

Decision No. 45264

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 Nevada County Bus Line, by Kent E. )  
 Walker, its President, for an order ) Application No. 31511  
 authorizing increases in passenger )  
 fares between Colusa and Marysville )  
 and intermediate points and between )  
 Marysville and Nevada City and )  
 intermediate points. )

ORIGINAL

Kent E. Walker for applicant.

O P I N I O N

By this application as amended Nevada County Bus Lines, a corporation, seeks authority to increase its passenger stage fares between Colusa, Marysville, Grass Valley, Nevada City and intermediate points. Applicant also requests authority to reduce passenger service to one round trip a week between Marysville and Grass Valley during the winter months unless traffic conditions warrant more service. The operative rights between Colusa and Marysville were established in 1940 and acquired by applicant in December, 1949. The rights between Marysville, Grass Valley and Nevada City were established in 1945 and acquired by applicant in January, 1947. The remainder of applicant's operative rights, which are between Grass Valley, Auburn and Colfax, were established in 1932 and acquired by applicant in January, 1947. The fares between the latter points are not involved herein.

A public hearing was held October 13, 1950, at Marysville before Examiner Paul and the matter was submitted. There was no protest to the granting of the application. Evidence was presented by applicant and an engineer of the Commission's transportation department.

Examples of present and proposed one-way fares and the fare per mile are as follows:

	Present		Proposed	
	Fare	Per Mile	Fare	Per Mile
Colusa-Marysville	\$0.60	\$0.020	\$0.85	\$0.028
Marysville-Grass Valley	\$0.95	\$0.026	\$1.60	\$0.043

Applicant's president and general manager declared that the operations between Colusa and Marysville, and between Marysville and Nevada City are being conducted at a substantial loss. He testified that the total operating revenues derived from passenger (\$2653) express and mail (\$670) traffic, and the major portion of all operating expenses of the Colusa-Marysville operation for the five months period January-May, 1950, amounted to \$3323 and \$4614, respectively. On the basis indicated, this resulted in a net operating loss for that period of \$1291.

The amended application states that beginning July 1, 1950, additional revenues of \$330 a month are being obtained from the transportation of United States mail under contract between Colusa and Marysville. According to the witness the total operating revenues received from passenger (\$2064) express (\$375) and mail (\$990) traffic, and the total direct operating expenses of the Colusa-Marysville operation for the three months of July, August and September, 1950, amounted to \$3429 and \$3440, respectively. The indicated expenses exceeded the revenues by about \$11 during this period.

The witness testified that the passenger revenues of applicant's predecessor for the year 1949, on a monthly basis, averaged 89 per cent of that experienced during the months of July, August and September. Therefore, applying that average and on the basis of an

(1) These expenses did not include any allowances for shop expense, garage equipment, management, office expense, general traffic, interest, operating rents or other overhead charges.

estimated increase of passenger revenue by 35 per cent under the proposal (assuming five per cent diminution) the witness estimated a passenger revenue of \$2508 for the period of July, August and September, 1950. Annualized, the passenger revenue would be \$10,032, which added to \$1,500 express revenue and \$3,960 mail revenue results in an estimated total operating revenue of \$15,492. The witness's estimate of operating expenses omitted those items shown under footnote (1). This incomplete expense estimate based on experience of the months of July, August and September, 1950, results in an annualized expense of \$13,760 which produces a net operating profit of \$1,732.

The witness further testified that the total operating revenues derived from passenger (\$3,176) and express (\$236) traffic from the Marysville-Nevada City operation for the calendar year 1949 amounted to \$3412. The major portion of the operating expenses were \$4,078<sup>(2)</sup>, which resulted in a net operating loss for the period of \$666. During this period, applicant operated 29,200 miles between Marysville and Nevada City. Based upon the selected months of June, July and August, 1950, applicant's witness estimated that the proposed fares between Marysville and Nevada City would produce an increase in passenger revenues of 59.0 per cent after an allowance of five per cent for diminution of passenger traffic and assuming no change in traffic trend. Under this estimate the passenger revenue for those three months would be \$888, which annualized would be \$3,552 and added to \$172 express revenue results in an estimated total annual revenue of \$3,724. Here again those items of expense shown in footnote (1) were omitted. This incomplete expense estimate based on the experience of the months of June, July and August, 1950 results in an annualized expense of \$4,106 or an excess of \$384 over revenues. The expense estimate assumed no change since 1949.

