

Decision No. 43035

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
DARYL R. DRUHE, an individual, for)
a certificate to operate a passenger) Application No. 30020
stage service between Boulder Creek)
and Santa Cruz.)

In the Matter of the Application of)
PACIFIC GREYHOUND LINES, a corporation,)
for authority to extend to Santa Cruz)
its existing service between San)
Francisco and Boulder Creek via Skyline) Application No. 30021
Boulevard, provided no local service)
will be rendered between Santa Cruz and)
Boulder Creek; and for authority to)
abandon service between Felton and)
Camp Evers.)

Lucas, Wykoff and Miller, by H. C. Lucas and H. C. Lucas,
Jr., for Daryl R. Druhe, in Application No. 30020.
Douglas Brookman, for Pacific Greyhound Lines, in Appli-
cation No. 30021.

Hadsell, Sweet, Ingalls and Murman, by Dan Hadsell and
Fulton Lytle, for Mount Hermon Association,
protestant.

W. S. Kewer and Mrs. B. B. Wilder, for San Lorenzo Valley
Chamber of Commerce; Mrs. B. B. Wilder, for San
Lorenzo Business and Professional Women's Club;
L. W. Blake, for San Lorenzo Valley Property
Owners Association and Society of 40 and 8;
George L. Cress, for Boulder Creek Fire Department;
R. H. Ludlow, for San Lorenzo Valley Mason's Club;
William Wasarheley, for American Legion, Post 661;
James O. Briant, for San Lorenzo Valley Lions Club;
R. Brimbelcom, for San Lorenzo Valley Kiwanis Club,
protestants.

O P I N I O N

Pacific Greyhound Lines, hereinafter referred to as Greyhound, holds a passenger stage operative right authorizing year round service between Santa Cruz, Felton Station, Felton and Boulder Creek over State Route No. 9 (Decision No. 23244, Application No. 16989). It holds another operative right authorizing year round service between Felton Station, Mount Hermon and Camp

Evers, formerly known as Felton Road, situated on State Route No. 17 (Decision No. 26160, Application No. 18910). It here proposes to discontinue those operations.

Greyhound also has an operative right to conduct seasonal service (May 15 to September 15) between San Francisco and Boulder Creek and intermediate points over Skyline Boulevard and State Route No. 9 (Decision No. 29784, Application No. 20747) which it desires extended on the same seasonal basis from Boulder Creek to Santa Cruz serving Felton, Big Trees and other intermediate points. No local service would be conducted between Boulder Creek and Santa Cruz or points intermediate thereto, in order to avoid duplication of the service proposed by applicant Druhe.

Daryl R. Druhe requests a certificate of public convenience and necessity authorizing the year round transportation of passengers and baggage and shipments of express weighing not in excess of 100 pounds each between Boulder Creek and Santa Cruz via State Route No. 9 serving all intermediate points, including Brookdale, Felton and Big Trees; also between Felton and Santa Cruz, via Felton Road between Felton and Camp Evers, located on State Route No. 17, serving all intermediate points on Felton Road, including Mount Hermon, and via State Route No. 17 between Camp Evers and Santa Cruz. No local service would be conducted between Camp Evers and Santa Cruz nor points intermediate thereto.

A public hearing was held at Santa Cruz before Examiner Paul on February 25, 1949. Subsequently an adjourned hearing was held at Santa Cruz and San Francisco before Commissioner Potter and Examiner Paul on April 11 and 12, 1949, at the request of the Mount Hermon Association. The matters were submitted on briefs,

since filed, and are now ready for decision.

In support of its request Greyhound produced evidence to show that it suffered a net operating loss from its local operations between Boulder Creek and Santa Cruz via Felton, and between Felton and Camp Evers, of \$10,088 during 1948, and \$3,314 during the first quarter of 1949. That loss upon a mileage basis was 10.47 cents and 19.25 cents, respectively, based upon an operating cost of about 28 cents per bus mile during 1948, and 35½ cents in 1949. The increase of operating costs in 1949 is due to increased wages and other expenses. (Exhibits Nos. 1 and 6) The distance between Boulder Creek and Santa Cruz is 14.1 miles, and between Camp Evers and Felton is 3.4 miles. A summary of Greyhound's passenger and revenue statistics from June 1, 1946, to December 31, 1948, applying to the points involved (Exhibit No. 2) is as follows:

