

Decision No. 41681

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of PETE DRAKE, as sole owner)	
doing business under the name of)	Application No. 29219
TERMINAL ISLAND TRANSIT CO., for)	
authority to increase fares.)	

W. N. Deatherage, for applicant.

John Mixner, for Bureau of Franchises & Public Utilities,
City of Long Beach, interested party.

T. W. Chubb, for the Board of Public Utilities and
Transportation, City of Los Angeles,
interested party.

O P I N I O N

Pete Drake is engaged in the business of a passenger stage corporation, transporting passengers by motorbus between points on Terminal Island and Long Beach and Wilmington. By his application, as amended, he seeks authority to establish increased fares on less than statutory notice.

Public hearing of the application was had before Commissioner Huls and Examiner Abernathy at Los Angeles on May 5, 1948, at which time evidence was received and the matter was submitted for decision.

Applicant stated that authority to establish increased fares is sought because of an urgent need for additional revenues. He said that his revenues have been exceeded by his costs of operation for some time, and that the resultant operating losses have been further augmented recently by sharp increases in expenses.

He asserted that his present operations cannot be maintained for long unless a fare increase is authorized.¹

Applicant said that a necessary revision in his route between Wilmington and Terminal Island accounts for a substantial increase in his costs of operation. He explained that his buses normally operate over a pontoon bridge which connects Terminal Island with Long Beach. Upon occasion, however, closing of the bridge has necessitated operation of the buses over an alternate route which increases vehicle mileage approximately 50 per cent without any compensating addition in traffic.² Applicant stated that considerable question exists whether operation of the pontoon bridge will be continued for long. Until recently it was being operated by the United States Navy. In February the Navy declined to continue the operation, and since then the Long Beach Harbor Department has been maintaining service on a temporary basis. Plans for continued operation of the bridge are indefinite. Should it be wholly withdrawn from service, applicant's expenses would be increased materially.

¹ Applicant's present fares are published on a zone basis, and consist principally of a charge of 5 cents for transportation within zones and of 10 cents for transportation between zones. These fares applicant seeks to increase to 10 cents and 15 cents, respectively. Also, cancellation is proposed of provisions relating to reduced fare tickets, of minor importance from a revenue standpoint. Applicant proposes no change in some 10-cent and 15-cent fares between Wilmington and points on Terminal Island and in Long Beach. These latter fares assertedly are compensatory.

² It was stated that Terminal Island has been subsidizing in recent years, and that the bridge is now unusable during periods of extreme high tides.

Another major factor which applicant stated was responsible for increases in his costs of operation was a wage increase which became effective April 1, 1948. At that time payments to drivers were increased 11 per cent, and payments to his mechanics were increased 9 per cent. Increases in cost of fuel and oil in the latter part of 1947 were also said to have contributed to the higher level of expenses as well as have some increases in costs of materials and supplies.

Applicant said that his operations during 1947 resulted in a loss of \$4,592. Looking to the future, he estimated that the operating losses would be greater and would depend in large degree upon the continuance of the pontoon-bridge service. He estimated that for the year ending April 1, 1949, should his present fares be continued in effect, his operating losses would total \$28,492 if the bridge is kept open to traffic all of the time and that they would total \$61,392 if the bridge service is terminated. Should the proposed fares be established, he estimated that under corresponding conditions his net earnings would total \$34,220 and \$1,320, respectively.³

A transportation engineer of the Commission's staff testified and explained an exhibit covering an analysis he had made of applicant's operations. His exhibit included estimates for the future computed upon three different fare bases: present fares; fares as originally proposed which allow for use of tickets or tokens; and

³ The revenue figures are before allowance for income taxes. The operating ratios indicated are as follows:

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
Bridge open for traffic 100% of time	118.5%	84.2%
Bridge closed to traffic 100% of time	139.8%	99.4%

fares as set forth in the amended proposal.⁴ In his estimates the engineer made adjustments in some of applicant's anticipated expenses to make them commensurate with like expenses which he had found to be proper in his studies of other motorbus companies throughout the state. His estimates included, in addition to allowances for diminution of traffic following an increase in fares, an allowance for a reduction in traffic because of a downward trend in economic conditions. The engineer estimated that should applicant's present fares be maintained for the year ending May 31, 1949, applicant would incur losses ranging from \$28,800 to \$73,000 depending upon the availability of the pontoon bridge to applicant's traffic. Similar estimates under the proposed fares are set forth in Table No. 1, which follows. The engineer also submitted estimates of operating results which might be anticipated should the bridge be open for traffic for various percentages of the coming year.

