

ORIGINAL

Decision No. 44917

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Peerless Stages, Inc., a)
corporation, for authority to) Application No. 31362
increase rates.)

Appearances

John F. Balaam, for applicant.
James V. Butler, for a group of commuters,
protestants.
John W. Collier and Archer Bowden, for City
of Oakland, interested party.
T. A. Hopkins, for the Transportation Depart-
ment, California Public Utilities Commission.

O P I N I O N

Applicant is a passenger stage corporation engaged in the transportation of persons between Oakland and San Jose, Santa Cruz, Palo Alto and intermediate points. In this proceeding, it seeks authority to increase its one-way, round-trip and commutation fares on less than statutory notice.

A public hearing of the application was had at Oakland before Commissioner Potter and Examiner Jacopi.

Applicant's existing fare structure is comprised of one-way and round-trip fares and individual monthly, 30-ride family and 30-ride school commutation fares. The greatest distance between any two points served is 76 miles. It is proposed to make increases in the one-way and round-trip fares that range from 25 percent for the short hauls to 45 percent for the longer distances. The present

and proposed mileage bases for constructing these fares are shown in the margin.¹ The individual monthly and the family commutation tickets would be discontinued and 20-ride fares established in lieu thereof on the basis of 80 percent of the advanced one-way fares sought herein. The changes in these commutation fares would result in an average increase of about 40 percent.² The school commutation fares would be adjusted to the level of sixty percent of the new one-way fares. It is estimated that the over-all adjustment would increase the passenger revenues by 15 percent or about \$70,000 per year.

Evidence relative to the proposed fare adjustments was introduced by applicant's president and by its auditor, by engineers from the Commission's Transportation Department and by a representative of a group of commuters who use applicant's service. The president testified that the present fares were insufficient to cover the cost of operation. This condition was attributed to the effect of increases experienced in operating expenses coupled with a steady decline in the volume of traffic. The witness asserted that the sought advances in fares were necessary to enable applicant to continue adequate service. He indicated that all operating economies that would not impair the service to the public had been made.

¹The fare bases in question are as follows:

Fares	Miles (One-Way)		Rates Per Mile	
	Over	but not Over	Present	Proposed
One-Way	0	25	2.0 cents	2.5 cents
	25	50	2.0 "	2.45 "
	50	100	1.65 "	2.4 "
Round-Trip	0	100	180 percent of one-way fares	180 percent of one-way fares

²The present commutation fares referred to are equal to about one cent per mile. The proposed fares are equal to two cents per mile for distances of 25 miles and under, 1.96 cents per mile for distances over 25 miles but not over 50 miles, and 1.92 cents per mile for distances over 50 miles but not over 100 miles.

Exhibits showing the actual results of operations under the present fares as indicated by applicant's books were submitted by applicant's auditor and by a Commission engineer. The auditor's calculations showed that operations during the 12-month period ended June 30, 1950, were conducted at a loss amounting to \$14,555. The engineer's figures covered the 12-month period ended May 31, 1950, and they indicated that applicant experienced an operating loss amounting to \$10,808. The effect of increases experienced in wages, cost of maintenance and other expenses during the 12-month periods in question was reflected in these operating results only for the portions of these periods when the advanced costs prevailed. However, full effect was given to the increased expenses in the estimated operating results next discussed.

The auditor and the Commission engineer also introduced studies showing forecasts of the results of operation under the present and proposed fares for a future 12-month period ending August 31, 1951. The studies included analyses of traffic trends, traffic volume, revenues, operating expenses, depreciation and rate base. Both witnesses calculated that a substantial operating loss would be experienced if the present fares were continued during the period in question and that the anticipated revenues under the proposed fares would fail to meet the operating expenses. The auditor asserted that fare increases greater than those sought at this time would result in substantial loss of traffic. The forecasts of the witnesses are set forth in the following tabulation:

Estimated Results of Operations For the
Twelve Months Ending August 31, 1951,
Under the Present and Proposed Fares.