	Bus Miles : Operated:	Passenger Revenue Amount	Per Mile:	Number of Passengers: Carried	Revenue Per Passenger: Mile	Load Factor
June 1 to Dec. 1, 1946	59,750	\$ 9,576.25	.1603	60,268	.0169	25.35%
1947	96,438	15,873.01	.1646	96,376	.0166	26.18%
1948	96,319	17,052.94	.1770	97,298	.0170	27.40%
TOTAL	252,507	\$42,502.20	.1683	253,942	.0168	26.45%

The Vice President of Greyhound testified that general overhead, general administration, traffic advertising, insurance and similar items were allocated on a system mileage basis. Drivers' wages, fuel, oil, maintenance, garage, station expenses and comparable separable items were direct allocations. The witness stated that Exhibit No. 7 indicated a decline during the first three months of 1949, as compared with the same period of 1948, in local bus mileage, passengers carried and passenger revenue, in that order, of approximately 27.5 per cent, 27.9 per cent and 18

per cent. It shows a slight increase of revenue on a bus and passenger mileage basis and an increase of 1.54 per cent in the load factor due to a reduction of local service. He testified that the decline in revenue occurred despite the fact that for February and March of the 1949 period the fares were increased approximately 30 per cent on an overall mileage basis.

The largest single direct charge is drivers' wages which amount to slightly more than 50 per cent of the costs. They are about 12 per cent higher than in 1948. These wages, on a guarantee of \$11.40 a day, average about 15 cents a mile in the area involved which is only a little less than the total receipts. The witness stated that continuous schedule and traffic checks have been made in order to provide a satisfactory service and avoid excessive costs. Efforts over the years have failed to bring the operation to a paying basis. A night schedule, established in response to local requests, averages about one-half passenger per trip. Greyhound now operates six daily round trips between Boulder Creek and Santa Cruz, three schedules fewer than were in operation the first of this year. Due to constantly increasing costs of operation and dwindling of traffic it is faced with no alternative to abandonment of service between the points involved, according to the witness. In his opinion a local operator would be able to effect many savings, not possible for the large company, especially in wages which weigh so heavily upon Greyhound.

During the summer, applicant Druhe conducts a seasonal passenger stage operation of about three and one-half months duration between Boulder Creek and Big Basin. The route distance is about nine miles. For this he uses one 1942 Twin Coach with a

seating capacity of 35 passengers. He also operates a taxicab service in San Lorenzo Valley and another at Watsonville. Three cabs are used in this service.

To provide service under his proposed operation, he would use one 1945 Flxible and one 1947 Aero Coach having respectively 29 and 35 passenger seating capacities. He has arranged to acquire these units from Greyhound at a total cost of \$7,000 payable at the rate of \$100 a month. He is considering the purchase of two additional taxicabs if justified by service demands during the approaching summer season.

Applicant Druhe testified that many tourists visit the Big Trees and Big Basin during the summer season, and if authorized to establish the operation as proposed, he would conduct through service between Santa Cruz and Big Basin via Boulder Creek and Big Trees. He would operate six daily round trip schedules between Santa Cruz and Boulder Creek, two over the direct route along State Highway No. 9, and four over the route via Camp Evers. He would arrange his schedules to connect at Camp Evers with schedules of Greyhound and Peerless Stages, insofar as possible, for the convenience of passengers traveling between points on his line and points on the lines of those carriers. Connections would also be made with those carriers and Southern Pacific trains at Santa Cruz. He also stated that tentative interline ticket arrangements had been made with each of those companies.

Greyhound maintains a depot at Santa Cruz. It also has in effect arrangements at Felton, Ben Lomond, Brookdale and Boulder Creek with certain business establishments for the use of facilities by waiting passengers. Applicant Druhe would use those facilities. However, he would not use Greyhound's ticket selling

agencies, thereby saving the commissions on the sale of tickets.

Applicant Druhe stated that from his investigation and observations, two units of equipment would be more than ample to handle the available traffic including that received from connecting carriers, with the possible exception of holiday weekends during the summer season. In that event his third unit, as well as his taxicabs, would be available on short notice to care for overloads. He stated that from his observations, Greyhound seldom operated three sections through Camp Evers to San Lorenzo Valley points, and as a rule not more than four or five passengers alighted at Camp Evers for passage to Valley points, including Mount Hermon. He expressed confidence in his ability to provide adequate, safe and reliable transportation for all having a need therefor. Druhe testified that he carries public liability and property damage insurance in the amounts of \$10,000 and \$5,000, respectively, and would place similar protection on the two units he has arranged to acquire.

