

Decision No. 9919

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of the }
ORIGINAL STAGE LINE for an increase in }
rates. }

Application No. 6606.

L. A. Lewis, Attorney, for applicant.
E. A. Decker, for San Fernando
Chamber of Commerce.

BY THE COMMISSION:

O P I N I O N

William C. Dunlap, operating under the fictitious name of "The Original Stage Line" and holding operative rights, under the provisions of Chapter 213, Statutes of 1917, and amendments thereto, of the State of California, for the conduct of an automotive transportation service carrying passengers between the City of Los Angeles and the town of San Fernando and intermediate points, makes application petitioning the Railroad Commission for authority to increase his passenger fares 20 per cent in order to obtain a fair and just return upon his investment.

Public hearings on this application were conducted by Examiner Satterwhite at San Fernando and Los Angeles, the matter was duly submitted and is now ready for decision.

At the hearing in San Fernando the applicant introduced his Exhibit "A", showing by months, revenues and expenses for July to December, inclusive, 1920. A subsequent check by the Commission's Auditing Department failed to verify the figures presented by the applicant and disclosed numerous discrepancies between the figures introduced and the figures found in the applicant's books. The manner in which the books are kept and the

method of segregating items, the payment of bills in one month which cover expenses for several months and not allocating the expenditure to the months in which the expense accrued, complicate the accounts of the applicant to such an extent that it is practically impossible to segregate any particular month or period of time and determine therefrom whether or not applicant's operations produce a reasonable return upon the investment. As an illustration:

The applicant sets up as payment for rent in July, \$1060.00; the books check \$1185.00. The applicant pro rates expense for tires for the month of July, \$1674.55; our Auditor checks an expense for this same item of \$720.54. Applicant's exhibit shows for licenses and taxes in July, \$176.04; our Auditor checks from the books \$335.60.

The applicant's exhibit shows in July an item of \$283.00 for insurance; the books show \$298.00. There is also set up in the account, as interest, \$165.13, which is not chargeable to operating expenses.

It developed at the first hearing that the manager, who is also the owner of the line and the applicant in this proceeding, had taken out of the business a salary of over \$5000.00 in one year. The Commission believes that the owner of a utility should get his profit from the business rather than by paying himself an exorbitant salary. If the managing owner of a line devotes any or all of his time to the business, he is entitled to a salary commensurate only with the duties performed and equivalent to what such services command in such class of employment elsewhere.

At the hearing in Los Angeles, the Commission asked that certain figures be furnished, including a list of revenue and operating expenses for eight months, January 1, 1921, to August 31, 1921, inclusive. The applicant furnished these figures, showing assets of \$35,537.91, of which amount \$3,102.50 was cash.

Inasmuch as the applicant collects fares at the time the service is performed, and for the further reason that he also collects in advance moneys for commutation books, the Commission considers that there is no reason for a cash working capital to be shown in the rate base. The total receipts shown for the first eight months in 1921 amounted to \$80,874.98, and the total operating expenses \$83,535.57, showing a loss of \$2,660.59.

Under the item "Legal Expenses and Damages" is shown \$2000.00. The testimony shows this amount was paid on account of personal damage caused by a car that was not insured and that this car was the only car owned by the applicant that was not insured and the accident occurred before the applicant had time to take out insurance. Therefore, the item of \$2000.00 is one that will not occur again. An item of interest, \$713.76, is not allowable as operating expense. Another item under the caption, "Loss on three cars sold," \$369.47, should be taken care of in the depreciation reserve.

The evidence showed further that the prices of oil, gasoline, tires and other material had been reduced.

The figures furnished by the applicant in compliance with request at the Los Angeles hearing show the same inconsistencies as the figures introduced at the San Fernando hearing. As a further illustration:

Rent for January, 1921, \$218.15; April, 1921, \$1417.50. Tires in February, \$206.29; in March, \$2335.08. Licenses and taxes, March, \$21.10; February, \$1125.00; May, June and August, none. It will therefore be seen that under the applicant's present method of keeping accounts, the Commission has insufficient information before it upon which to base a decision.

The Commission has recently prescribed a method of accounting for Class "A" automotive transportation operators, effective January 1, 1922, applying to lines whose gross revenue is more than \$20,000.00 per annum.

By deducting from operating expenses the exorbitant salary taken by the Manager, the "legal expense and damage" item which should not occur again, the interest item, the alleged loss by sale of old equipment, and a reasonable allowance for the reduction in the prices of supplies; we believe the prospects for the future are that this applicant will show a return on his investment.

After careful consideration of all the evidence and exhibits in this proceeding, we believe that this application should be denied without prejudice and that the applicant should hereafter keep his books in accordance with the method prescribed, and if found necessary, he can in the future make application for relief, in which event the Commission will give such an application proper consideration.

O R D E R

Public hearings having been held upon the above entitled application, the matter having been duly submitted and the Commission being fully advised,

IT IS HEREBY ORDERED that this application be and the same hereby is denied without prejudice.

Dated at San Francisco, California, this 23rd day of December, 1921.

H. B. Rindge
H. H. Ireland
Dwight Martin
J. J. [Signature]
Commissioners.