

Decision No. 40212

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
FOSTER TRANSPORTATION, INC. for an)
order authorizing a fare increase on)
the Granada-Emery Park Motor Coach)
Line, The Del Mar Motor Coach Line,)
the Marengo-Ynez Motor Coach Line,)
and the Mission-San Gabriel Blvd.)
Motor Coach Line.)

Application No. 28082

ORIGINAL

Appearances

Paul T. Erskine, Bernice Line Foster, and
Charles Howe Foster, for applicant.

O P I N I O N

By this application Foster Transportation, Inc., a corporation transporting, as a common carrier, passengers by motor bus within and between the cities of Alhambra and San Gabriel and the communities of Wilmar and Garvey in adjacent country area, seeks authority to establish increased fares on less than statutory notice.

Public hearing was had before Examiner Bryant at Los Angeles on March 4, 1947, and the matter is ready for decision.

The need for the fare increases, according to the application, has been brought about by substantial increases in operating costs during 1946. The application states that increases in gasoline costs are expected in 1947; that higher wages will have to be paid; and that increases in operating costs in general seem certain. Applicant's secretary-treasurer testified that the upward trend in operating costs has continued into the current year. Concurrently with the expense increases in 1946, a diminution of revenue was experienced. The witness expected further declines in revenue during the current year. As a result of the adverse operating factors, a

loss of \$1,252 was recorded for 1946. Exhibits were submitted to show that operations during 1947 would result in a loss of \$12,753 if present fares are maintained, and that a loss of \$2,011 is expected even though the fare increases sought should be authorized in full.

An associate transportation engineer of the Commission's staff introduced and explained an exhibit covering a study he had made of applicant's records and operations. Included in the exhibit were estimates of revenues and expenses under present and proposed fares and under a fare structure suggested by the engineer as an alternative proposal.¹ In his estimates the engineer modified applicant's figures to exclude some expense items which he believed were not sufficiently certain to warrant their being given specific weight in his calculations.² It appears that the engineer's figures

¹ Applicant's present and proposed fares, and the engineer's suggested fares, are as follows:

Present Fares

	<u>Local Zones</u>	<u>Extended Zones</u>
One-way adult cash fare	7 cents	10 cents
Adult multiple-ride tickets	-	\$1.00 for 13 rides
Student multiple-ride tickets	\$1.00 for 20 rides	\$1.00 for 20 rides
Transfers	No charge	No charge

Proposed fares - All routes

	<u>Applicant</u>	<u>Commission Engineer</u>
One-way adult cash fare	10 cents	10 cents
Adult multiple-ride tickets	\$1.00 for 12 rides	25 cents for 3 rides
Student multiple-ride tickets	\$1.00 for 13 rides	\$1.00 for 20 rides
Transfers	No charge	No charge

² Applicant's estimates included provisions for a decline in revenues and for higher wage and tax expense. The engineer pointed out that applicant had been able to maintain an upward trend in revenues and he believed that the expected wage and tax increases are contingencies which are not sufficiently certain to warrant their being given specific weight herein. The record also shows that applicant's expense estimates were based upon excessive allowances for depreciation.

reasonably reflect probable operating results; they will be used as basis for the conclusions reached herein. The engineer's estimates of 1947 revenues and expenses are set forth in the following table:

	<u>Under Present Fares</u>	<u>Under Applicant's Proposed Fares</u>	<u>Under Engineer's Suggested Fares</u>
Total Operating Revenue	\$83,570	\$103,350	\$94,050
Total Operating Expenses	84,310	84,515	84,413
Net Operating Revenue	(740)	18,835	9,637
State and Federal Income Taxes	-	4,872	2,444
Net Income	(740)	13,963	7,193
Estimated Rate Base	47,545	47,545	47,545
Rate of Return, after income taxes	-	29.4%	15.1%
Operating Ratio, before " "	100.9%	81.8%	89.8%

() indicates loss

The Commission's engineer explained that although the fares which applicant proposed and those which he suggested are on the same level per adult passenger ride, his fare basis would produce lesser revenues, for the reason that more passengers would buy reduced-fare, multiple-ride tickets if sold for 25 cents than if sold for \$1.00.³ He said that applicant's experience, in zones where it is currently selling 13-ride tickets for \$1.00, has been that only 17½ per cent of its patrons buy the tickets; he used this percentage in estimating revenue results from applicant's proposal. He estimated that if 3-ride tickets are sold for 25 cents, approximately 60 per cent of applicant's patrons will buy the tickets. The engineer believed that the fare structure which he suggested was superior to applicant's proposal because more people would avail themselves of the lower fares, because the revenue results would be more reasonable,

³ The engineer contemplated that either tickets or metal tokens could be sold under his proposal.

and because the suggested fares maintain a more usual relationship between adult fares and fares charged school children.