Applicant Druhe estimated that he would operate approximately 92,250 miles annually in conducting the proposed service. The total cost of the operation, including depreciation, insurance, wages and other items, would amount to approximately \$13,870. No allowance was made for compensation to himself. This would result in a cost of about 15½ cents a bus mile. He expressed the opinion that even if the operation cost as much as 18 cents a mile it would still produce a net operating profit. Mr. Druhe asserted that he would obtain approximately the same annual revenues as Greyhound had received during 1948, amounting to \$17,000 plus an increment of about \$5,500 resulting from the authorized fare increase effective February, 1949. If that expectation were

achieved the operation would produce an annual gross operating income amounting to approximately \$22,500, from which he would obtain a net profit.

Applicant Druhe's financial statement shows a net worth of \$8,285. His assets consist of one bus and three taxicabs of a stated value of \$7,250; unimproved real estate valued at \$1,200; motorcycle, office furniture, supplies and tools valued at \$1,000; cash on hand \$200, and receivables of \$150. Liabilities consist of three notes payable amounting to \$1,514 on the purchase of the above automotive equipment. These obligations are being discharged at the rate of \$180 a month.

Mr. Druhe stated he felt confident he could conduct the proposed operation at a substantially lower cost than Greyhound. His experience as a naval machinist would enable him to make most of the minor repairs to equipment; he could obtain drivers at a lesser rate of pay than Greyhound, and he would not be required to maintain expensive facilities. He also stated his belief that he would derive larger operating revenues not only through the increased fare but also because of his better opportunities to adjust the service to local needs.

The Mount Hermon Association (hereinafter referred to as the Association) and the San Lorenzo Valley Chamber of Commerce were the chief protestants to the proposals of both applicants. They produced no independent evidence but participated at length in cross examination of witnesses of the two applicants. A few of the other protestants participated to a lesser extent. The Association filed a brief in the matters.

The Association contended that both applications should be denied. It challenged the sufficiency of Greyhound's showing of operation at a loss. It contended that Greyhound, to make its showing, presented a summation of income and expenses for several years on the basis of, "(a) all income and expenses for strictly local traffic, and (b) a portion of income and expenses for through traffic (both into and out of the territory) that is ascertained by the ratio of miles traveled within the area to total miles traveled." It further contended that since Greyhound seeks to discontinue local service and to extend through service in the area, all income and expenses of its through traffic into and out of the local territory should have been included. However that may be, the fact is the record includes income derived from local operations only, and included no part of the revenue of through traffic moving over any part of the local area. The record shows that insofar as possible all separable items of expenses were included as direct charges. Those expenses which could not be charged directly were apportioned on a system-wide mileage basis.

The Association further contended that Greyhound should be denied because applicant Druhe should be denied, and as reasons for denial of the latter contended that he is inadequately financed, provides insufficient insurance, is a sole owner, and has not shown he can operate at a profit.

The record shows that Mr. Druhe arrived in San Lorenzo Valley without resources after release from Naval service, established himself in the taxicab and passenger stage business and now has a net worth of more than \$8,000. The record does not show that the public liability and property damage insurance he

carries has been insufficient. We see no objection to the fact that he is a sole operator. Many successful passenger stage operations have been established in that manner. Applicant Druhe expressed confidence of his ability to provide the service proposed and realize a profit.

The record, in our view, shows that Greyhound is facing a constantly increasing cost of conducting the operations here involved with a concomitant growing financial loss. It was shown that the high level of wages bears with a disproportionate weight upon that operation, largely because of its local character.

The record also shows that applicant Druhe has been successful in the conduct of his enterprises, and witnesses testified to the excellent character of his service. His proposed operation together with that now conducted would be his only business, to which he would devote his entire personal supervision and attention. The Commission sees no valid reason to require him to maintain the amounts of insurance protection suggested by the Association.

Protestants contended that applicant Druhe is not financially able to maintain and continue the service he proposes, in which event the area involved would be without needed public transportation.

