

Decision No. 39996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 S. P. CARR and CHARLES P. RHINARD, )  
 doing business as, The Laguna Beach - )  
 Santa Ana Stage Line, for authority to ) Application No. 28068  
 increase local fares and the elimination )  
 of 60 ride commutation books and the )  
 elimination of 30 ride school books. )

ORIGINAL

AppearancesCharles P. Rhinard and Charles Woodfull for applicants.

Jack Rinel, City Attorney, for City of Laguna Beach;  
H. F. Kenny for Newport Harbor Chamber of Commerce;  
J. W. Clayton for Santa Ana Bus Line; and Mrs. Phillip  
J. Bird for Phillip J. Bird, dba Costa Mesa Coach Line,  
 interested parties.

OPINION

S. P. Carr and Charles P. Rhinard, co-partners, doing business as The Laguna Beach - Santa Ana Stage Line, operate as a passenger stage corporation between Santa Ana and Laguna Beach via Newport Beach and Balboa. By this application, as amended, they seek authority to increase certain 5-cent one way, and 10-cent round trip, fares to 10 and 20 cents, respectively, and to cancel existing 30-ride student fares and 60-ride individual commutation fares. A public hearing was held before Commissioner Craemer and Examiner Bradshaw, at Santa Ana on February 6, 1947.

Applicants maintain one-way fares of 5 cents and round-trip fares of 10 cents between a number of adjacent communities or tariff points.<sup>1</sup> According to the testimony, the major portion of the traffic

<sup>1</sup> These fares apply between Santa Ana and Delhi; Delhi and Airport; Airport and Country Club; Country Club and Costa Mesa; Costa Mesa and Coast Boulevard; Coast Boulevard and Newport Beach; Newport Beach and Balboa Beach; and Balboa Beach and East Balboa.

under these fares consists of persons traveling locally within the points served and in which local bus lines operate at fares of 8 or 10 cents. It is claimed that, in carrying these passengers, extra trips are sometimes necessary and in other cases local passengers utilize seating accommodations which otherwise would be available for interurban passengers. Applicants allege that they will be in a position to render a more satisfactory and economical interurban service, if a greater number of persons making trips within the several communities can be induced to patronize the local carriers. The proposed increases in these fares are designed to accomplish this objective, as well as to provide additional revenue assertedly required to offset increased operating costs.

The multiple-ride fares, which applicants seek to cancel, consist of 30-ride school fares for children under 12 years of age and for students between 12 and 22 years of age, as well as 60-ride individual commutation tickets. They apply between nearly all of the points served. Those available for children under 12 years old are in most cases the equivalent of 30 percent of the one-way fares, while the others mentioned are 50 percent of the one-way fares. If canceled, persons now using these fares would have available a 30-ride family commutation ticket valid for 90 days, in most instances equivalent to 60 percent of the one-way fares.

The record indicates that 90 percent of the school children using applicants' services travel between Costa Mesa and Santa Ana, a distance of 9 miles, and that 80 percent use the fares applicable to those under 12 years of age. It was testified that 4 extra round-trips between Santa Ana and Balboa are necessary each day for which a

gross revenue of \$1.65 per round-trip of 25 miles is received. Based upon applicants' average per-mile costs in 1946, the resultant revenue fails to meet the cost of drivers' wages, fuel and oil incurred in performing this service by approximately 60 cents per trip. According to the testimony, educational institutions are located in the several communities served by applicants and the student travel is occasioned primarily by a desire to attend classes in other localities.

It appears that there is little travel under the 60-ride individual commutation fares. The record discloses that not over 30 books of these fares have been outstanding at any one time.

Applicants' operating results during the years 1945 and 1946 and their forecast for the year 1947 at the present and proposed fares, as shown by one of the exhibits, appear in the following table:

	Operating Revenue	Operating Expense	Net Operating Income	Other Income	Total Income (All Sources) <sup>##</sup>
1945	\$168,022	\$113,893	\$54,129	\$ 368	\$54,497
1946	107,665	98,764	8,901	3,204	12,105
1947 Forecast					
Present Fares	99,676	104,506	(4,830)	1,060	(3,770)
Proposed Fares	106,125	104,506	1,619	1,060	2,679

<sup>##</sup> Before income taxes.  
 ( ) Denotes loss.

