

Decision No. 41077

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 GIBSON LINES, a corporation, for an)
 order authorizing an interim and per-)
 manent increase in rates and fares)
 for the transportation of passengers)
 between all points and places on ap-)
 plicant's system.)

Application No. 28574

ORIGINAL

REGINALD L. VAUGHAN and ROBERT E. GOSKE, for Applicant;
 EVERETT M. GLENN, City Attorney, for the City of Sacramento;
 JAMES E. HARRIS, for the Sacramento Chamber of Commerce;
 WALTER C. FRAME, for West Sacramento Improvement Club, Inc.
 and Eastern Yolo Inter-community Council; A. F. TURNER,
 A. I. GUYS, and FRED OLSON, McClellan Field; MRS. GEORGE CLARK

O P I N I O N

In this application Gibson Lines, a corporation, seeks authority to increase certain fares throughout its system.

Public hearings were had in this matter at Sacramento on November 21, 1947, and at San Francisco on December 1, 1947, at which time it was submitted, and is now ready for decision.

Gibson Lines conducts both intrastate and interstate operations and serves between Chico on the north, San Francisco on the south and west, Stockton on the south, and Folsom, California, and Reno, Nevada, on the east. In addition a local service is provided between North Sacramento and vicinity and Sacramento. This latter service was inaugurated on May 2, 1947.⁽¹⁾

Present intercity fares average approximately 1.8¢ per mile for one-way adult tickets, round trips are based on 180% of one-way adult fares, with children carried at 1/2 rate of adult fares. In addition a 62-ride monthly commutation book is sold at a rate of one cent per mile, minimum cost \$5.00, and a 30-ride family commutation book sold on the basis of 1-2/3¢ per mile is available with a minimum cost of \$5.00.⁽²⁾

(1) Authorized under Decision No. 40227, dated May 1, 1947. North Sacramento Transit Lines suspended operations in this territory on April 30, 1947.

(2) This commutation book is good for six months from date of sale.

Local fares are based on a zone system, with an intrazone fare of 5 cents. Interzone fares are based on 5 cents per zone travelled. Commutation rates apply on all one-way adult fares of 10 cents or more on the basis of 12 rides for the price of ten. Certain reduced school rates are also in effect.

The increases sought by applicant range from 5 cents to 35 cents for one-way adult fares. ⁽³⁾ Commutation fares are proposed to be increased from 1 cent per mile to 1-1/4 cents per mile, with the minimum increased from \$5.00 to \$7.50. These increases are proposed to apply to both the intercity and local operations.

Evidence pertaining to the results of operation to be expected under the continuation of present fares and under the fare structure proposed by applicant was introduced by a consulting engineer for the company and a senior transportation engineer of the Commission's staff. In addition, the Commission's staff presented for consideration another fare structure which embodied all the increases proposed by applicant except that: (a) the one-way adult fares of 10 cents or more applying to the local operation would remain unchanged; the present 5-cent fare is proposed to be raised to 10 cents; (b) all intercity one-way adult fares over 50 cents to be increased 20 per cent. A comparison of these estimates is shown in the following table:

(3) Specifically, the increases sought in one-way adult fares are as follows:

To Present Fares:	
5 to 50 cents	add 5¢
51¢ to \$1.00	" 10¢
\$1.01 to \$1.50	" 15¢
\$1.51 to \$2.00	" 20¢
\$2.01 to \$2.50	" 25¢
\$2.51 to \$3.00	" 30¢
\$3.01 to \$3.50	" 35¢

TABLE I

I t e m	: Applicant :		Commission Staff Ex. 12:	
	: Proposed :	: Present :	: Applicant's Proposal :	: Staff's Proposal :
Revenue	\$1,357,355	\$ 946,200	\$1,103,200	\$1,061,300
Expense:				
Maintenance and Operation		809,790	813,780	815,600
Rents		44,740	44,740	44,740
Operating Taxes		98,350	103,060	101,800
Depreciation		72,720	72,720	72,720
Total	1,298,541	1,025,600	1,034,300	1,034,860
Net before Income Taxes	53,815*	(79,400)	68,900	26,440
Operating Ratio	95.67	108.4	93.8	97.5
Income Taxes	21,584	-	27,635	6,990
Net Operating Income	32,231	(79,400)	41,265	19,450
Rate Base	408,147**	325,900	325,900	325,900
Rate of Return	7.90%	-	12.66%	5.98%

(Red Figure)

Rental Basis

* Apparently should be \$58,815. The corrected net income would be \$35,225 and the corresponding rate of return equal to 8.63%.

