

ORIGINAL

Decision No. 43985

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of H. A. SHELLEY, doing business)	
under the fictitious firm name of)	Application No. 30914
WILMINGTON BUS COMPANY, for an)	
increase in rates.)	

Appearances

Phil Jacobson, for applicant.

Glenn E. Newton, for the Transportation Department
of the California Public Utilities Commission.

O P I N I O N

H. A. Shelley, an individual doing business under the name of Wilmington Bus Company, is engaged in the transportation of persons for compensation in the Wilmington District of the City of Los Angeles and in the vicinity thereof under authority of certificates of public convenience and necessity issued by this Commission. By the above-numbered application he seeks authority to effect increases in some of his fares.

Public hearing of the matter was had before Examiner Abernathy at Wilmington on February 14, 1950.

Applicant's present fares are established on a zone basis. For this purpose applicant has divided the area he serves into two fare zones. The basic one-way adult fare within the same zone is 10 cents and between zones it is 15 cents. Reduced fares, depending upon the purchase of tokens, and reduced fares for students are

(1) also provided. In this proceeding applicant proposes to cancel the reduced intrazone fares. No change is proposed in the volume of the interzone fares. With respect to the interzone school fares, however, applicant seeks to restrict them to students attending elementary or high schools and to make them applicable only between the hours of 7:30 a.m. and 4:30 p.m. on school days. (2)

Evidence in support of the application was submitted by applicant and by one of his sons who assists in the conduct of the business. Applicant stated that his need for the fare increases herein sought has been brought about by the fact that his operating revenues have declined to the point where he is incurring losses. He was of the belief that the sought increases would tend to minimize his losses without serious effect upon the volume of traffic over his lines. Increases are proposed only in the intrazone fares for the reason, he explained, that competitive influences limit his ability to effect increases in his interzone fares. It was his view that the present interzone fares are at the maximum level that can be maintained. The witness said that the proposed increases in the intrazone student fares had been determined after consideration had been given to the average distance the school children are transported. He asserted that this distance is greater than the average

(1) Applicant's present fares are as follows:

<u>Intrazone</u>	
Adult - Cash	10 cents
Token	8-1/3 cents (3 tokens for 25 cents)
Student -	5 cents

<u>Interzone</u>	
Adult - Cash	15 cents
Token	12 1/2 cents (2 tokens for 25 cents)
Student -	10 cents

(2) Under the present provisions of applicant's tariff the student fares are not restricted as to grade of school or as to time.

distance other intrazone passengers are transported and is greater than the distance traveled by students going between zones. With reference to the sought limitation of the time that student fares are applicable, he said that such action is designed to correct present abuses of the reduced-fare privilege. Limitation of the student fares to students attending elementary or high schools is sought to avoid extension of the reduced fares beyond their present scope. (3)

Applicant's son, who said that he is in charge of the books of account, introduced and explained exhibits relating to the financial aspects of applicant's operations. This witness reported that operating revenues and expenses for the past two years were as follows:

	<u>1948</u>	<u>1949</u>
Gross Operating Revenues	\$ 51,374	\$ 42,744
Operating Expenses	<u>51,243</u>	<u>48,007</u>
Net Operating Revenues	\$ 131	\$ (5,263)

() - Indicates loss

The financial statements indicate that approximately \$10,000 of applicant's revenues are derived from services other than those involved herein. The witness stated that this revenue is earned from contract transportation services performed for the Los Angeles County School District. He asserted that the contract service is profitable and he presented figures to show that during 1949 the contract service resulted in greater gross revenues per mile of operation than did the common carrier service. The witness did not undertake to segregate specifically the costs applicable to each type of operation. He submitted data, however, to show that upon

(3)

It appears that under the present rule governing student fares an additional class of students will be eligible for the reduced fares. A junior college is in the process of construction in the Wilmington area.

the basis of the average costs of applicant's total operations during 1949 the contract services earned a profit whereas the common carrier services resulted in a loss. The witness indicated that applicant's expense experience is somewhat more favorable than it would be under more normal operating conditions. He explained that most of the vehicles which are used are fully depreciated and were it not for this fact the costs of operation would have been greater than those shown.

