

Decision No. 42864

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of MARY MARITZEN and E. B. OSTHUES )  
(Modesto Transit Company) to in- )  
crease passenger fares in Modesto )  
and vicinity. )

Application No. 30111

Frank C. Damrell, for applicant

O P I N I O N

Applicant seeks to increase fares on its two passenger stage routes between Modesto and outlying county territory<sup>(1)</sup> from ten cents cash, or seven rides for fifty cents, to a straight ten cent cash fare. As justification, it is alleged that passenger revenues have declined and expenses have risen since 1947 and that an operative loss of about \$5,000 is expected for 1949.

A public hearing was held before Examiner Gregory at Modesto on April 12, 1949. No one appeared in opposition to the application.

The evidence shows that in 1947 applicant had a net operating income, before income taxes, of \$8,194.50, which dropped to \$2,856.49 in 1948. The first three months of 1949 showed operating losses totaling \$1,417.55. E. B. Osthues, managing partner of the firm, testified that the downward trend was largely due to increased use of private automobiles and to expansion of shopping facilities and fluctuations of population in outlying agricultural and industrial areas in which more than 90 per cent

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(1) Modesto to Modesto Airport via (a) 12th Street, (b) La Loma; Modesto to South Modesto Acres.

of applicant's passengers originate. Drivers' wage increases and rising maintenance costs on aging equipment were also assigned as reasons for the anticipated losses under present fares.

Applicant presented exhibits indicating estimated results of operation for 1949 at both present and proposed fares. A study offered by an engineer of the Commission's staff included estimated results for the year ending April 30, 1950, also under the present and proposed fare structures. A summarization of these exhibits follows:

	<u>Applicants' Exhibits</u>		<u>Staff Study</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
Passenger Revenue	\$62,240	\$71,000	\$58,748	\$68,350
Operating Expenses	53,940	54,380	51,537	51,910
Depreciation Expense	8,670	8,670	8,672	8,672
Operating Taxes	4,780**	5,300**	6,737**	7,267**
Total Operating Expenses	67,390	68,350	66,946	67,849
Net Operating Income	(5,510)	2,650	(8,198)	501
Operating Ratio	108.0%*	96%*	114.0%	99.3%
Rate Base	#	#	\$14,705	\$14,705
Rate of Return	#	#	- -	3.4%

( ) Red Figure

\*Calculated

#Not Shown

\*\* Includes franchise fees, estimated at \$1,350 by Commission engineer for year ending April 30, 1950, payable to City of Modesto, based on 2% of annual gross revenue from entire operation. Thirty per cent of applicant's routes lie within the city limits.

The principal difference in the two estimates lies in the revenue figures. Applicant testified that his estimate for 1949 was based on 92 per cent of 1948 traffic. The number of passengers carried in 1948 was 8 per cent less than in 1947 and he expected the same rate of decline for 1949. He offered no detailed support for his prediction and, moreover, gave no consideration to diminution of traffic that might be expected to result from increased

rates. On the other hand, the Commission's engineer grounded his estimate on the trend of the passenger level from January 1, 1947, to March 31, 1949. His study indicates a progressive downward trend and the estimated revenue figure he used for the year ending April 30, 1950, was based on 90 per cent of the 1948 traffic. In addition, it was his opinion that the increase in fares would cause a further loss of 3 per cent among the 54 per cent of applicant's patrons who pay 50 cents for seven rides under the present fare structure. From the evidence presented we find that the estimate of the Commission's engineer should be given more weight than that of applicant in determining the probable revenue that would accrue under present and proposed fare structures.

Based upon this record we find:

(1) That applicant's revenue under the present fare structure is not sufficient to cover the cost of providing the service and allow a reasonable return on the investment.

(2) That the fare structure proposed by applicant has been justified.

#### O R D E R

Public hearing having been held on the above-entitled and numbered proceeding, evidence having been received and considered, the matter having been submitted for decision, the Commission now being fully advised and basing its order upon the findings and conclusions contained in the foregoing opinion,

IT IS ORDERED that Mary Maritzen and E. B. Osthues, doing business as Modesto Transit Company, be and they are hereby authorized to establish, on not less than five (5) days' notice to

the Commission and the public, the increased local fares proposed in the application filed herein.

IT IS FURTHER ORDERED that the authority herein granted shall become void unless the fares herein authorized are published, filed and become effective within sixty days after the effective date hereof.

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

Dated at San Francisco, California, this 10<sup>th</sup> day of May, 1949.

R. S. [Signature]  
Justice J. [Signature]  
[Signature]  
Harold [Signature]  
[Signature]  
COMMISSIONERS