

Decision No. 40842

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
FRESNO CITY LINES, INC., a corporation, ) Application No. 28640  
for authority to increase local basic )  
fares and zone fares. )

Gilbert H. Jertberg, for applicant; C. M. Ozias,  
City Attorney, and A. L. Hildebrand, Commissioner  
of Finance, for the City of Fresno; Leonard Myers,  
for Fresno Junior Chamber of Commerce; Lloyd A.  
Bowes, for employees of Fresno City Lines, Inc.  
and Bus Operators' Local 1027.

O P I N I O N

Fresno City Lines, Inc., provides a local passenger transportation service by means of motor buses within and in the vicinity of the City of Fresno. By this application it seeks authority to increase its cash and token fares. The application, as amended, was submitted at a public hearing held before Commissioner Mittelstaedt and Examiner Bryant on October 14, 1947, in Fresno.

Prior to March 24, 1947, applicant maintained a local one-way fare of 5 cents, with an additional charge of one cent for transfers. On that date the fare was increased to 7 cents cash, or four tokens for 25 cents, with no additional charge for transfers.<sup>1</sup> Applicant now seeks to increase the basic fare to 10 cents cash or three tokens for 25 cents, with no change in transfer privileges.<sup>2</sup>

The president of Fresno City Lines, Inc., who testified that he is also its sole stockholder, declared that the company is

<sup>1</sup> Authorized by Decision No. 40010 of March 4, 1947, in Application No. 27866. Incidental changes were made also in school fares and in fares on the Camp Pinedale route.

<sup>2</sup> Incidental changes of relatively minor importance are proposed in certain zone fares.

financially "sick", that it is currently operating at a loss, and that operations may have to be discontinued unless relief is forthcoming. This witness asserted that applicant's employees received a substantial wage increase in September, 1946; that applicant promptly sought a fare increase; that operating losses accrued before higher fares were authorized in March, 1947; that the fare increase allowed was less than that sought; and that continuing net losses have resulted.<sup>3</sup> He said that the instant application, seeking a second fare adjustment within the year, is necessitated primarily by an abnormal increase in expenses and an unusual decline in revenues. Increased expenses, according to this witness, include another substantial advance in employees' wages which became effective on June 1, 1947, an increase in fuel taxes which became effective on July 1, 1947, a city franchise fee not previously incurred, and depreciation on new coaches. While expenses are thus increasing, a drop in gross revenues is assertedly resulting from declining passenger volume.

In addition to other financial data, applicant submitted a forecast of operations for the twelve months ending September 30, 1948, under present and proposed fares. A transportation engineer of the Commission's staff introduced comparable and supplementary estimates covering applicant's operations for the same period. A summary of the conclusions reached in the two studies appears in the following tabulation:

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<sup>3</sup> The record shows that following the fare increase authorized by Decision No. 40010 applicant's operations were conducted at a profit until the time of the wage increase effective June 1, 1947.

	<u>Revenues</u>	<u>Expenses</u>	<u>Oper- ating Ratio</u>	<u>Net Before Income Taxes</u>	<u>Net After Income Taxes</u>
<u>Present Fares</u>					
Applicant's Estimate.....	\$541,400	\$592,200	109.38%	\$(50,800)	\$(50,800)
Engineer's Estimate.....	593,630	567,142	95.54%	26,488	21,131
<u>Proposed Fares</u>					
Applicant's Estimate.....	636,400	599,000	94.12%	37,400	27,900
Engineer's Estimate.....	691,490	572,320	82.77%	119,170	73,470
<u>Alternative Fares as Developed by Engineer</u>					
10 Cents Cash Tokens at:					
7 for 50 cents...	662,420	570,830	86.17%	91,590	56,953
5 for 35 cents...	644,130	569,892	88.47%	74,238	46,560
3 for 20 cents...	617,200	568,478	92.11%	48,722	32,475
4 for 25 cents...	597,450	567,416	94.97%	30,034	23,700

( ) - Loss

As shown in the table, the two estimates differ materially in their final results. The differences in revenues and expenses are attributable primarily to divergent opinions on three major items; future passenger volume, future cost of repairs to revenue equipment, and future percentage of token use in relation to cash fares. In addition there are material differences in the rate-base elements.

Applicant predicted that 8,135,708 passengers will be carried during the year ending September 30, 1948, if present fares are continued, and that the proposed higher fares would reduce passenger volume to 7,519,627. The Commission engineer estimated that

8,833,900 passengers would be carried at present fares, and that 7,851,530 passengers would ride at the fares proposed by applicant (with intermediate numbers under the several other fares used in his calculations). Of these two predictions, that of the Commission engineer appears to be better supported on this record, and to be more likely of fulfillment.<sup>4</sup>

On the subject of repairs to revenue equipment, applicant based its forecast upon the 1947 monthly average expense, thereby developing an annual expense of \$70,536. The Commission engineer, while recognizing that 1947 experience would indicate an annual expense in excess of \$70,000, allowed only \$58,500 in his estimate for the twelve months ending September 30, 1948. He explained that the reduction was made because lower maintenance expenses must be expected on new coaches acquired and to be acquired during the period than on older vehicles being retired from service. Applicant's witnesses were of the opinion that no reduction would be experienced in maintenance expense. They asserted that (a) maintenance expenses on the vehicles about to be retired had been relatively low for the reasons that such vehicles, in anticipation of retirement, had been operated sparingly and maintained to minimum standards; (b) a certain amount of adjustments and repairs are inevitable even in connection with new vehicles; and (c) maintenance expenses on all of the other vehicles will be higher in the forthcoming year than in the