** Book Value. Applicant also showed "adjusted book value" and "replacement net value".

The Commission's staff presented two aspects of this problem, first, on the existing or rental basis, and second, on an ownership basis. The stock of Gibson Lines is owned entirely by members of the Gibson family. The family, individually or in groups, also own certain facilities rented to the Gibson Lines, the principal items being the depot, terminal facilities, and a garage at Sacramento. The Commission's staff analyzed the operations of the Gibson Lines on the basis of the inclusion of all properties used and useful as if owned by Gibson Lines. Under this assumption the operating ratio and rate of return became:

	<u>Operating Ratio</u>	<u>Rate of Return</u>
Applicant's Proposal	90.0%	11.74%
Staff's Proposal	93.6%	7.26%

The Commission's staff also segregated their estimates of operation into intercity and local, with the following results:

TABLE II
Rental Basis

I t e m	Present Fares	Applicant's Proposal	Staff's Proposal
<u>Intercity Operations</u>			
Revenue	\$684,100	\$754,600	\$786,700
Expenses	779,660	785,660	788,440
Operating Income	(95,460)	(31,060)	(1,740)
Operating Ratio	114.0%	104.1%	100.2%
<u>Local Sacramento Area Operation</u>			
Revenue	\$262,100	\$348,500	\$274,600
Expenses	246,040	248,640	246,420
Operating Income	16,060	99,860	28,180
Operating Ratio	93.9%	71.3%	88.9%

The corresponding operating ratios under an ownership basis are:

	<u>Present Fares</u>	<u>Applicant's Proposal</u>	<u>Staff's Proposal</u>
Intercity	109.1%	99.8%	96.1%
Local	90.2%	68.8%	85.3%

(Red Figure)

The apparent variance in estimated results shown by applicant's witness and the Commission's staff, as disclosed in Table I, can be explained in part by the different base periods considered as proper measures of the traffic and mileage to be expected in the prospective operations, applicant using the 12-month period ended August 31, 1947, and the Commission's staff basing its estimate on current levels or trends. Applicant's witness admitted that the level of traffic and mileage shown in his base period was higher than could be anticipated in the future.

The differences in rate base result from the fact that applicant's witness used a value as of June 30, 1947, and does not reflect any subsequent depreciation, and also included the cost of ten new buses, now on order, for a full year rather than for a partial year. The rate base estimate used in the

ownership basis study was contested on the ground that lands were included at book cost rather than present day values.

Applicant contends that the revenue estimated by the staff for the local operation is higher than can be expected in the future. This estimate is based on the August 1947 experience⁽⁴⁾ and is contested on the ground that August revenue is normally higher than the average for the year. The Commission's engineer, however, produced records of January 1947 which measured up to the August standard. Applicant's vice-president also contended that the proposed 20% increase of fare over 50 cents would result in a deflection of traffic as high as 50%. This is not consistent with his earlier testimony that under the fares proposed by applicant, which would result in average increase of 12.5% for fares above 50 cents, there would be no loss of traffic.

Resolutions supporting applicant's request for increased fares were presented from the Cities of Marysville, Oroville, and Chico and various Chambers of Commerce and Merchants' Associations.

There were no protests to applicant's proposal other than a resident of Del Paso protesting any increase in local fares.⁽⁵⁾

(4)

Gibson Lines started local operations May 2, 1947. Operations were suspended, due to strike conditions, from September 1, to November 6, 1947, both inclusive. The revenue from local operations during the period operated is as follows:

May, 1947 - \$18,049; June, 1947 - \$19,011; July, 1947 - \$21,198, and August, 1947 - \$23,317.

(5)

The vice-president of applicant testified that in a subsequent personal interview, this witness withdrew any opposition to the proposed fare increases.

Upon full consideration of the testimony we find that applicant has failed to justify all of the increases proposed inasmuch as the fares proposed by applicant would place an unfair burden on its patrons in the local Sacramento area. However, we do find that applicant is entitled to some relief, and on this record the fares authorized in the following order are hereby found to be justified.

O R D E R

Public hearings 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 Gibson Lines be and it is hereby authorized to increase certain fares as shown following, and that the changes in fares herein authorized may be established on not less than one (1) day's notice to the Commission and the public,

1. For fares shown in Passenger Tariff No. 20, (Intercity Operations):

- (a) All one-way adult fares up to and including 25 cents to be increased by 5 cents.
- (b) All one-way adult fares more than 25 cents to be increased 20 per cent. In cases where this would result in fractions of a cent the next higher cent shall be used.
- (c) Individual commutation tickets good for 62 one-way rides in any calendar month to be increased to a rate of 1-1/4 cents per mile, subject to a minimum charge of \$7.50.
- (d) All other fares, rules and regulations to remain unchanged.

2. For fares shown in Passenger Tariff No. 25, (Local Operations):

- (a) Increase all 5-cent fares to 10 cents.
- (b) All other fares, rules and regulations to be unchanged.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless the changes in fare 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 is denied.

The effective date of this order shall be twenty (20) days from the
date hereof.

Dated at San Francisco, California, this 22nd day
of December, 1947.

Harold A. Kule
Justus F. Coakley
Wesley K. Coakley
R. J. Dunning

COMMISSIONERS