

Decision No. 40787

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SAN JOSE CITY LINES, INC., for )  
an order granting permission to )  
(a) increase its adult basic local )  
passenger rate of fare from 5¢ cash )  
with a 1¢ transfer to 7¢ cash or )  
4 tokens for 25¢ with free transfer; )  
(b) increase its students' rate of )  
fare from 46 tickets for \$1.61 with )  
free transfers to 20 tickets for )  
\$1.00 with free transfers; (c) )  
increase its students' rate of fare )  
from 46 rides for \$2.30 with free )  
transfer to 20 tickets for \$1.40 )  
with free transfer (2 zones); and )  
(d) cancel special or chartered-car )  
rates appearing in its tariff. )

ORIGINAL

Application No. 28565

CAMPBELL, HAYES & CUSTER, by FRANK V. CAMPBELL, for applicant  
C. J. SCHNEIDER for Bellarmine College Preparatory School,  
interested party.

O P I N I O N

San Jose City Lines, Inc., operates motor coach service in and between San Jose, Santa Clara and certain contiguous territory. By this application as amended, authority is sought to increase its present fares and to cancel published special or charter-car rates. A public hearing was held at San Jose before Commissioner Potter and Examiner Bradshaw.

The present and proposed fares are set forth in the Appendix. Applicant's basic adult local fare is 5 cents, with a charge of 1 cent for transfer privileges. It is proposed that in lieu thereof basic fares be established with free transfer privileges of 7 cents in cash and 4 tokens for 25 cents. An increase is also sought in the local student fares. In addition, corresponding

increases would be made in fares for interzone transportation or to or from outlying areas.

According to the evidence, applicant and its predecessors have furnished local transportation in San Jose and vicinity since 1909. Applicant's vice-president and general manager testified that it is the plan of the carrier to develop and maintain the best transportation service conditions may permit. He referred to capital expenditures of over \$461,000 having been made during the last three years in addition to the purchase of new equipment on order for 1948 delivery which will cost approximately \$162,000. It was asserted that the present fares have been in effect since 1940. Prior to that time it appears that the fares were the same as those which applicant now seeks authority to establish. The evidence indicates that since the present fares were established the hourly wage of bus operators has increased from 60 cents to \$1.31, an increase of over 118%. It also appears that during the same period similar increases occurred in the hourly wages of other classes of labor. The witness declared that, by reason of these increases and increases in other expenses, applicant's present operating costs exceed its gross revenue and the sought increases in fares are essential to continued operations.

Applicant's financial statements show that a loss of \$10,665.79 occurred during the first seven months of 1947, due primarily to strike conditions in June and to interest payments. Data for the first five months of the year discloses revenues of \$301,313, operating expenses of \$278,566, net income from operations of \$22,747 and a net profit after provision for federal income taxes of \$6,937. However, a gradual narrowing of the spread between revenues and expenses took place during this period, the operating ratio before income taxes for the several months being January, 86.4; February, 91.8;

March, 93.0; April, 95.8 and May, 95.1.

Statistics were presented by applicant's general auditor for the purpose of forecasting the results of operations during the 12 months ending July 31, 1948, under the present fare structure and that proposed. Operating revenues were based upon traffic handled from January to May, 1947, inclusive, projected on an annual basis. In determining the revenues under the proposed fares a 10 per cent loss of traffic was assumed. It was also estimated that of the travel under the adult fares 70 per cent of the passengers would purchase tokens. Expenses were computed by projecting the weekday and Sunday mileage now operated and using current costs.

A study of applicant's operations and those anticipated in the immediate future was also introduced by the Commission's transportation research engineer. Prospective revenues for the 12 months ending August 31, 1948, under the present and proposed fares were predicated upon average weekday travel trends, a diminution of 12.5% in traffic if the proposed fares are authorized and a token usage of 50 per cent. Expenses were calculated by taking into consideration bus mileage trends, certain proposed changes in routing and service, the use of 10 new 45-passenger buses which applicant expects to place in service on or about April 1, 1948, and the general conditions under which the witness expects that operations will be conducted.

A summary of the conclusions reached by the two witnesses

appears in the following tabulation:

	<u>Present Fares</u>		<u>Proposed Fares</u>	
	<u>Applicant's Witness</u> *	<u>Commission's Engineer</u> **	<u>Applicant's Witness</u> *	<u>Commission's Engineer</u> **
Revenues	\$ 720,000	\$ 721,700	\$ 830,000	\$ 821,680
Expenses	741,240	696,540	759,975	713,580
Net Income from Operations	\$ (21,240)	\$ 25,160	\$ 70,025	\$ 108,100
Income Taxes	- -	5,835	26,610	43,240
Net Profit	\$ (21,240)	\$ 19,325	\$ 43,415	\$ 64,860
Operating Ratio before Income Taxes	102.9	96.5	91.6	86.8
After Income Taxes	-	96.8	94.8	92.1

\* 12 months ending July 31, 1948  
 \*\* 12 " " August 31, 1948  
 ( ) Denotes loss

The principal difference between the revenue forecasts occurs in the witnesses' estimates of the number of passengers which may use applicant's service and the proportion which may be expected to purchase tokens instead of paying the 7 cent cash fare. It appears that the weekday trends upon which the computations of the Commission's engineer were predicated constitute a more reliable test of the volume of traffic which reasonably may be expected during the next 12 months than a projection on an annual basis of the business handled during the first 5 months of 1947. On the one hand, inasmuch as it appears that during the 12 months ending March 31, 1940, when the proposed fares were in effect, the ratio of token usage was

75.3%, applicant's estimate furnishes a better guide of the probable token usage than that used in the engineer's computations.

