,311.06	
Depreciation (Note A)	2,043,068.15	
Taxes and licenses	1,361,613.82	
Operating rents	254,275.98	
		19,778,118.22

NET OPERATING INCOME \$ 2,244,341.17

OTHER INCOME:

Interest on securities	\$ 26,811.68	
Premium on term obligations retired during year	6,229.59	
Miscellaneous	9,878.96	
		42,920.23
		\$ 2,287,261.40

OTHER DEDUCTIONS:

Interest charges	\$ 346,672.97	
Trustee's and transfer agent's fees	9,094.28	
		355,767.25

NET INCOME, before provision for federal taxes on income \$ 1,931,494.15

PROVISION FOR FEDERAL TAXES ON INCOME:

Current year (excess profits tax—none) (Note B)	\$ 387,000.00	
Charge in lieu of federal taxes on income—equivalent to tax reduction resulting from deductibility in current year of charges made directly to surplus (see surplus account)	326,000.00	
		713,000.00

NET INCOME, to surplus \$ 1,218,494.15

Reference is made to accompanying explanatory notes.

LOS ANGELES TRANSIT LINES

(A California Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR 1945

NOTE A: The tangible property is stated at historical cost as based upon an engineering and accounting study of the property accounts (completed in 1937) by representatives of the Railroad Commission, the Los Angeles Board of Public Utilities and Transportation, the Los Angeles City Attorney's office, and the Company as of December 31, 1936, with subsequent additions at cost.

The depreciation reserves were adjusted as of December 31, 1936 to reflect the amounts resulting from the aforementioned joint study. Provision for depreciation for the years 1937 to 1941, inclusive, has been calculated on the straight line method at rates developed by that study, which rates were believed to be adequate. In 1942, certain of the depreciation rates were revised to conform to new estimates of useful lives of certain properties in the light of changed operating conditions and the Company's "motorization program" as referred to hereinafter. The net effect of the changes in rates was to increase the annual provision for depreciation.

The depreciation rates previously established were applied during 1945. The rates range from 2% on buildings to 20% on automobiles (other than motor coaches and trucks); the rates applied to motor coaches and trucks vary from 10% to 14.28%; the rates applied to passenger and combination cars vary according to classification, but the average is about 4%.

Pursuant to authority of the Railroad Commission of the State of California, the Company does not make provision for depreciation or amortization of franchise (carried in the balance sheet of December 31, 1945 at \$17,314.54) or of other items classified as "nondepreciable" comprising land, right-of-way and grading, interest during construction (to which there has been no addition since the joint study as of December 31, 1936), and miscellaneous overhead, which are carried in the balance sheet of December 31, 1945 in the aggregate amount of \$9,667,598.53. Such assets are carried on the books until they, or the properties to which they relate, are retired, at which time the "nondepreciable" costs, plus any costs incurred and less any amounts received therefor, are charged to surplus.