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Both witnesses recognized that applicant's passenger volume has been declining since it reached a war-time peak in 1944. However, the engineer recognized a reducing rate of decline, whereas applicant assumed continuation of the decline at a rate based upon the four-year average. Moreover, applicant compounded the rate of decline by including in its average the effect of the fare increase of March, 1947, and assuming in addition a similar loss of passengers under the fares herein sought.

year past, for the reason that such vehicles will have had an additional year of service. Applicant declared that it would be impracticable to reduce the number of maintenance personnel.

Applicant estimated that, under the proposed fares of 10 cents cash or three tokens for 25 cents, 85 per cent of the patrons would take advantage of the lower token fare. This estimate was based upon experience of transit companies operating under a similar fare structure in the cities of Spokane, Washington, and Salt Lake City, Utah, which applicant's witnesses believed to be comparable to Fresno. The Commission engineer estimated that token usage under the proposed fare would be 75 per cent, basing his forecast upon extensive studies which he said had been made by the transportation department of token usage under various fare structures and conditions throughout California and elsewhere.

Applicant's president declared that his company, in view of the wide fluctuations in its earnings, should be permitted to earn net revenues equal to about 10 per cent of its gross revenues in order to provide stability to its financial structure. The required earnings were not expressed by applicant in terms of return on investment.

Representatives of the City of Fresno participated in examination of the witnesses, and introduced into this record an appraisal of applicant's real property, and testimony concerning prices paid by the City for gasoline. A representative of applicant's employees appeared in support of the sought fare increase. No one specifically opposed the granting of this application.

It is unnecessary to reconcile or discuss, individually or collectively, all of the respects in which the estimates of

record may differ. In final analysis it must be recognized that we are herein called upon to deal with forecasts of revenues, expenses, and conditions to be anticipated for approximately twelve months in the future. The forecasts necessarily include a number of uncertain factors, variations in which may materially affect the final results. Considering the rather violent changes which have been experienced in economic and other conditions within recent months, we believe that it is particularly necessary under present circumstances to be cautious in placing reliance upon the details of any forecast. The Commission, after weighing carefully all of the available evidence, must depend in large measure upon its informed judgment.

It is clear, from what has been said, that an increase in revenues is essential to applicant's financial stability. It is also reasonably clear, in our judgment, that the additional gross revenue which would accrue under the fares proposed by applicant (\$95,000 additional according to the company's forecast; \$97,860 according to the Commission engineer) would result in net revenues greater than necessary, and which might well be unreasonable and excessive. Of several alternative fare structures developed by the engineer for comparative purposes, it appears that the basic fare of 10 cents cash, with five tokens selling for 35 cents, would produce net revenues sufficient to applicant's financial needs, and which would be within the zone of reasonableness.

Upon careful consideration of all of the facts and circumstances of record, we are of the opinion and find as a fact that an increase in applicant's basic fare to 10 cents cash, with five tokens selling for 35 cents, without change in present transfer

privileges or school fares, is justified. To that extent the application will be granted.

ORDER

The above-entitled application having been heard and submitted, full consideration of the matters and things involved having been had, and the Commission being fully advised,

IT IS HEREBY ORDERED that Fresno City Lines, Inc., be and it is hereby authorized to establish, on not less than ten (10) days' notice to the Commission and to the public, the following fares in lieu of adult and student fares now being assessed:

Fares in Cents

Local Basic Fares

Local one-way cash fare.....	10
Local one-way token fare.....	7
	(5 tokens - 35 cents)
Transfer.....	Free
Children's Fare (between 5 and 12).....	5
Students' Fare (between 12 and 18 school days only)....	5
Students' Fare (other than school days)...	10
	(5 tokens - 35 cents)

Zone Fares

Zone 1.....	Same as local basic fares
Zone 2 - Adults, within zone .....	Same as local basic fares
Children up to 5 years.....	Free
Children 5 to 12 years:	
Within zone.....	5 cents
To Zone 1.....	No additional
To Zone 3.....	No additional
Students, 12 to 18 years, School days only:	
Within zone.....	10 tokens, 50 cents
To Zone 1.....	No additional
To Zone 3.....	No additional

Zone Fares (continued)

Zone 3 - Pinedale only

Adults, within Zone.....	Same as local basic fares
To Zone 2.....	5 cents additional
To Zone 1.....	10 cents additional
Children up to 5 years.....	Free
Children 5 to 12 years:	
Within zone.....	5 cents
To Zone 2.....	No additional
To Zone 1.....	5 cents additional
Students, 12 to 18 years, school days only:	
Within zone.....	10 tokens, 50 cents
To Zone 2.....	No additional
To Zone 1.....	5 cents additional

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

IT IS HEREBY FURTHER ORDERED that in all other respects this application be and it is hereby denied.

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

Dated at Los Angeles, California, this 28th day of October, 1947.

Harold P. Kule  
Justice J. Craven

R. F. Anderson

Commissioners

CERTIFIED AS A TRUE COPY

Secretary, Public Utilities  
Commission of the State of  
California