

ORIGINAL

Decision No. 43097

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
BAKERSFIELD TRANSIT CO., a corporation,)	
for an order granting permission to)	
increase its local basic passenger)	Application No. 30168
rate of fares for the transportation)	
of passengers, to 10¢ cash, plus 2¢)	
for transfer.)	

Gilbert H. Jertberg, for applicant.
J. Kelly Steele, City Attorney, and Carl J. Thornton,
City Manager, for the City of Bakersfield,
interested party.

O P I N I O N

Bakersfield Transit Company provides a local passenger transportation service by means of motor buses within and in the vicinity of the City of Bakersfield, Kern County. By the above-numbered application it seeks authority to eliminate its present zone structure involving fares of 10 cents, 7 cents and 5 cents plus a 2 cents transfer charge and to substitute therefor a fare of 10 cents applicable between any two points on the entire system, retaining the 2 cents transfer charge. It also proposes to eliminate reduced fares for school children. A public hearing was held at Bakersfield on June 16, 1949, before Examiner R. K. Hunter at which time the application was submitted.

Applicant alleges and evidence was introduced showing that, if present fares remain in effect, operating costs will exceed income and applicant will not be able to provide the required capital for the acquisition of needed new buses and facilities and that the return on the capital investment will be seriously threatened; that, while applicant is desirous of continuing to maintain, provide, and improve an adequate and modern transportation

system in the rapidly growing City of Bakersfield, it will be unable to do so unless fares are increased as requested; that the net income of applicant is so low that it does not justify the investment of additional capital to acquire new buses and additional facilities.

Anticipating relief, buses were ordered and delivery has been taken of five new 36-passenger diesel-powered GMC motor coaches costing approximately \$86,000 for which purpose it was necessary to borrow \$68,000. It was stated that the acquisition of these new coaches is essential in order to provide adequate, economic, and safe passenger service in the area served.

In addition, applicant has acquired land upon which is being constructed a much needed office building and a shop building. The approximate cost of this will be \$90,000 which is in addition to the sum of \$27,000 expended in the acquisition of land and equipment. It was alleged that all possible economies have been effected but that only an increase in fares will relieve the financial distress of applicant and enable it to provide improved adequate and safe transportation to the public.

In addition to other financial data, applicant submitted a forecast of operations for the twelve months ending June 30, 1950, under present and proposed fares. The Commission's transportation engineers 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:

	<u>Revenue</u>	<u>Expenses</u>	<u>Oper. Ratio (Before Inc. Taxes)</u>	<u>Net Inc. (After Inc. Tax)</u>	<u>Rate of Ret. (2)</u>
<u>Present Fares</u>					
Applicant's Estimate	\$403,961	\$462,062	114.4	(\$58,101)	-
Engineer's Estimate	418,376	454,300	108.59	(35,924)	-
<u>Proposed Fares</u>					
Applicant's Estimate	508,130	463,929	91.3	26,771	9.2%
Engineer's Estimate	537,800	457,350	85.04	49,595	17.04%
<u>Alternate Fare Bases As Developed by Engineers (1)</u>					
Case I	517,361	456,743	88.28	37,717	12.95%
Case I-A	508,119	456,468	89.83	32,347	11.12%
Case II	497,959	456,166	91.61	28,397	9.76%
Case II-A	481,357	455,672	94.66	20,078	6.90%
Case II-B	482,717	455,891	93.28	24,326	8.36%
Case III	479,316	455,612	95.05	18,633	6.40%
Case III-A	464,559	455,173	97.98	7,984	2.74%
<u>Alternate Fare Base As Developed from Evidence Submitted at Hearing</u>					
Case I-A-Revised	487,403	456,731	93.70	23,348	8.0%

(1) - Case	<u>Adult Fare</u>	<u>School Fare</u>	<u>Transfers</u>
I	10¢	10¢, 20/\$1	2¢
I-A	10¢	10¢, 20/\$1	Free
II	10¢, 4/35¢	10¢, 4/35¢	2¢
II-A	10¢, 4/35¢	10¢, 20/\$1	2¢
II-B	10¢, 4/35¢	10¢, 4/35¢	Free
III	10¢, 6/50¢	10¢, 6/50¢	2¢
III-A	10¢, 6/50¢	10¢, 20/\$1	2¢
I-A-Rev.	10¢	10¢, 20/\$1	Free

(2) - Rate Base of \$291,000, as developed by Commission Engineers, is used here.
Rate Base as calculated by applicant amounted to \$337,864.72.

() - Indicates Red Figure before Income Taxes.

As shown in the foregoing tabulation the estimates differ materially in their final results. The differences in revenues and expenses are attributable primarily to divergent opinions on future passenger volume, the need for working capital, future cost of

repairing and servicing revenue equipment, and minor differences in other expense items.

The estimates of passenger volume for the twelve months ending June 30, 1950, under present, proposed, and alternate fare bases are shown in the following tabulation (transfer passengers included):

<u>Fare Basis</u>	<u>Applicant's Estimate</u>	<u>Commission Engineer's Estimate</u>
Present	6,087,574	6,233,400
Proposed	5,363,316	5,705,680
Case I		5,722,650
Case II		5,753,505
Case III		5,755,883
Case III-A		5,755,883
Case I-A (Revised)		5,515,504*

* - This figure is based upon testimony submitted at hearing.

