

Decision No. 38808

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of MARY)
MARITZEN and E. B. OSTLIVES, a copartner-)
ship, doing business under the firm name)
and style of THE MODESTO TRANSIT COMPANY)
for a Request to increase tariff rates on)
the following bus service routes: (1) Bus)
Service being operated from the City of)
Modesto to the Modesto Municipal Airport.)
(2) Bus service being operated from the)
City of Modesto to South Modesto Acres.)

Application
No. 27183

ORIGINAL

FRANK C. DAMRELL, for applicant, The Modesto
Transit Company
JAMES WILSON, City Councilman, and
L. M. MORRIS, Commission of Public Works for
the City of Modesto, interested parties
W. M. KLEINENBROICK, for Modesto Motor Bus
Service, interested party
C. O. BURGIN, for Office of Price Administra-
tion, Regional Director, San Francisco,
intervenor

O P I N I O N

In this proceeding applicant seeks authority to establish a uniform fare of ten cents on its system which would require the raising of the fare from five to ten cents on two of its three major routes.

A public hearing was conducted in this application before Examiner Hunter at Modesto on February 28, 1946. At this time the matter was taken under submission and is now ready for decision.

The Modesto Transit Company, a partnership operates three motor coach routes in Modesto and vicinity, viz.:

1. Hammond General Hospital Line. This hospital is located approximately three and one-half miles north-westerly of the business center of Modesto and adjacent to U. S. Highway No. 99. The fare on this route is ten cents.
2. South Modesto Acres Line, the outer terminus of which is approximately three and one-half miles south of the business center of the city. The fare on this line is five cents.
3. Modesto Air Port Line, the outer terminus of which is located approximately three miles east of the business center of Modesto. The fare on this line is five cents.

No commutation or reduced fares to school children are provided on any of these routes.

Applicant stated that the Hammond General Hospital was closed as an Army hospital on December 21, 1945 and alleged that the resulting curtailment of traffic, the operation as a whole ceased to be on a profitable basis. A Commission engineer testified that the Hammond Hospital during mid-1945 housed approximately 3,000 patients and maintained a staff of some 1,800 attendants. He further stated that the commanding officer at the hospital advised that the present personnel consisted of 18 people and that the bus operation could not be reasonably justified under prevailing conditions.

Applicant Osthuos, a partner and the manager of the company, presented exhibits setting forth the operating results of the company for the months of January and February, 1945, and January and February, 1946, together with the estimated earnings for January and February, 1946 based upon a system fare of ten cents. These exhibits may be summarized as follows:

I t e m	1945		1946		1946	
	Company Records		Company Records		Est. on System	
	Ex. No. 1	Ex. No. 3	Ex. No. 2	Ex. No. 4	Ex. No. 5	Ex. No. 6
	January	February	January	February	January	February
Revenue	\$4,965	\$5,367	\$3,868	\$3,503	\$5,400#	\$5,400#
Expenses	3,955	4,217	4,692	4,651	4,942*	4,901*
Net Income	1,010	1,150	(824)	(1,148)	458	499
Bus Miles Operated	14,538	14,615	14,194	12,703	14,194	12,703

Witness testified that, in his opinion, a fare increase from five to ten cents on two of the lines would have the effect of reducing traffic 25 per cent.

* Includes \$250 for deferred maintenance.

Applicant stated that a large part of the present operating deficit resulted from the operation of the Hammond Hospital route subsequent to the time it was closed as an Army hospital. At the hearing, applicant amended the application to provide for the suspension of this route for a period of six months pending the development of a plan to establish a state hospital at that location.

(1)

The Commission's engineering staff presented an exhibit setting forth the estimated results of a year's operation based on current levels of expense under different fare structures as well as on the bases of operation with and without the Hammond Hospital route. The results of operation as shown excluding the Hammond Hospital route, may be summarized as follows:

I t e m	F A R E S T R U C T U R E				
	Present Fares	7¢ Fare	10¢ (Applicant's Proposal)	10¢ cash and 7/50¢	10¢ cash and 3/25¢
Revenue	\$43,340	\$55,870	\$60,680	\$59,060	\$60,120
Expense	51,874	53,544	55,054	54,564	59,934
Net Income	(8,534)	2,326	5,626	4,496	5,186
Bus Miles	143,400	143,400	143,400	143,400	143,400
Rate of Return (2)	-	16.0%	38.1%	30.7%	35.1%
Operating Ratio*	-	95.4	88.8	90.9	89.5
" " #	-	96.0	90.7	92.4	91.4

* Before income taxes.
After income taxes.
(Red Figures).

This exhibit shows the result of a study of the operating ratio for passenger stage operation on a state-wide basis to the effect that to obtain a return of ten per cent on an average-depreciated rate base would necessitate an operating ratio of 90.8 per cent.

Exhibit No. 7 also shows that present operations (including operation of the Hammond Hospital route) under existing fares would result in an annual deficit of \$10,544.

The Commission's engineer testified that in his opinion the fare structure that would best meet the situation from the standpoint of placing the operation on a reasonably profitable and enduring basis for the future was ten cents cash with a reduced fare of seven rides for fifty cents, sold in the form of tokens, tickets, or cards.

(1) Exhibit No. 7.
(2) On depreciated rate base of \$14,662 (Exh. No. 7, page 6).

No protest developed to the granting of this application. A representative of the City of Modesto stated that the City was agreeable to the establishment of the fare structure proposed by applicant, namely, ten-cent system fare.

Based on the evidence adduced in this proceeding, we find that:

1. Under present operating conditions and existing fares, applicant's earnings are insufficient to pay operating expenses.
2. The operation of the route to Hammond General Hospital under prevailing conditions is no longer required as a public convenience or necessity and should be suspended for a period of six months as requested by applicant.
3. Even with the elimination of the unprofitable Hammond Hospital route the earnings under existing fares would be insufficient to pay operating expenses.
4. The record justified the conclusion that coincident with the abandonment of the Hammond Hospital route applicant be authorized to establish a system fare of ten cents cash or seven rides for fifty cents.

O R D E R

Public hearing having been held, the matter submitted, and the Commission now being fully advised.

IT IS HEREBY ORDERED that Mary Maritzen and E. B. Osthus, a partnership doing business as the Modesto Transit Company, are hereby authorized:

- I. To suspend operations on the route extending from Modesto to the General Hospital, now operating under a certificate of public convenience and necessity originally granted September 29, 1942 by Decision No. 35800 and subsequently modified by Decision No. 36486, dated July 13, 1943 and Decision No. 36963, dated March 28, 1944, for a period of six (6) months from the effective date of this order subject to five days' advance notice to this Commission and the public.
- II. To establish a uniform system fare of ten cents cash or seven rides for fifty cents.

Applicant shall file in triplicate and concurrently make effective within thirty (30) days from the date of this order and on not less than five (5) days' notice to the Commission and the

public, a revised tariff constructed in accordance with the Commission's G.O. No. 79 and Part IV of G.O. No. 93-A, giving effect to the fares herein authorized.

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

Dated at San Francisco, California, this 7th day of

April, 1946.

Harold Rudman

Justin F. Quenen

Frank D. ...

... ..

Harold P. Kula

COMMISSIONERS