In estimating the 1947 operating expenses, an amount of \$3,574.71, was included to cover anticipated increased drivers' wages during the last half of the year. As justification for doing so, one of the applicants testified that (1) no negotiations have been had with labor representatives, (2) announcements have been made that their

drivers are about to be organized and (3) since they are now paid less than the union scale, an increase in wages appears to be inevitable. The Commission has heretofore refused to allow rate increases upon the basis of wage adjustments which are purely speculative. See Application of California Milk Transport, Inc., 45 C.R.C. 761, 770. It will be necessary to disregard this item in ascertaining applicants' revenue requirements.

Applicants anticipate lighter travel in 1947 than occurred during 1946. This is attributed to the closing of the Santa Ana Air Base during the first quarter of last year. It was assumed that there will be a reduction of 25 percent in the number of local passengers in the event that the proposed fares are authorized. Their revenue estimates, however, although taking into consideration the expected 25 percent reduction in local passengers, are based upon a 15-day period during which the volume of travel was about 7½ percent less than the average for the last 9 months of 1946.

The estimated operating expenses for 1947, when adjusted to exclude the wage increases which are merely anticipatory, would be \$100,930. It also appears that the proposed fares will produce revenues of between \$106,125 and \$114,084, depending upon the extent to which applicants may have underestimated the volume of travel which will move over their line during the present year.

No one opposed the granting of the application. The president of the Newport Harbor Chamber of Commerce stated that he appreciated the necessity of speeding up applicants' interurban service by endeavoring to reduce local patronage. One of the owners of the Santa Ana Bus Line declared that his line parallels applicants' route within the city of Santa Ana, that a 30-minute service is

maintained with a fare of 8 cents or 5 tokens for 35 cents and that he expected to benefit by securing local passengers now using applicants' facilities. A similar statement was made on behalf of Philip J. Bird, who operates in the vicinity of Costa Mesa at a 10-cent fare between places where his route parallels that traversed by applicants.

It is clear from the evidence that the school fares which applicants seek to cancel are not upon a compensatory level. The limited use made of applicants' 60-ride individual commutation fares is convincing proof that the continuation of this form of ticket is unnecessary. In our opinion, applicants should be permitted to cancel these classes of fares.

The record does not justify increases in the 5-cent one-way and 10-cent round-trip fares to 10 and 20 cents, respectively. It is realized that the transportation of passengers for extremely short distances impairs the efficiency of carrier operations primarily devoted to interurban service. However, the undesirability of a given class of traffic does not constitute a valid basis for the approval of fares which do not meet the usual tests of reasonableness. Although the effect of a revision of these fares cannot be determined in advance with any degree of definiteness, increases in the one-way fares to 8 cents and in the round-trip fares to 15 cents appear to be warranted. If the fares are increased to this extent and the multiple-ride fares involved in this application are canceled, applicants' 1947 revenue should amount to approximately \$109,000, as contrasted with expenses before income taxes of about \$100,900. The resultant margin between revenues and expenses would appear to be adequate to enable applicants to maintain a satisfactory service and earn a reasonable return.

Upon careful consideration of all of the facts and circumstances of record in this proceeding, the Commission is of the opinion and finds (1) that an increase in applicants' present one-way fares of 5 cents and round-trip fares of 10 cents to 8 and 15 cents, respectively, and (2) that the cancellation of their existing school fares and 60-ride individual commutation fares, are justified.

O R D E R

Public hearing having been had in the above entitled application and, based upon the evidence received and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that S. P. Carr and Charles P. Rhinard, co-partners, doing business as The Laguna Beach - Santa Ana Stage Line, be and they are hereby authorized (1) to increase each of their one-way fares of 5 cents and round-trip fares of 10 cents as published in Laguna Beach - Santa Ana Stage Line Local Passenger Tariff C.R.C. No. 1 to 8 cents and 15 cents, respectively, and (2) to cancel their present 60-ride individual fares and 30-ride school fares as published in the aforesaid tariff; and that the changes in fares herein authorized may be established on not less than five (5) days' notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void unless the changes in fares authorized in this order are published, filed and made effective within sixty (60) days from the effective date hereof.

IT IS HEREBY FURTHER ORDERED that, in all other respects,  
the above entitled application be and it is hereby denied.

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

Dated at San Francisco, California, this 25<sup>th</sup> day  
of February, 1947.

Harold F. Lyle  
James J. O'Connell  
John A. Powell  
R. J. [unclear]  
Thomas H. Pettral  
Commissioners