TABLE NO. 1

	Bridge Open For Traffic 100% of Time Fares		Bridge Closed to Traffic 100% of Time Fares	
	Original Proposal	Amended Proposal	Original Proposal	Amended Proposal
Revenues	\$201,320	\$210,910	\$201,320	\$210,910
Expenses	<u>179,400</u>	<u>179,600</u>	<u>223,530</u>	<u>223,730</u>
Net Operating Income	\$ 21,920*	\$ 31,310*	(<u>\$ 22,210</u>)	(<u>\$ 12,820</u>)
Rate Base	\$ 68,120	\$ 68,120	\$ 68,120	\$ 68,120
Operating Ratio	89.1%	85.2%	111.0%	106.1%
Rate of Return	32.2%	46.0%	Loss	Loss

* Before Federal and State Income Taxes.

 Indicates loss.

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The original application provided for the sale of 4 tokens for 35 cents, each token to be acceptable in lieu of a 10-cent cash fare. In other respects the original and the amended applications are the same.

No one appeared in opposition to granting of the application. A representative of the City of Long Beach testified that the city is currently operating the bridge under temporary arrangements with the federal government, but that he did not know how long the arrangements would be continued. A representative of the City of Los Angeles appeared and participated in the cross examination of applicant.

The record is convincing that applicant has experienced substantial increases in his costs of operation. It appears, however, that the effect upon applicant's earnings of temporary closures of the pontoon bridge for repairs or because of high tides has not been as great as he believes. The evidence shows that over 20 per cent of the scheduled trips have been affected in the past on the days the bridge has been closed. The evidence also indicates that, as related to applicant's scheduled trips for the latest 6-month period for which figures were submitted, only about four per cent of the total trips have been affected. The increase in operating costs was less than two per cent over what applicant would have experienced had the bridge been constantly in service. Should applicant be able to continue his operations approximately as at present, it appears that revenues expected to result from the proposed fares would materially exceed those required to return a reasonable profit. It is concluded, therefore, that fare increases as great as those proposed have not been justified.

Nevertheless, the evidence is clear that applicant should be permitted to increase his fares in order that he may avoid further losses and earn a reasonable profit. Should applicant's proposal be modified to provide for the sale of tickets or metal tokens on a basis of 3 for 25 cents, each ticket or token being

acceptable in lieu of a 10-cent cash fare, and should the other fare changes be authorized as sought, it is estimated that applicant's annual gross revenues would be increased to approximately \$196,000.⁵ The resulting net revenues would total approximately \$13,500 before allowance for income taxes. The corresponding operating ratio would approximate 93.5 per cent. We conclude that such net revenue would be reasonable and proper, consideration being given to all of the evidence of record. We find as a fact that applicant has shown to be justified the increased fares as set forth in his application, as amended, and modified as herein indicated.⁶ To that extent the application will be granted.

Of necessity our conclusions herein have been based primarily upon the determinant facts of record, and have assumed a continuance of the operating conditions which applicant has been experiencing. Should such conditions materially change, applicant may petition the Commission for such relief as may then seem necessary.

O R D E R

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

IT IS HEREBY ORDERED that Pete Drake be and he is hereby authorized to amend his Local Passenger Tariff Cal. P.U.C. No. 3 and

⁵ The revenue estimate is based upon the passenger estimate figures developed by the Commission engineer, and assumes that approximately 60 per cent of applicant's passengers will use tickets or tokens in lieu of 10-cent cash fares. Expense estimates are also predicated upon the engineer's figures, increased to allow for the cost of partial operation over the alternate to the bridge route.

⁶ In addition to providing for the sale of tickets or tokens, applicant's proposal will be modified to retain provisions relating to 30-ride, reduced-fare tickets applicable between East San Pedro on Terminal Island and Ford (Long Beach) in order that an unreasonable fare increase not result from cancellation of such provisions. An increase in the price of the tickets, commensurate with increases in the cash fares, will be authorized, however.

to establish, on not less than five (5) days' notice to the Commission and to the public increased fares and other changes as set forth in Exhibit "B" attached to the original application, except that

- (a) Token fares shall be established by providing for the sale of 3 tickets or metal tokens for 25 cents, each ticket or token to be accepted in lieu of an adult 10-cent cash fare; and
- (b) Provisions governing the sale and use of the 30-ride ticket which is applicable between East San Pedro (Ferry Landing) and Ford (Long Beach) shall be continued, the price of the ticket to be increased to \$2.70.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless the fares published pursuant to the 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 the application be and it is hereby denied.

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

Dated at San Francisco, California, this 28th day of May, 1948.

R. B. [Signature]
James H. [Signature]
Harrold [Signature]
Commissioners