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(2) Excludes same items as under footnote (1) as well as allowances for advertising and certain station expenses.

The witness produced no evidence to indicate the system-wide effect of the proposed fare increases.

The evidence presented by the Commission's engineer supported the contention of applicant that the present revenues are insufficient to meet operating expenses. The engineer submitted estimates of anticipated operating results under present and proposed fares for a 12-months period ending September 30, 1951. According to those estimates applicant is suffering operating losses under present fares which would be reduced but not overcome by the proposed fares. According to the estimates of this witness, for the combined result of both operations involved in this application operating losses for the test period would be \$8,513 under present fares and \$5,213 under the proposed fares. <sup>(3)</sup> The operating ratios would be 154.56% and 127.42% respectively.

(3) ESTIMATED RESULTS OF OPERATION UNDER PRESENT AND PROPOSED FARES FOR 12-MONTH PERIOD ENDING SEPTEMBER 30, 1951

	Operation			Total
	Marysville-	Marysville-	Other	Operation
	Nevada City:	Colusa	Operations	
	(1)	(2)	(3)	(4)
Miles	29,200	65,700	70,600	165,500
<u>Present Fares</u>				
Total Operating Rev.	\$2,248	\$13,355	\$27,672	\$43,275
Total Operating Exp.	7,433	16,682	29,557	53,673
Net Revenue	\$(5,185)	\$(3,328)	\$(1,885)	\$(10,398)
(Before Inc. Taxes)				
Operating Ratio	330.65%	124.92%	106.81%	124.03%
Income Taxes				\$25
Net Income (Aft. Inc. Taxes)				\$(10,423)
Rate Base				\$10,477
Rate of Return				-
<u>Proposed Fares</u>				
Total Operating Revenues	\$3,416	\$15,589	\$27,672	\$46,677
Total Operating Expense	7,468	16,750	29,557	53,775
Net Revenue	\$(4,052)	\$(1,161)	\$(1,885)	\$(7,098)
(Before Inc. Taxes)				
Operating Ratio	218.62%	107.45%	106.81%	115.21%
Income Taxes				\$25
Net Income (Aft. Inc. Taxes)				\$(7,123)
Rate Base				\$10,477
Rate of Return				-

The engineer pointed out that should the Marysville-Nevada City operations be abandoned there would result a saving of approximately \$500, since direct operating expenses exceed total operating revenues by \$494 under the proposed fares. The system-wide operating ratio would therefore be reduced from 115.21% to approximately 114%.

The engineer's estimates differ considerably from those of applicant for several reasons. The engineer used a factor of ten per cent diminution of passenger traffic compared to five per cent by the applicant. Applicant's witness did not consider all expense items or allow for a return on investment as did the engineer. The engineer's calculations were based upon full operation - three daily round trips except Sundays and holidays when two round trips would be conducted between Colusa and Marysville, and one round trip daily between Marysville and Nevada City as well as upon estimates in trend of passenger traffic. The applicant did not estimate a trend in passenger traffic other than on a level with past experience although the record would seem to indicate a down trend in passenger traffic. The engineer's estimates were based on past expense experience adjusted for necessary changes in current operating costs whereas the witness for applicant based his estimates entirely on past expense experience.

The evidence of record indicates that notwithstanding the proposed increases in fares applicant will continue to experience a net operating loss.

After full consideration of all the evidence and facts of record the Commission finds that the proposed increased fares have been justified and should be authorized. The evidence of record shows too that applicant's request for authority to reduce service to one round trip each week during the winter months between

Marysville and Nevada City is warranted and should also be authorized. The application will be granted.

O R D E R

A public hearing having been held in the above-entitled proceeding, and based upon the conclusions and findings contained in the foregoing opinion,

IT IS ORDERED:

(1) That Nevada County Bus Line is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, the one way and round trip fares set forth in Exhibit III attached to the application herein.

(2) That the authority granted in paragraph (1) of this order shall expire unless exercised within ninety (90) days after the effective date hereof.

(3) That Nevada County Bus Line is hereby authorized to reduce passenger stage service between Marysville and Nevada City to one round trip each week during the period from approximately December 15 to approximately March 15 of each winter season subject to the provisions of Section 19.43 of General Order No. 98.

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

Dated at San Francisco, California, this 16<sup>th</sup> day of

January, 1951.

R. E. [Signature]  
Justice J. [Signature]  
Harold Kula  
[Signature]

Commissioners