Generally, applicant's estimates of anticipated expenses are greater than those of the Commission's engineer. The principal disparity exists in the maintenance of equipment and transportation expenses. The extent of the differences in these estimates is indicated in the following tabulation:

	<u>Estimate of Applicant's Witness</u>	<u>Estimate of Commission's Engineer</u>	<u>Difference</u>
Equipment Maintenance and Garage Expense	\$ 160,100	\$ 131,400	\$ 28,700
Transportation Expense	371,000	359,600	11,400

Applicant's computations with respect to maintenance are based on the work performed during the first 5 months of the present year, using current wage and material costs. The Commission's witness arrived at his conclusions after an analysis of past performances on a cost per mile basis and taking into consideration that new buses will be in service, that the majority of applicant's fleet has been completely overhauled, and that deferred maintenance has been taken care of. Applicant's witnesses, however, assert that the operation of new buses will not permit of a substantial reduction in the present shop force; that certain equipment which has been in operation for a number of years will require major overhauling; and that it is expected that maintenance costs will continue to increase. The major differences in the transportation expense account estimates, as well as in a number of the other accounts, appear to arise to a large extent from differences in the number of bus miles per annum upon which the studies were based. In view of all of the circumstances

as disclosed by the record, applicant's estimates of maintenance and transportation expenses would seem to be somewhat high. In our opinion, the maintenance and transportation expenses, which reasonably might be expected to occur during the 12 months covered by the studies should not exceed \$145,000 and \$362,000, respectively.

By adjusting applicant's estimates as herein indicated, the proposed fares should produce annual revenues of approximately \$803,740, as contrasted with operating expenses of about \$736,000, leaving a net income from operations of \$67,740. On this basis, the resultant operating ratio before income taxes would be 91.57.

No one opposed the granting of the application. By Ordinance No. 3383, recently passed by the San Jose Council, the franchise under which applicant operates within the city of San Jose was amended to provide for a reduction in franchise payments. The ordinance provides, however, that the reduction in payments is subject to the approval by this Commission of an increase in applicant's rates of fare and should such increase be denied the franchise fee presently provided for shall remain in full force and effect. The reduction in franchise payments is also conditioned upon the extension of service in a manner satisfactory to the City Council<sup>(1)</sup>.

It is clear from the evidence that if the public is to continue to receive reasonably adequate service, applicant should be granted some financial relief. In view of all the facts and circumstances of record, the Commission is of the opinion that applicant should be authorized to increase its fares to the extent sought in the application as amended. No showing has been presented in support

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(1) Authority to extend a number of routes and abandon parts of existing routes is sought in Application No. 28657, now pending.

of applicant's desire to cancel special or charter-car rates now published in its tariff. Authority to do so will, therefore, be denied. The increase in fares authorized by this decision is hereby found to be justified.

O R D E R

A 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 San Jose City Lines, Inc., be and it is hereby authorized to increase its rates of fare as proposed in the application as amended in this proceeding; and that the changes in fares herein authorized may be established on not less than one (1) day's 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 of 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 twenty (20) days from the date hereof.

Dated at San Francisco, California, this 6th day of October, 1947.

Harold Hill  
Justin F. Casper  
W. H. F. Russell  
C. I. ...

A P P E N D I X

ONE-WAY FARES

	<u>Present</u>	<u>Proposed</u>
(A) Between points west of King Road.	(5 cents (plus 1 (cent for (transfer# (	7 cents cash or one 6½ cent token, free trans- fer #
(B) Between points east of King Road and west of Miguelito Avenue.	(5 cents (## ( (	7 cents cash or one 6½ cent token##
(C) Between points east of Miguelito Avenue and west of Alum Rock Park	( ( (	(
(D) Between points west of King Road and points between King Road and Miguelito Avenue.	(10 cents (plus 1 (cent for (transfer# (	14 cents cash or two 6½ cent tokens, free transfer#
(E) Between points east of King Road and points east of Miguelito Ave. to Alum Rock Park.	(10 cents (## (	14 cents cash or two 6½ cent tokens##
(F) Between First and St. Johns Streets, San Jose, and County Fair Grounds.	(5 cents (## (	7 cents cash or one 6½ cent token##
(G) Between points on route between intersection of East Santa Clara Street and King Road and Automobile Race Track on Swift Lane.	(10 cents (## ( (	14 cents cash or two 6½ cent tokens##

STUDENTS' FARES

(Present fares are available for students between the ages of 6 and 18 years. The proposed fares would apply to students between 5 and 18 years of age.)

(A) Between points west of King Road.	(48 rides (for \$1.61, (free transfer (	20 rides for \$1.00, free transfer
(B) Between points west of King Road and points east of King Road.	(48 rides for (\$2.30, free (transfer (	20 rides for \$1.40, free transfer

# Transfer privileges are not available on buses operating only between San Jose and County Fair Grounds.

## No transfer privileges are available.

(End of Appendix)