

Decision No. 46136

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of EVELYN M. KNAPP and JOHN P.)	
DEMETER, co-partners doing)	Application No. 32453
business as PENINSULA TRANSIT)	
LINES, for authority to increase)	
rates.)	

Appearances

Lorenz Costello, for applicants.
 Arnold Rumwell, City Attorney, for City
 of Palo Alto.
 Mrs. Rose P. Arons, interested party.
 Mrs. William H. Gode and Miss Lee Margaret
 Rolando, protestants.
 T. A. Hopkins, Research Engineer, for
 Commission's staff.

ORIGINAL

O P I N I O N

Applicants are engaged in the transportation of passengers as a common carrier by motor bus within and between Palo Alto, Menlo Park, Woodside, Redwood City, San Carlos and adjoining areas. By their application in this proceeding they seek authority to establish increased fares on less than statutory notice.

Public hearing was held in Palo Alto on August 15, 1951, before Commissioner Huls and Examiner Lake.

Applicants' operations within and between points in Palo Alto and Menlo Park are known as the Palo Alto Division. Service within and between Redwood City, San Carlos and Woodside and the adjoining areas is referred to as the Redwood City Division. The latter division also embraces service from Palo Alto to San Carlos and certain intermediate points.

For transportation within the Palo Alto Division the basic one-way fare is 13 cents. Commutation tickets good for 24 rides are sold for \$3.00. Reduced fares are provided for students but not for nonstudent children. Authority is sought to increase the adult one-way and commutation fares to 15 cents and 15 rides for \$2.00,

respectively. In the Redwood City Division the basic one-way and commutation fares are also 13 cents and 24 rides for \$3.00, respectively. Reduced fares likewise are provided for students. Children's fares are based generally upon one-half the adult fare. Applicants seek authority to establish a basic fare of 15 cents, a commutation fare of 15 rides for \$2.00 and to cancel the reduced fares for children.

In connection with fares between points in Redwood City and San Carlos on the one hand and points in Palo Alto on the other hand, applicants propose to reduce the present one-way fare of 26 cents to 25 cents and the commutation fare of 24 rides for \$6.00 to 15 rides for \$2.00. In connection with the latter service applicants allege that the proposed reduction in fares is designed to attract additional traffic.

Applicants' manager testified that the need for the increases herein sought was occasioned by increased costs of operation coupled with a downward trend in the volume of passenger traffic. According to the record, applicants incurred increased labor costs effective July 1, 1950, and since their fares were last adjusted they have experienced increases in the costs of almost all of the materials and supplies used in their operation.¹ On the other hand the record shows that the volume of traffic has declined approximately 12 percent during the last 12-month period.

According to exhibits submitted by applicants' manager and by an engineer from the Commission's staff, operations for a 12-month period ending August 31, 1952, under present fares would result in net operating losses which would produce an operating ratio of 105.75 percent according to the data submitted by applicants' witness or 104.99 percent under estimates introduced by the Commission's engineer.

¹ Applicants' fares were last adjusted effective December 1, 1950 (Decision No. 45002 of November 8, 1950, in Application No. 31328).

The exhibits also show that under the proposed fares operations for the same 12-month period based upon the present trend of traffic and current operating costs should be expected to produce net revenues before provision for income taxes which would result in an operating ratio of 97.97 percent or 97.27 percent according to the estimates of the company's manager and Commission's engineer, respectively. The operating results as developed by these witnesses are as follows:

Results of Operation

	Applicants' Witness For 12-Month Period Ending 8/31/52	
	Under Present Fares	Under Proposed Fares
Total Operating Revenues	\$255,921	\$276,374
Operating Expenses	\$232,863	\$232,863
Depreciation	19,560	19,560
Operating Taxes	18,226	18,356
Total Operating Expenses	270,649	270,779
Net Operating Income	(<u>\$ 14,728</u>)	\$ 5,595
Operating Ratio	105.75%	97.97%
Rate Base	\$ 36,984	\$ 36,984
Rate of Return	--	15.12%