In originally calculating the traffic volume for Case I-A, the Commission Engineers started with an estimated annual volume of 5,706,300 adult passengers under present fares. In the revised basis this figure was reduced to 5,610,100. In arriving at this figure the estimate of the volume used for the month of May, 1949, was found to be some 11,000 passengers too high when compared to the actual experience for that month. These actual experience figures were introduced at the hearing but were not available when the engineering study was made. In arriving at Case I-A, revised, traffic for the months of March, April, and May, 1949, was analyzed. In March there were 483,241 passengers and in May, 483,714 or an average of 483,500 passengers. These two months had 31 calendar days. The month of April, with only 30 days, had a traffic of 486,620 passengers. In placing these

three months on a parity, it appears that traffic in April increased 18,500 passengers over the average for March and May. Testimony by the applicant's witness and the representative of the Commission's engineering staff attributed this increase to two factors, namely, Easter Week and the withdrawal of policing of parking in Bakersfield for the entire month of April. The volume for April could be normalized by making the reasonable assumption that traffic was affected equally by these two factors. Adding the normalized traffic for April to the months of March and May, and comparing this total with the traffic in March, April, and May of 1948, it is found to have dropped 4.1 per cent. The estimate for this Revised Case I-A basis assumes that this rate of decrease in traffic would continue throughout the projected rate year. Also, the evidence supports the conclusion that the traffic presently paying a 5-cent fare will experience a diminution of 20 per cent rather than 15 per cent, as was estimated in the original Case I-A. In our opinion the traffic volume in this revised basis represents a reasonable estimate and is amply supported by the evidence.

Applicant stated that a working capital of \$25,000 was needed but the evidence fails to support this contention, especially for this type of operations.

As to the cost of repairing and servicing revenue equipment it appears that applicant is apprehensive that actual experience will exceed the normal experience of similar types of operation. The evidence was not compelling on this point, and we

are more inclined to follow the conclusions and estimates of the Commission's engineers based on an industry-wide experience.

The zone system presently in effect, which applicant desires to eliminate, clearly represents a hodgepodge of piecemeal growth and development. As the system grew and was converted from rail to bus and as bus lines were extended to replace rails, the present zones with fares of 5 cents, 7 cents, and 10 cents resulted. The City Manager appearing as an interested party stated that while the city did not have the facilities to make an independent engineering study, it would like to see a differential in fares retained which would provide lower fares for those riding wholly within the city limits and those originating at or destined to points outside those limits. However, the evidence supported the view that those now paying the lower fares were not bearing their full share of the cost of furnishing the service. In addition, the Commission's engineer testified that the distances involved did not justify the maintaining of zones and that the present zone system results in obvious discrimination. In our opinion, the maintaining of a zone system is not justified and therefore the present zone system should be eliminated and a universal fare established for the entire system.

The applicant was also desirous of eliminating reduced fares for school children for the reasons that they are used very little and new schools have been established at more convenient locations. The City Manager strongly opposed this proposal. While the evidence indicates a very limited use of school fares, we are reluctant to authorize their elimination in view of the other increases which will be authorized herein. It is our conclusion that the applicant should provide school fares of 20 rides for \$1.00.

The applicant requests the retention of the transfer charge of 2 cents principally because it has found that there has been some abuse of this privilege and that the charge will act as a deterrent. The testimony on this point was not compelling. The City Manager stated that it is considered a "nuisance charge". It is our opinion that where the applicant seeks to establish a truly universal fare applicable between any two points on the system, it would be inconsistent to retain the charge of 2 cents for each transfer.

The City Manager of Bakersfield also testified that the City Council was desirous of having the applicant authorized to establish a fare structure which would enable it to fulfill its responsibility of furnishing adequate service to the public in the areas presently served, and possibly enable it to inaugurate new service to parts of the city not now enjoying service but which are presently unattractive from a revenue standpoint.

It would appear to be unnecessary to reconcile or discuss, individually or collectively, all of the smaller differences in the estimates and forecasts which appear in the record. In the final analysis it must be recognized that we are herein called upon to deal with forecasts of revenues, expenses, traffic volume, and conditions for an anticipated twelve-month period. The forecasts necessarily include a number of uncertain factors, variations in which may materially affect the final results. Considering the rather marked changes which have been and are being experienced in economic and other conditions, we believe that it is particularly necessary under present circumstances to be cautious in placing too great a reliance upon the details of any forecast. The Commission after weighing carefully all the available evidence must depend in a large measure upon its informed judgment.

It is clear from the record that an increase in revenue is essential to applicant's financial stability and to assure its ability to furnish adequate service to the public. It is also reasonably clear, in our judgment, that the additional gross revenue which would accrue under the fare structure proposed by applicant would result in net revenues greater than necessary, and which might well be unreasonable and excessive. Of the several alternative fare structures developed, it appears that the basis designated as Revised Case I-A, which provides a straight system-wide 10 cents adult fare, a school fare of 20 rides for \$1.00, and free transfers, would produce net revenues sufficient for applicant's financial needs.

Upon careful consideration of all of the facts of record, we are of the opinion, and find as a fact, that the abolition of the present system of zones, the establishing of a systemwide straight 10 cents adult fare, a fare of 10 cents or 20 rides for \$1.00 for school children, and free transfers is justified. To that extent the application will be granted.

O R D E R

A public hearing having been held in the above-entitled application, and based upon the evidence adduced and the conclusions and findings set forth in the opinion,

IT IS ORDERED:

(1) That Bakersfield Transit Company is hereby authorized on not less than five days' notice to the Commission and the public to abolish its present zone system of fares and, establish in place thereof an adult fare of 10 cents applicable between any two points on the system, a school fare of 10 cents or 20 rides for \$1.00, and to provide for the issuance of free transfers.

(2) That the authority herein granted shall expire unless exercised within sixty (60) days from 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 6th day of July, 1949.

R. E. [Signature]

[Signature]

[Signature]

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COMMISSIONERS