A-30877-IB

ORIGINAL

Decision No. 44408

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SUNSET STAGES, a corporation, for an order or orders granting permission to increase and adjust and place into effect certain fares for the transportation of passengers on its lines.

Application No. 30877

Appearances

Collamer A. Bridge, for applicant.

R. A. Houseman, for K. Charles Bean of the Board of Public Utilities and Transportation of the City of Los Angeles, interested party.

Glenn E. Newton and Charles H. Jacobsen, for the Transportation Department of the California Public Utilities Commission

O P I N I O N

Applicant herein is a California corporation engaged in transporting persons by motor coach as a common carrier in and between the cities of Redondo Beach, Manhattan Beach, Hawthorne, and Inglewood, and intermediate points. It seeks authority to establish a minimum cash fare of 10 cents per adult one-way ride by canceling present token fares of three for 25 cents.

Public hearing of the matter was had before Examiner Abernathy at Hermosa Beach on March 23, 1950. The matter was submitted on May 22, 1950, upon filing of an amended application in accordance with an understanding reached at the hearing.

Evidence in support of the proposal herein was submitted by applicant's vice president. He reported that the company incurred an operating loss of $15,483 during 1948, and of $10,935 during 1949. The losses were attributed to a decline in passenger revenues and to increased expenses. The witness asserted that applicant has endeavored to overcome the losses by revising its operations to eliminate nonprofitable schedules, by paring expenses, and by effecting increases in operating efficiencies. He said that notwithstanding these efforts losses have continued and as a result the company does not have money to maintain its buses sufficiently to perform efficient service. The witness estimated that the fare adjustment herein sought would produce $1,394 in additional revenues during the coming year. It was his hope that these additional revenues, in combination with reductions in expenses from recent improvements in operating procedures, would be sufficient to restore his company to a profitable operating position.

A transportation engineer of the Commission's staff explained an exhibit covering a study he had made of applicant's operations. He said that the company's passenger traffic has dropped from 4.1 passengers per bus-mile in 1946 to 2.6 passengers per bus-mile in 1949. He estimated that passenger volume would continue at present levels except for a further decrease of five percent if the proposed fares are established. Using applicant's book records for 1949 as a base, and considering anticipated changes in revenues and expenses, the engineer developed estimates of operating results for the year ending with March, 1951. In arriving at his figures, he included adjustments to allow for increased maintenance costs of applicant's vehicles as they become older; he recomputed depreciation expense on the vehicles to a basis of an estimated service life of seven years instead of five years as used by applicant;[1] and he

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[1] The engineer believed that the vehicles could be operated 350,000 miles before maintenance costs would become excessive. After giving consideration to applicant's use of the vehicles, he estimated the economical service life to be seven years.

reduced the allowance for administration to an amount that in his opinion would conform to administrative expenses of similar passenger stage corporations. The engineer calculated that the sought fare increase would yield $3,120 in additional revenues over those earned under present fares. Upon the basis of his adjusted figures, he estimated that after allowance for income taxes the company would earn during the coming year a net income of $1,050 under present fares or $3,410 under the proposed fares; the equivalent rates of return would be .9 percent and 3 percent, respectively.

No one opposed the granting of the application. A representative of the Board of Public Utilities and Transportation of the City of Los Angeles appeared as an interested party and participated in examination of the witnesses. The record shows that notices of hearing were sent by the Commission's secretary to persons believed to be interested. Also, notices were published in a newspaper of general circulation in the area involved and were posted in applicant's vehicles.

The record is clear that applicant's operations are returning insufficient revenues. It appears, however, that losses are not as great as alleged. The operating loss of $10,935 which was reported by applicant's witness for 1949 is overstated. The common carrier operations during that year were charged with expenses applicable to contract services performed in transporting children to and from school. The operations were also charged with an item of nonoperating expense consisting of interest paid on various obligations of applicant. The data are insufficient to permit computation of the operating results of the common carrier service only. Nevertheless, it is evident that a reasonable adjustment to exclude expenses not chargeable to the passenger stage operation would result in a considerable reduction in the reported losses. With respect to future operations the company's expense estimates appear excessive. As indicated heretofore, depreciation expense for the vehicles has been computed on an estimated service life of five years. Applicant's witness asserted in effect that the vehicle service lives are spent after five years, and that money which is used to keep the vehicles in operation thereafter would be better used if devoted to the acquisition of new equipment. The seven-year service life estimated by the Commission engineer appears to be more appropriate and will be adopted for the purposes of this proceeding.

Differences in applicant's estimates and those of the engineer need not be wholly resolved herein. All of the evidence of record being carefully considered, it appears that under the most favorable circumstances that may be reasonably anticipated for the year ending with March, 1951, applicant will not realize net earnings after income taxes of more than $5,396, equivalent to a rate of return of less than 5 percent on a rate base of $114,600.[2] It is concluded that applicant's earnings under the sought fares will not be excessive. Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that the fare increases which applicant herein seeks to establish have been justified. The application will be granted.

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[2] Estimated operating results for the twelve-month period are as follows:

Total Revenues	$ 236,230
Operating Expenses	229,074
Net Operating Revenues	$ 7,156
Income Taxes	1,760
Net Income	$ 5,396
Operating Ratio, before taxes	97.0%
Operating Ratio, after taxes	97.7%

O R D E R

Application having been made in the above-entitled matter, and based upon the evidence received and the conclusions and findings in the preceding opinion,

IT IS HEREBY ORDERED that applicant be and it is hereby authorized to amend its Local Passenger Tariff Cal.P.U.C. No. 7 by canceling therefrom provisions as set forth in Item No. 25 of said tariff governing token fares.

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 20th day of June, 1950.

R. F. [illegible]

[illegible] Powell

Harold P. Huls

Kenneth Potter

Commissioners