	Book Record Year Ending 6/30/51	Commission's Engineer For 12-Month Period Ending 8/31/52	
		Under Present Fares	Under Proposed Fares
Total Operating Revenues	\$258,518	\$255,973	\$276,427
Operating Expenses	\$211,716	\$232,144	\$232,144
Depreciation	18,579	18,405	18,405
Operating Taxes	17,780	18,196	18,325
Total Operating Expenses	248,075	268,745	268,874
Net Operating Income	10,443	(<u>12,772</u>)	7,553
Operating Ratio	95.96%	104.99%	97.27%
Rate Base	\$ 56,900	\$ 40,690	\$ 40,690
Rate of Return	18.35%	--	18.56%

() - Indicates Loss

Counsel for the City of Palo Alto states that he believed the sought fares to be reasonable and therefore offered no objection to applicants' proposal. A patron of applicants' lines protested the granting of the increased fares in connection with service rendered in Menlo Park. She stated that if the fares were increased better service should be accorded and special service should be offered on Sundays to accommodate churchgoers.²

A Commission engineer testified that in general applicants' service is adequate. He stated that in the previous rate proceeding concerning this carrier he had made a comprehensive study of the service on all lines and that nearly all of the recommendations he had made with respect to bettering the service had been effected by applicants.³ He further stated that in view of the present level of traffic within Menlo Park it would be very doubtful if Sunday service would produce sufficient traffic to make the operation feasible.

The proposed cancellation of reduced fares for children and the application of the adult fares to this class of traffic remains to be discussed. The effect of this proposal under the basic fares would be to increase these fares nearly 100 percent. The Commission engineer testified that approximately 45,000 passengers would be required to pay higher fares by reason of this adjustment, but as a result of deflection and diminution of traffic only \$651 in additional revenues would be realized by the carrier. The applicants offered no probative evidence with respect to this proposal except as to an overall need for additional revenues. The evidence with respect to the cancellation of fares for children is not sufficient to justify a departure in this instance from the general practice of according children reduced fares.

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Applicants perform Sunday service only within Palo Alto.

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Application No. 31328, supra.

It is clear that the carrier's present fares are insufficient to return the costs of operation. Applicants' and the Commission's witness differ slightly in their estimates of operating results. Even the more favorable estimate, when adjusted to give effect to the retention of the present fares for children, shows a net operating income of but \$6,902 and an operating ratio of 97.50 percent on an operation which would realize annual revenues and expenses in excess of a quarter of a million dollars. The original book cost of current operating equipment amounted to approximately \$135,000. The equipment is largely comprised of used busses acquired by the company through prudent purchasing. It is presently 82 percent depreciated. The record shows that the equipment is in good condition and will not need to be replaced for some time. The experience of this carrier shows the original book values of the majority of these properties apparently were considerably understated. Although the rate of return under the fares sought by applicants, except those pertaining to children, would be almost 17 percent on a depressed rate base of \$40,690, it is nevertheless true that the net income leaves a proportionately small margin between revenues and expenses for profit and for protecting the service against contingencies which could develop suddenly but cannot be anticipated in the ordinary course of events. Under these circumstances applicants will be authorized to establish the fares shown in the application, except in connection with the proposed changes in the fares for children.

Upon careful consideration of all the facts and circumstances of record, the Commission concludes and finds as a fact that the increased fares sought in this proceeding are justified to the extent hereinbefore indicated and provided by the order herein.

O R D E R

This application having been heard and submitted, upon full consideration of the record, and based upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Evelyn M. Knapp and John P. Demeter, copartners, doing business as Peninsula Transit Lines, be and they are hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, the fares proposed in the application herein, except in connection with the fares sought to be established for children.

IT IS HEREBY FURTHER ORDERED that applicants be and they are hereby directed to post and maintain in their 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.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void unless the fares authorized in this order are published, filed and made effective within sixty (60) days after the date hereof.

IT IS HEREBY FURTHER ORDERED that in all other respects Application No. 32453 be and it is hereby denied.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this *28th* day of August, 1951.

John P. Demeter

President
Judith F. Green

Benjamin D. Latta

Commissioners