	Applicant		Commission Engineer	
	Present Fares	Proposed Fares	Present Fares	Proposed Fares
<u>Revenues</u>				
Passenger	\$459,300	\$529,000	\$449,810	\$515,350
Other Revenues	64,000	64,000	60,900	60,900
Total Revenues	\$523,300	\$593,000	\$510,710	\$576,250
<u>Expenses</u>				
Maintenance	\$126,300	\$124,900	\$128,100	\$126,900
Transportation	213,200	210,400	208,200	205,200
Station	16,100	17,500	14,300	16,100
Traffic & Advertising	15,600	15,600	15,300	15,300
Insurance & Safety	32,200	32,200	32,600	32,600
Administrative & General	49,700	49,700	47,300	47,300
Depreciation	70,000	70,000	66,450	66,450
Operating Taxes	55,400	57,000	53,300	55,000
Operating Rents	21,400	21,400	21,800	21,800
Total Expenses	\$599,900	\$598,700	\$587,350	\$536,650
Net Operating Income	(\$76,600)	(\$5,700)	(\$76,640)	(\$10,400)
Operating Ratio	114.6	101.0	115.0	101.8
Rate Base		\$353,000		\$379,020
Rate of Return		--		--

() - Indicates Loss

The difference in the estimated operating loss calculated by the witnesses under the proposed fares is mainly due to variations in the forecasts of traffic volume and in treatment of depreciation. However, the difference is not great. Regardless of which figures are adopted for the purpose of this proceeding, it appears that operations under the proposed fares will be conducted at a loss. Under the circumstances, a detailed discussion of the variations in the estimates would serve no useful purpose.

A Commission engineer introduced a study he made of the operation of applicant's service. The study dealt with the number of passengers handled on each bus trip, on-time performance, methods of operation and general condition of the bus equipment. Based on his study, the engineer made the following recommendations:

- (1) relieve overcrowding of the bus leaving Oakland terminal at 5:00 p.m.,
- (2) improve on-time performance between Oakland and San Jose and intermediate points,
- (3) obtain transit-type buses for

the Los Gatos area when the present buses are replaced, and (4) review the routes used in the Los Gatos area from the standpoint of simplifying the operations. The study indicated that in other respects the service was satisfactory and that the equipment was generally maintained in good condition.

Applicant's president testified that the crowded condition of the 5:00 p.m. bus referred to by the engineer had since been eliminated by providing an additional bus on the schedule in question. He asserted that the failure to maintain on-time performance was mainly attributable to traffic congestion caused by street and highway construction in progress on the routes used in Oakland. It was indicated that the possibility of temporarily rerouting the buses would be studied. The president stated that the operating routes in the Los Gatos area would be reviewed in the light of the Commission engineer's recommendation and that the transit-type buses would be considered when it became necessary to replace the buses now used in the Los Gatos service.

A representative of a group of commuters who use applicant's service testified in opposition to the proposed increases in the commutation fares. He asserted that the majority of the commuters had comparatively low incomes and that the proposed fare advances would place a heavy burden upon them. The witness stated that he was not interested in 20-ride fares as proposed by applicant. He urged that monthly (5-day week) fares be established and that such fares should reflect increases of not more than ten percent.

On this record it is clear that operations under the present fares are being conducted at a loss and that an adjustment in the fares is necessary to sustain the operations. The record also indicates that revenues under the proposed fares will be insufficient fully to cover applicant's operating expenses. Limitation of the advances in commutation fares to ten percent as urged

by protestants would result in a very substantial operating loss under the adjusted fare structure. Under such conditions, it is not apparent how applicant could continue to provide the commuters and the public generally with adequate service.

The testimony of the witnesses for applicant indicates that the proposed substitution of 20-ride fares for the present monthly (daily use) commutation fares was designed to benefit the public. Applicant does not maintain monthly (5-day week) fares. The monthly fares now in effect provide for a maximum of 60 trips per month. The evidence shows that the use being made of the monthly ticket by the commuters averages only 38 trips per month. The proposed 20-ride tickets would be valid for a period of thirty days after the date of sale. It appears that the commuters would be able to obtain full use of the 20-ride tickets and that this benefit would outweigh the alleged inconvenience involved in purchasing at least two 20-ride tickets per month. Under the circumstances shown herein, the form of the fare adjustment proposed by applicant appears to be reasonable and suitable.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that the fare changes sought in this proceeding are justified. In view of the need shown for increased revenues, the request for authority to make the changes on less than statutory notice will be granted.

Applicant will be expected to pursue its studies relative to on-time performance and to simplification of the Los Gatos operations as hereinabove discussed and to inform the Commission not later than November 15, 1950, what action will be taken in these matters.

O R D E R

Based on the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Peerless Stages, Inc., be and it is hereby authorized to establish, within ninety (90) days after the effective date of this order and on not less than five (5) days' notice to the Commission and to the public, increased fares as proposed in the application filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that to the extent departure from the terms and rules of this Commission's General Order No. 79 is required to accomplish publication of increases herein authorized, authority for such departure be and it is hereby granted.

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

Dated at San Francisco, California, this 17th day of October, 1950.

R. E. Anderson
Justus F. Calder
Chas. H. L. L. L.
Harold J. Kula
Herbert K. Potter
Commissioners