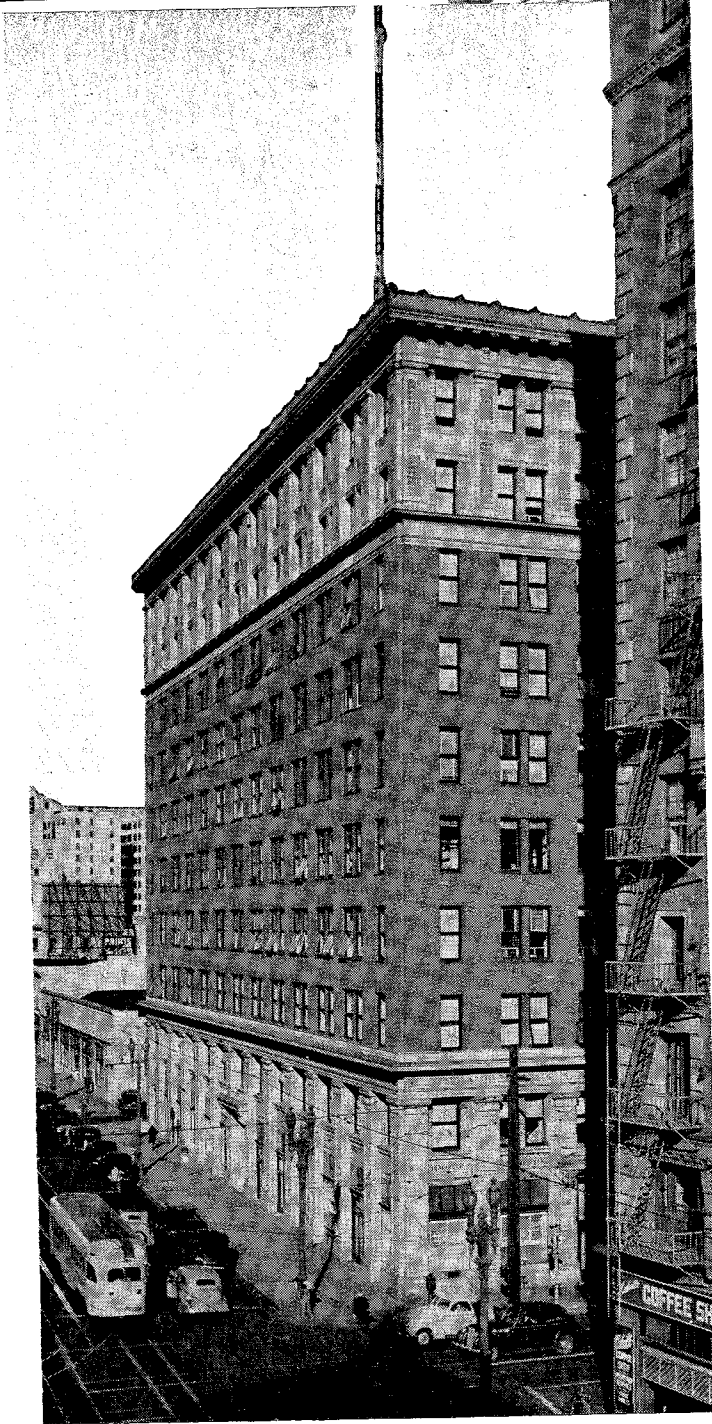
The costs of additions and betterments are capitalized. Costs of retirements of depreciable properties are charged to the depreciation reserve (and salvage is credited thereto) with the exception of electric railway cars and automotive equipment and certain buildings and equipment not required in the business; upon the retirement of the latter the depreciation reserves are relieved of the accumulated depreciation thereon and the gain or loss on disposal is transferred to earned surplus account.

The Company has developed a comprehensive plan for converting approximately 68% of its street railway lines to motor coach operations. It is contemplated that the conversion should be completed by 1949. The Company's plan is subject to the approval of the Railroad Commission of the State of California and the City of Los Angeles. In carrying out this "motorization program", certain land and buildings were sold during 1945 at losses aggregating approximately \$247,000.00. Other properties may be retired, sold, or abandoned in furtherance of such program. Any loss therefrom will be offset in part by the applicable federal income tax rates as then permitted by law.

NOTE B: The Company's liability for federal taxes on income for years prior to 1942 has been settled. The returns for the years 1942, 1943, and 1944 have been examined and the Treasury Department has proposed additional assessments aggregating about \$1,860,000.00, which the Company will protest. The reserve for federal taxes on income, provided in prior years, in the amount of \$863,006.68 is believed to be sufficient to cover the liability for prior years' taxes on income. The Company will file a refund claim for an unused excess profits credit carry-back for the year 1945; the amount of the refund, if any, will not be known until the aforementioned tax matters have been settled.

NOTE C: The deposit with Trustee consists of cash and notes representing the net proceeds from the sale of properties subject to the First Mortgage 3 $\frac{7}{8}$ % Serial Bonds. The amount estimated as payable into the Betterment and Retirement Fund on or before March 1, 1946 and to be held by the Trustee represents the depreciation for the year 1945 (exclusive of obsolescence on street railway equipment) less the aggregate cash amount expended by the Company during such year for the acquisition of capital assets, and payments in reduction of "equipment and other term obligations." The balance of such funds in the hands of the trustee may be drawn upon by the Company to reimburse it for moneys expended for the acquisition of capital assets, as provided in the Indenture.

NOTE D: The Company's surplus is restricted as to the payment of dividends by the Indenture securing the First Mortgage 3 $\frac{7}{8}$ % Serial Bonds and the Term Loan Agreement relating to the Unsecured Instalment Notes. Accordingly, the Company is not permitted to pay any dividend (except dividends payable in its own capital stock) or make any distribution on its capital stock except out of net earnings (as defined in the said agreements) arising subsequent to December 31, 1944. The amount of the surplus so available for dividends was \$1,520,866.65 at December 31, 1945.



THE annual meeting of stockholders will be held on May 14, 1946, at 10:00 A. M., at the Los Angeles Transit Lines building, 1060 South Broadway, Los Angeles 15, California.

This report and the financial statements contained herewith are submitted for the general information of stockholders of the Company as such, and are not intended to induce, or for use in connection with, any sale or purchase of securities.

LOS ANGELES

TRANSIT LINES
SAFETY
COURTESY
SERVICE

