

Decision No. 45447

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of A. E. Ryan, doing)
business as Peninsula Bus Lines,)
to increase fares for the trans-)
portation of passengers within)
and between South San Francisco,)
San Bruno and other points.)

Application No. 31990

Appearances

Aaron Glickman, for applicant.
T. A. Hopkins, for engineering staff of
the Transportation Department of the
Commission.

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O P I N I O N

A. E. Ryan, an individual, doing business as Peninsula Bus Lines, is engaged in the transportation of passengers within and between South San Francisco and San Bruno and in the immediate vicinity thereof; and between Brisbane and Bayshore.¹ He seeks authority to establish increased fares on less than statutory notice.

Public hearing was had before Examiner Lake at San Francisco on February 28, 1951.

Applicant's operations are conducted in two distinct segments, the South San Francisco-San Bruno operation as one segment and the Brisbane-Bayshore service as the other. The basic one-way fares for transportation within each of the two segments are 10 cents for adults and 5 cents for children. A reduced fare of 3 tokens for 25 cents is provided for the South San Francisco operation. In addition, transfer privileges are maintained in that operation at a charge of 5 cents per transfer. Applicant

¹ Applicant also conducts freight operations of a limited nature and a taxicab service.

seeks authority to increase the one-way adult fare to 15 cents and the children's fare to 10 cents. Authority is also sought to cancel the fare of 3 tokens for 25 cents and to increase the transfer charge to 10 cents per transfer.

Applicant alleges that operations have been conducted upon the same fare structure over a period of years notwithstanding substantial increases in practically all items of operating expense. The increased operating costs, he alleges, have reached a point where he is unable to continue rendering service at the existing fares.

Evidence was offered by applicant's manager, by a certified public accountant, and by an engineer from the Commission's Transportation Department. Exhibits were submitted consisting of studies of traffic flows, statements of necessary repairs to equipment, depreciation and rate base tables and statements of revenues and expenses for past, present and future operations. The figures for past operations are set forth in the table below. They were taken from the exhibits.

Results of Past Operations
For the Year Ending December 31, 1950

| | <u>Applicant Witness</u> | <u>Commission Engineer</u> |
|----------------------|------------------------------|--------------------------------|
| Revenues | | |
| Passenger Revenues | \$81,434 | \$81,434 |
| Other Revenues (1) | <u>2,704</u> | <u>2,704</u> |
| Total | \$84,138 | \$84,138 |
| Expenses | | |
| Operating Expenses | \$75,923 | \$76,179 |
| Operating Taxes | 4,546 | 4,689 |
| Depreciation | <u>2,574</u> | <u>2,574</u> |
| Total | \$83,043 | \$83,442 |
| Net Operating Income | \$ 1,095 | \$ 696 |
| Operating Ratio | 98.70% | 99.17% |

(1) Includes revenues from mail contracts, advertising and charter operations.

The estimates for future operations are depicted in the table which follows:

Estimated Results of Bus Operations
For the Year Ending March 31, 1952

| | <u>Under Present Fares</u> <u>Commission</u> <u>Engineer</u> | <u>Under Proposed Fares</u> <u>Applicant</u> | <u>Commission</u> <u>Engineer</u> |
|----------------------|--|---|--------------------------------------|
| Revenues | | | |
| Passenger Revenue | \$ 77,322 | \$102,071 | \$103,770 |
| Mail Contract | 480 | 841 | 480 |
| Advertising | 250 | 500 | 250 |
| Charter | <u>1,500</u> | <u>(1)</u> | <u>1,500</u> |
| Total | \$ 79,552 | \$103,412 | \$106,000 |
| Expenses | | | |
| Operating Expenses | \$ 94,049 | \$ 98,227 | \$ 95,549 |
| Operating Taxes | 8,125 | (2) 3,940 | 8,197 |
| Depreciation | <u>1,400</u> | <u>1,372</u> | <u>1,400</u> |
| Total | \$103,574 | \$103,539 | \$105,146 |
| Net Operating Income | (\$ 24,022) | (\$ 127) | \$ 854 |
| Operating Ratio | 130.20% | 100.12% | 99.19% |
| Estimated Rate Base | \$ 11,029 | (3) \$ 19,734 | \$ 11,029 |
| Rate of Return | ---- | ---- | 7.74% |

() - Indicates loss.

(1) According to testimony of applicant's witness, revenues and expenses for charter service are not included.

(2) Does not include taxes on fuel. They are assertedly included in the amount shown for operating expenses.

(3) Includes \$8,840 for deferred maintenance. With this amount deducted applicant's rate base is approximately the same as that developed by the Commission engineer.

With respect to the results of past operations the accountant testified that applicant did not segregate the operating costs between the utility and the taxicab services and that the

expenses shown for past operations were, therefore, estimates. They were developed by allocating on a straight percentage basis the total expenses to the revenues received from each of the operations. The witness pointed out that past expenses did not include any provision for the services of applicant. Had a reasonable amount therefor been included, he stated, the operations would have been conducted at a loss.

The Commission engineer testified that in his opinion the estimated expenses for past operations did not accurately portray the expenses encountered in the bus operations for the period shown. He was of the opinion that they were understated and believed that the expenses for the bus operation, had they been kept separately, would have been greater.²

Expenses for the future, the accountant and the engineer testified, were based upon an analysis of present operations, current costs of materials and supplies and present wage scales. Both of the witnesses testified that in their opinion the estimates of expenses were reasonable for the operations here in issue.

The manager of the company testified that all excess mileage operated had been eliminated and that studies were presently under way to determine whether further economies consistent with safe and adequate service could be effected.

The record shows that notices of the hearing in this matter were posted in applicant's vehicles and were published in newspapers of general circulation in the area involved. In addition

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The accountant testified that in the future expenses for the utilities operations would be kept separate from those of the non-utilities services.

notices were sent by the Commission's Secretary to persons believed to be interested. No one appeared in opposition to the granting of the application.

It is clear from the evidence in this proceeding that an adjustment in fares is necessary to sustain the public utility operations of applicant. Applicant and the Commission witness differ slightly in their estimates of operating results under the sought fares. Even the more favorable estimate, however, shows that although the rate of return of 7.74 percent on the rate base of \$11,029 appears ample, it is nevertheless true the estimated revenues for applicant's operations, which are in excess of one hundred thousand dollars under the proposed fares, leaves him only \$854 for the risks involved and results in an operating ratio of 99.19 percent.

Upon careful consideration of all of the facts and circumstances of record, the Commission concludes and finds as a fact that the sought fare increases have been justified. The application will be granted. Because of the immediate need for additional revenue, applicant will be authorized to establish the increased fares on not less than five days' notice.

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 A. E. Ryan, doing business as Peninsula Bus Lines, be and he 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 applicant be and he is hereby directed to post and maintain in his vehicles a notice of the fares herein authorized. Such notice shall be made not less than five (5) days prior to the effective date of such fares and shall be maintained for a period of not less than thirty (30) days.

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

Dated at San Francisco, California, this 13th day of March, 1951.

A. J. Indurana
Justice J. C. Cramer
Harold A. Kula
Kenneth F. Potter
John E. Mitchell
Commissioners