FC

Decision No. 44776

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN BERNARDINO VALLEY TRANSIT COMPANY, a corporation, for authority to increase passenger fares.	Application No. 31574

ORIGINAL

Appearances

John B. Lonergan and Richard J. Glasscock, for applicant.

H. R. Griffin, for City of San Bernardino, interested party.

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

O P I N I O N

San Bernardino Valley Transit Company, a passenger stage corporation, is engaged in the business of transporting passengers by motor bus in and about the cities of San Bernardino and Colton and various unincorporated areas contiguous and adjacent thereto. On July 12, 1950, it filed an application alleging that it was in dire need of an immediate increase in fares. Thereafter, on August 2, 1950, it filed a supplement to the application asking that the sought fares be authorized at the earliest possible date for the interim until such time as the basic application might be heard and decided. According to the supplemental application, the company expects to amend the basic application at a later date, after further study, to propose and request further increases in fares if those authorized for the interim period do not afford a reasonable return on its investment.

Public hearing was had before Examiner Bryant at San Bernardino on August 24, 1950. The matter is ready for decision.

The president and general manager testified that his company was confronted with a considerable amount of current liabilities, and had insufficient cash with which to pay them. He attributed the unfavorable financial position primarily to a relatively short period in which substantial operating losses were sustained. During the year ending June 30, 1950, he declared, the company suffered an operating loss of nearly $25,000. This loss assertedly consumed all of the working capital, trade credit, and bank credit, so that applicant was virtually without funds to pay trade accounts. Without additional funds, or the immediate prospect of additional funds resulting from a fare increase, according to the testimony, applicant will be unable to pay its operating employees or to purchase fuel and parts necessary to continue operations.

The witness testified that every effort had been exerted to increase efficiency and to effect economies consistent with the maintenance of adequate service. Despite wage increases and advancing cost of fuel and other items, he said, the company was able in the year ending June 30, 1950, to reduce total operating expenses below those incurred in the preceding twelve months.[1]

---

[1] Comparative figures for the two years, submitted by the witness, show that increases in the expense items of transportation, traffic, advertising, and operating rents were more than offset by reductions in the items of maintenance, insurance, and administration. Legal services, it was stated, were currently being rendered without charge to the company. Although total operating expenses were reduced by $22,813, operating revenues in the same period were less by $59,996. A net profit of $12,596 was earned in the year ending June 30, 1949; a loss of $24,587 was suffered in the following year.

He believed that operating expenses were already below a safe minimum, that in some instances the schedules had been reduced below a reasonable frequency, and that no further increase in efficiency nor reduction in expenses could reasonably be anticipated for the near future.

This witness attributed the recent substantial losses primarily to a decline in patronage; to a relative increase in the use of token fares, with consequent reduction in the number of riders paying the higher cash fares; to the cumulative effect of wage increases negotiated in March, 1949; and to increases in other items of operating expense. In order to improve its financial position, applicant proposes to increase the fares for single-zone tokens from seven for 50 cents to six for 50 cents, and for two-zone tokens from ten for 90 cents to ten for $1.00. No changes are proposed in other fares. Based solely upon actual results for the first half of 1950, without modification of the book records, the witness estimated that the proposed fares would produce an annual profit of $6,500, resulting in an operating ratio of 98.3 percent. The following table shows his figures in more detail:

	Estimated Annual Results, Based upon Extension of Actual Results for First Six Months of 1950	
	Under Present Fares	Under Proposed Fares
Revenue:		
Cash Fares	$202,816	$202,816
Token Fares	140,760	163,252
Other Operating Revenue	6,723	6,723
	$350,299	$372,791
Expenses:		
Maintenance	$ 71,909	$ 71,909
Transportation	191,889	191,889
Traffic and Advertising	2,408	2,408
Insurance and Safety	20,625	23,283
Administration	17,484	17,484
Operating Rents	2,450	2,450
Depreciation	25,787	25,787
Taxes (Operating)	30,600	31,081
	$363,152	$366,291
Net Before Income Taxes	$(12,853)	$ 6,500
Operating Ratio	103.7%	98.3%

(_______) Loss

This witness declared that the sought fares would, in actual experience, produce results less favorable than indicated by the table. He explained that no allowance was made in his calculations for the downward trend in riding, for the passenger deflection which would follow increased fares, nor for the future effect of recent increases in items of operating expense. He expressed the opinion that the company, under interim fares now proposed, would be operating without profit before the end of the current calendar year.

An associate transportation engineer of the Commission's staff introduced his study of operating results, according to the books of the company, from October, 1947, to the end of June, 1950. He agreed that the company had endeavored to reduce operating expenses in order to keep pace with the economic downward trend of revenues, but had been unable to "schedule out" sufficient mileage to cope with the situation without jeopardizing the service. As shown in his report, the book record of net income and operating ratio is as follows:

Year	Net Income	Operating Ratio
1948	$15,091	96.6%
1949	(2,385)	100.6%
1950 (1st half)	(6,428)	103.7%

(______) Loss

The Commission witness estimated that application of the proposed fares for the first six months of 1950 would have produced an operating ratio of 97.1 percent.. The following table summarizes his figures for the six-month period:

First Six Months, 1950

	Book Record	Adjusted for Proposed Fares
Revenue:		
Passenger	$171,788	$171,788
Other	3,362	3,362
Additional Revenue from Sought Fares	-	11,850
Total Revenue	$175,150	$187,000
Total Expenses	$181,578	$181,578
Net before Income Taxes	$ (6,428)	$ 5,422
Operating Ratio	103.7%	97.1%

( ) Loss

This witness stated that his exhibit, being based solely upon book records, should not be construed as a staff estimate of results to be expected under the proposed fares. He said that he had used the company's estimate of anticipated revenues, although in his opinion such revenues were overstated. A full-scale analysis, he said, would require a study of traffic trends, of the effect of the fare adjustment on riding habits, and of many other operating factors. He explained that such a detailed staff study was in progress, and would be completed at the earliest possible date.

The record shows that the customary notices of the hearing were displayed prominently in applicant's vehicles, and that notices were published locally and were served by mail upon persons and organizations believed to be interested. No one opposed the granting of this application.

The evidence of record is convincing that the public interest will be served by a prompt adjustment in the fares of San Bernardino Valley Transit Company. Operating losses were suffered in nine of the latest twelve months (July, 1949, to June, 1950, incl.)

and applicant's bank and trade credit has been seriously impaired. An improvement in the company's financial condition is imperative if its essential services are to be maintained. It is evident that applicant is entitled to relief as sought in the amended supplemental application. Inasmuch as no other fares are sought in the present proceeding, no purpose would be served by limiting the fares hereinafter authorized to an interim period. Should applicant in the future conclude that further modification of fares is necessary, it may file a new application at that time.

Upon careful consideration of all of the facts and circumstances of record the Commission is of the opinion and finds that the fare changes as sought in the amended supplemental application in this proceeding are justified, and that good cause has been shown for allowing their publication on five days' notice to the Commission and the public.

O R D E R

Public hearing having been held, the matter having been submitted, and good cause appearing,

IT IS HEREBY ORDERED that San Bernardino Valley Transit Company be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, increased fares as follows:

Single Zone Commutation Fares --
Increase from seven rides for 50 cents
to six rides for 50 cents.

Two Zone Commutation Fares --
Increase from ten rides for 90 cents
to ten rides for $1.00.

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 11th day of September, 1950.

R. T. [signature]

Justus F. Craemer

Harold Powell.

Commissioners