While the Commission appreciates the misgivings of protestants concerning Mr. Druhe's ability to maintain the service, it feels, in the light of the evidence of record, that he is sufficiently experienced and equipped to perform that service satisfactorily. The Commission is aware of the possibility that the proposed operation might not be as successful as anticipated,

and consequently will require Greyhound to stand prepared to re-establish local operations in the event applicant Druhe is compelled to discontinue service.

After full consideration of all the material facts of record, it is the Commission's judgment that the application of Mr. Druhe should be granted and that Greyhound should be authorized to suspend its local service pending a demonstration of the ability of applicant Druhe to maintain the operation. If within three years applicant Druhe, for any reason, is unable to continue service then Greyhound will be required to resume local operations.

O R D E R

A public hearing having been held in the above entitled matters, evidence adduced therein, briefs filed, the Commission being fully informed therein, and it being hereby found that public convenience and necessity so require,

IT IS ORDERED:

(1) That a certificate of public convenience and necessity is hereby granted to Daryl R. Druhe authorizing the establishment and operation of service as a passenger stage corporation, as defined in Section 2½ of the Public Utilities Act, for the transportation of passengers, baggage and shipments of express weighing not in excess of 100 pounds each on passenger carrying vehicles only, between Boulder Creek and Santa Cruz via State Route No. 9 serving all intermediate points including Brookdale, Felton and Big Trees; also between Felton and Santa Cruz via Felton Road; between Felton and Camp Evers via State Route No. 17; between

Camp Evers and Santa Cruz serving Felton and Camp Evers and all points intermediate thereto, except that no local service shall be conducted between Camp Evers and Santa Cruz or points intermediate thereto along State Route No. 17. This certificate is granted as an extension and enlargement of and consolidated with applicant Druhe's present operative rights between Boulder Creek and Big Basin created by Decision No. 40468, in Application No. 28481.

(2) That in providing service pursuant to the certificate herein granted, applicant Druhe shall comply with and observe the following service regulations:

- a. Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed 30 days after the effective date hereof.
- b. Within 60 days after the effective date hereof and on not less than 5 days' notice to the Commission and the public, applicant shall establish the service herein authorized and comply with the provisions of General Orders Nos. 79, 80 and 93-A, by filing in triplicate and concurrently making effective, appropriate tariffs and time tables.

(3) That Pacific Greyhound Lines may suspend local passenger stage service between Santa Cruz, Felton Station, Felton and Boulder Creek and intermediate points over State Route No. 9 and between Felton Station, Mount Hermon and Camp Evers (formerly known as Felton Road) and intermediate points until August 1, 1952, subject to the following conditions:

- a. That Pacific Greyhound Lines, in the event that Daryl R. Druhe discontinues or abandons the passenger stage service authorized in paragraph (1) of this order, shall immediately reestablish local passenger stage service, the suspension of which is herein authorized.
- b. That suspension of service shall be made effective concurrently with the establishment of service by applicant Druhe as herein authorized and shall be reflected in Pacific Greyhound Lines' tariffs and time tables by appropriate filings.

(4) That a certificate of public convenience and necessity is hereby granted to Pacific Greyhound Lines authorizing the establishment and operation of service as a passenger stage corporation, as defined in Section 24 of the Public Utilities Act, for the transportation of passengers, baggage and shipments of express weighing not in excess of 100 pounds each on passenger carrying vehicles only, between Boulder Creek and Santa Cruz and intermediate points along State Route No. 9, including Brookdale, Ben Lomond, Felton and Big Trees, seasonally between the approximate dates of May 15 and September 15 of each year, as a part of and consolidated with the operative rights created by Decision No. 29784, in Application No. 20747, subject to the condition that no local service may be provided between Boulder Creek and Santa Cruz and intermediate points, but passengers may be picked up at such points or delivered at such points when having destination or origin at points beyond Boulder Creek or Santa Cruz.

(5) That in providing service pursuant to the certificate herein granted, applicant Pacific Greyhound Lines shall comply with and observe the following service regulations:

- a. Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed 30 days after the effective date hereof.
- b. Within 60 days after the effective date hereof and on not less than 5 days' notice to the Commission and the public, applicant shall establish the service herein authorized and comply with the provisions of General Orders Nos. 79, 80 and 93-A, by filing in triplicate and concurrently making effective, appropriate tariffs and time tables.

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

Dated at San Francisco, California, this 21st day of June, 1949.

J. E. Dwyer
Justus F. Galloway
Robert F. Galloway
Harold P. Field
Herbert F. Fetter
COMMISSIONERS