No one appeared to protest the granting of the application nor to otherwise oppose an increase in fares.

The record is clear that some fare increase must be authorized if applicant is to avoid further operating losses; that excessive revenue would probably result from applicant's proposed fares; and that net revenue approximating that which was estimated to accrue under the engineer's suggested fare basis would be adequate to meet the increased costs and to return a reasonable profit. So far as the exact form of the fares is concerned, however, applicant expressed preference for the use of \$1.00 multiple-ride card-tickets rather than sales units of 25 cents as suggested by the engineer. Applicant believed that the larger sales unit tended to encourage passenger travel, for the reason that patrons, having purchased a ticket good for a substantial number of rides, use the buses more freely than on a cash fare or three-ride ticket.

Under a multiple-ride \$1.00 card, the required revenue may be obtained from fares lower than those suggested by either the applicant or the Commission engineer. This is possible because, as shown by the engineer's testimony, fewer passengers would elect to purchase reduced fares in the larger units, so that the average revenue per passenger would be about the same. A purchase price as high as \$1.00, however, would tend to discourage use, as indicated by applicant's experience in its present outer zones. If applicant's general proposal were modified to permit establishment of one-way adult fares of 10 cents cash or 50 cents for a 7-ride ticket, with retention of present transfer privileges and school fares, virtually

no increase in fares would result for those who avail themselves of the savings from buying multiple-ride cards.⁴ The minimum adult fare would be 1.19 cents less than under the engineer's suggested fare basis. The revenue increase to applicant cannot be precisely determined in advance, as it would depend very largely upon the extent that patrons elect to pay 10 cents cash instead of buying cards. From all of the evidence of record, however, we are satisfied that, if the patrons are adequately informed of the alternative fares available to them, the use of reduced-fare cards under the fare structure just outlined will be within a range which will produce revenues which are reasonable and sufficient, but not excessive.⁵

Upon careful consideration of all of the facts and circumstances of record we find that increased fares as hereinbefore developed are justified, and that establishment of the fares on ten (10) days' notice to the Commission and to the public is justified under the circumstances herein disclosed. In order that the patrons may reasonably and conveniently avail themselves of the multiple-ride fares, applicant will be required to post and maintain in each of its vehicles a notice clearly stating the fares available, and to keep its drivers adequately supplied with cards so that its patrons may readily purchase such cards as desired.

⁴ The cost per ride would be 7.14 cents, which compares with the present cash fare of 7 cents. Establishment of the 7.14-cent fare for all routes would result in a small reduction (\$268 annually on basis of 1946 experience) on routes now having multiple-ride tickets. Applicant believes that elimination of its present fare zones would enable it "to serve the public better and more efficiently."

⁵ It is clear that the percentage of use of the 7-ride, 50-cent card would be greater than 17½ per cent (as experienced with the 13-ride \$1.00 ticket) and less than 60 per cent (as estimated by the engineer for a 3-ride 25-cent ticket). With no change in other factors, ticket usage of 30 per cent would produce net income of \$8,400 after income taxes, 40 per cent usage would produce net income of about \$6,450, and 36 per cent usage would result in the same amount of net income as estimated from the fares suggested by the engineer.

O R D E R

Public hearing having been had in the above entitled application, full consideration of the matters and things involved having been had, and the Commission being fully advised,

IT IS HEREBY ORDERED that

1. Applicant be and it is hereby authorized to establish and to assess for transportation performed between any two points on its lines, on not less than ten (10) days' notice to the Commission and to the public, one-way adult fares of 10 cents cash and of 50 cents for a card good for 7 one-way adult rides. Concurrently, applicant shall establish and publish reasonable rules relating to the redemption of unused portions of multiple-ride adult and student cards. In all other respects the application shall be and it is hereby denied.

2. Not less than ten (10) days before the effective date of the fares established under this order applicant shall post prominently in each of its buses, and shall thereafter maintain in legible condition, a notice setting forth clearly all of the adult and student fares available on its lines, including a statement of transfer privileges.

3. Applicant shall keep its drivers adequately supplied with multiple-ride adult and student cards so that its patrons may readily purchase such cards as desired.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void except to the extent that the rates and charges published pursuant to this authority are filed and made effective within ninety (90) days from the effective date of this order.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 29th day of April, 1947.

Harold Kule
Justus F. Coe
Walter Powell
A. B. Johnson
Samuel L. Potter
Commissioners