A transportation engineer of the Commission's staff submitted an exhibit showing the results of a survey which he had made of applicant's operations and showing also estimates of operating results for the ensuing year under present fares and those that would accrue should the proposed fares be assessed. The engineer said that the decline in operating revenues which applicant has experienced is attributable to the closing of various wartime enterprises in the Wilmington area. Between the cessation of hostilities in 1945 and the middle of 1948, applicant's traffic decreased by about 40 per cent. In February, 1949, a large public housing project in Wilmington was abandoned, resulting in a further reduction in demand for applicant's services. Other contributing factors which he cited were various labor strikes in the Los Angeles Harbor area. Traffic statistics which the engineer-witness presented show that in 1947 applicant transported 631,000 passengers as compared to 327,000 passengers two years later. Average passengers per mile of operation dropped from 3.4 in 1947 to 1.8 in 1949.

The engineer said that in his review of applicant's books of account, he found that they do not show all of the expenses pertaining to applicant's services. He said that in developing

estimates for the year ending February 28, 1951, he had included such adjustments as necessary to arrive at the applicable costs of operation. On the basis of the costs so developed, the engineer calculated that should the present fares be assessed throughout the coming year, applicant will incur an operating loss of \$1,030. However, should the sought fares be assessed, a profit of \$1,860 would be realized. The resulting operating ratio in the latter instance would be 96 per cent and the rate of return, before allowance for income taxes, would be 17.7 per cent on an estimated depreciated rate base of \$10,500.⁽⁴⁾ The witness asserted that were it not for the contract operations, applicant's operating results would be less favorable than those shown above.

No one appeared in opposition to the sought increases. The record shows that notices of the hearing were published in a newspaper of general circulation in the Wilmington area and that notices were also posted in applicant's vehicles. In addition notices were sent by the Commission's secretary to persons believed to be interested.

The record is clear that applicant's revenues from his present fares are insufficient to meet the operating costs which may be reasonably anticipated during the coming year. The proposed increases, considered individually, do not appear excessive in light of the engineer's studies which show, in addition to the matters referred to hereinabove, that applicant will experience an average

(4) What the corresponding operating-ratio and rate-of-return figures would be after allowance for income taxes is not ascertainable from the data of record. Since applicant is operating as an individual in the conduct of his transportation service, the amount of income tax assignable to the profits from his business would be affected by the amounts of the various personal deductions allowable under the tax laws.

cost of 11.36 cents per passenger transported during the ensuing year. It appears that the proposed changes in the rules governing student fares should be authorized in order that applicant may avoid unwarranted use of the student-fare privilege and extension thereof beyond the limits anticipated when the student fares were established.

Upon careful consideration of all of the facts and circumstances of record the Commission is of the opinion and finds that the fares and the rule change with respect to student fares, which are sought in the above-numbered application, are justified. The applicant requested that, should the sought authority be granted, he be permitted to establish the increased fares on less than statutory notice. In view of the evident need for increased revenues, this authority will be granted also.

O R D E R

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

IT IS HEREBY ORDERED that H. A. Shelley, an individual doing business as Wilmington Bus Company, be and he is hereby authorized to amend his Local Passenger Tariff Cal.P.U.C. No. 4, on not less than five (5) days' notice to the Commission and to the public, in the following respects:

1. To cancel provisions set forth in Paragraph (a), Item No. 80, relating to the sale of metal tokens at the rate of 3 tokens for 25 cents, each token being acceptable in lieu of a 10-cent cash fare.

2. To amend Items Nos. 50-A, 55, and 60-A, shown in Supplement No. 3 to said tariff, so as to cancel the 5-cent student fares therein provided.

3. To amend Item No. 35 to read as follows:

STUDENT (SCHOOL) FARES

Student (school) fares apply only between the hours of 7:30 a.m. and 4:30 p.m. on school days for the transportation of students to or from elementary or high schools.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

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

Dated at San Francisco, California, this 28th day of March, 1950.

R. T. Anderson
James J. Casper
Frank A. Hill
Harold P. Hill

Commissioners

Commissioner Kenneth Pottar, being necessarily absent, did not participate in the disposition of this proceeding.