

Decision No. 38357

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of J. A. BARDIN, for Permission to Increase Rates. Application No. 26765

A. H. BRAZIL, for Applicant:

GEORGE L. ANDRE, City Attorney, San Luis Obispo, Interested Party

BY THE COMMISSION:

ORIGINAL

O P I N I O N

In this proceeding, applicant, J. A. Bardin, dba Green Bus Service, seeks authority to increase the fares on his local motor coach operation in San Luis Obispo and the vicinity thereof.

A public hearing was conducted in this matter before Examiner Hunter at San Luis Obispo, September 14, 1945, at which time the matter was taken under submission and is now ready for decision.

Applicant conducts a local motor coach operation in the city of San Luis Obispo and the adjacent residential area by operation over five routes radiating from the business center of the city, varying in length from approximately 2 to 3 miles. Three 1941 White motor coaches are employed in this service each having a seating capacity of 21 passengers, two of which are used in the regular operation and the third is employed as a spare. In general

(1) From
7¢ cash base fare
6¼¢ tokens (4 for 25¢)
5¢ school ticket (20 for \$1.00)
5.83 1/3¢ family commute ticket (60 for \$3.50)
All fares carry free transfer privilege.

To
10¢ cash base fare
8¢ tokens (5 for 40¢)
5¢ school ticket (20 for \$1.00)
All fares to carry free transfer privilege.

a 30-minute service is provided between the hours of 6:30 A.M. and 11:00 P.M. Applicant acquired this system from J. G. Jones pursuant to the Commission's order in Decision No. 36418, dated June 8, 1943. Jones began this operation on or about June 1, 1941 under a franchise granted by the city of San Luis Obispo, as the operation was then conducted wholly within the city. The service was extended outside the city by authority of the Commission's order in Decision No. 34833, dated December 9, 1941.

Applicant's Exhibit No. 1 shows that during the 8-months' period January 1 to August 31, 1945, the gross revenues exceeded the direct operating expenses by \$1,185. These expenses do not include a provision for a return on the investment or any allowance for deferred maintenance on the three motor coaches. Exhibit No. 2 shows the deferred maintenance as of September 4, 1945 to be \$1,952. This Exhibit was introduced by a representative of a local garage of San Luis Obispo, who stated that upon an inspection of these motor coaches he found them to be in immediate need of the repair, referred to as deferred maintenance, if they are to be continued in service. Applicant testified that the operating results for the 8-months' period referred to above covered a time when the traffic was unusually heavy occasioned by the increased population because of the large number of men in the armed forces stationed at nearby Camp San Luis Obispo, together with their relatives and friends temporarily living or visiting in that area.

Applicant's further testimony may be briefly summarized as follows:

With the ultimate closing of Camp San Luis Obispo, which is expected to occur in the near future, there undoubtedly will be a decrease in the population of San Luis Obispo with an attendant decrease in traffic;

That there is little or no possibility of earning more than the actual cost of providing the service including something less than a fair return on his investment with any rate structure that could be established;

That the proposed rates are the result of a study of different fare structures applicable to motor coach operation;

That a lesser fare than that now in effect and particularly a 5¢ base fare would not increase the traffic to any appreciable extent, if at all, and the resulting revenue would be materially less than the out of pocket cost of providing the service;

That he has been able to continue the operation at something above operating expense only through working long hours himself in repairing the equipment, driving coaches, and managing the business affairs;

That following the elimination of restriction on the purchase of gasoline, the traffic on the system decreased 15%;

That there is little opportunity to decrease the operating expenses as the three motor coaches now in operation provide a 30-minute headway and any less service would not result in an improvement in the net earnings on the system.

In applicant's original plan he proposed to issue free transfers only to those patrons paying a 10¢ cash fare or a school ticket. During the hearing he modified his application to provide for a free transfer to all passengers upon the payment of a cash ticket and token fare.

The former Mayor of San Luis Obispo who held office from May, 1939 to May, 1945, testified that he had made it his business as Mayor to concern himself with this local transportation problem. Based upon this intimate knowledge of the situation, it was his opinion that it was in the public interest to grant the increase in the fares as proposed, otherwise the revenue would fail to meet the direct operating expenses with the declining population in the area that will undoubtedly follow the abandonment of Camp San Luis Obispo, and in turn the motor coach operation could not be expected to continue on an enduring basis. He agrees with applicant that the proposed fare will result in an improved earning position, whereas a lesser fare, and particularly a 5¢ base fare, will produce less revenue than the present fare structure. To support his conclusion in this matter he referred to the experience of applicant's

predecessor Jones, who during the summer months of 1941 operated the system on a base fare of 5¢, which resulted in a decrease in the earnings to a point below the cost of providing the service, after which the fare structure was raised to the present level.

One of the Commission's engineers made a study of this operation and submitted the results thereof which shows that with the present fare structure the earnings will in the future fail to meet the cost of providing the service by \$2,900 on an annual basis (Exhibit No. 4). No provision is made in this estimate for a franchise tax which becomes effective June 1, 1946, on the basis of 2% of the gross operating revenue for the business transacted within the city of San Luis Obispo. His Exhibit No. 5 shows that with a 5¢ base fare the traffic would have to increase 53% over the present volume to provide a revenue sufficient to meet the cost of providing the service or, in other words, the riding habit would have to increase from the present level of 38 to 68 per capita on an annual basis, assuming a population of 10,000. This witness showed the population of San Luis Obispo, according to U. S. Census Bureau, to be as follows:

1930	8,276
1940	8,881
October, 1944	11,657

Following the closing of Camp San Luis Obispo the population is estimated at 10,000.

He testified that, based upon the present volume of traffic and applying the proposed fare structure, the annual earnings would be approximately \$500 above the cost of providing the service exclusive of any return on the rate base and that, with a reduction in traffic of 13%, the revenue would be sufficient to meet the cost of providing the service. It was his opinion that with the end of gasoline rationing and the probable decrease in the population of the city following the closing of Camp

San Luis Obispo the decrease in traffic on this carrier's system will be in excess of 15%.

No opposition developed to the granting of this application. The city of San Luis Obispo took no definite position in this matter. The city attorney stated that the city officials were looking to the Commission for a determination of a reasonable fare structure for this carrier.

Upon review of the record we find that the application should be granted and that the increase in fares sought herein is justified. In reaching this finding, however, attention is directed to the fact that only a test will determine whether or not the increased fare structure will improve the net earning position of this carrier, in fact, it may result in a decrease in revenue, but applicant should on this record be permitted to place his proposed fare structure in effect.

O R D E R

J. A. Bardin, dba Green Bus Service, having filed application requesting authority to increase its fares, public hearing having been held, the Commission being apprised of the facts, and the matter being under submission and ready for decision,

IT IS ORDERED that J. A. Bardin be, and he is hereby authorized to establish in accordance with the rules of the Commission, upon not less than one (1) day's notice to this Commission and the public, fares for the transportation of passengers between points over its lines in San Luis Obispo and vicinity as follows:

Adult fare	10¢ cash
	8¢ token (5 for 40¢)
School Children	20 rides for \$1.00

subject to the condition that all fares carry free transfer privilege with appropriate restrictions to prevent round-trip riding and undue layover.

This authority shall be void unless exercised within ninety (90) days from the date of this order.

The effective date of this order shall be the date hereof.

Dated at Los Angeles, California, this 30th day of October, 1945..

[Signature]
[Signature]
[Signature]

[Signature]
COMMISSIONERS

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