

Decision No. 46211

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Motor Street Car Service,) Application No. 32435
Incorporated, to increase certain)
of its tariffs.)

Appearances

Clarendon W. Anderson, for applicant.
Joseph Maddux, for County of Sonoma,
protestant.

ORIGINAL

O P I N I O N

Motor Street Car Service, Incorporated, is a passenger stage corporation engaged in the transportation of passengers within and in the vicinity of Santa Rosa. By this application, as amended, it seeks authority to increase certain of its passenger fares and to discontinue service on Sundays and holidays.

Public hearing of the application was held at Santa Rosa on August 17, 1951, before Commissioner Mitchell and Examiner Jacopi.

Applicant operates over seven routes. One of them extends from Court House Square in downtown Santa Rosa to Sonoma County Hospital which is about seven-tenths of a mile beyond the northerly corporate boundary of Santa Rosa.¹ This is the only route on which service is provided on Sundays and holidays. All of the operations now are conducted within a single fare zone. The present cash fare is ten cents per ride and the commutation fare is \$1.50 for 20 rides. It is now proposed to establish two fare zones. Points in the territory extending from the intersection of Franklin and Humboldt Streets (adjacent to the northerly corporate boundary) to the afore-said hospital would be in Zone 2. All other points served by applicant would be in Zone 1. For intrazone movements, no change would be

¹ The one-way distance over the route is about three miles.

made in the present ten-cent cash fare but the commutation fare would be increased to \$1.75. For interzone transportation, an additional five cents per ride would be charged.

Evidence relative to the financial results of applicant's operations was introduced by its general manager and by a transportation engineer from the Commission's Transportation Department. They offered exhibits dealing with the actual results of operation for past periods under the present fares and with forecasts of the anticipated results under the increased fares proposed by applicant. The engineer's exhibits also included detailed studies of revenues, operating expenses, depreciation schedules, traffic volume and traffic trends for past, present and future periods.

According to the general manager's testimony, applicant's fares have not been changed since the operations were commenced in the year 1945. Assertedly, by reason of steady increases in operating expenses the revenues under the present fares have been insufficient in recent years to cover the cost of performing the service. He offered an exhibit indicating that the revenues exceeded the operating expenses for the first two years of operation and that thereafter the service had been performed at a loss. The figures shown in Table No. 1 were taken from the exhibit.

Table No. 1
Company Income Statements

| | <u>1945</u> | <u>1946</u> | <u>1947</u> | <u>1948</u> | <u>1949</u> | <u>1950</u> |
|-----------------------|---------------|---------------|-----------------------|---------------------|---------------------|---------------------|
| Revenues | \$37,407 | \$41,379 | \$43,943 | \$43,920 | \$44,180 | \$44,697 |
| Operating Expenses | <u>31,026</u> | <u>40,963</u> | <u>*48,240</u> | <u>*46,488</u> | <u>*45,216</u> | <u>*46,035</u> |
| Net Operating Revenue | \$ 6,381 | \$ 416 | (\$ 4,297) | \$ 2,568 | \$ 1,036 | \$ 1,338 |
| Income Tax | \$ 2,345 | \$ 154 | -- | -- | -- | -- |
| Net Operating Income | \$ 4,036 | \$ 262 | (\$ 4,297) | \$ 2,568 | \$ 1,036 | \$ 1,338 |

* Includes State Corporation Franchise Tax

() - Indicates Loss

For the first six months of the year 1951, the general manager's exhibits showed that the revenues under the present fares exceeded the operating expenses by \$472 after provision for income taxes. The witness said, however, that the results of operation for the first half of each year usually had been favorable in comparison with those for the last half.

The Commission engineer developed the operating results under the present fares for the 12-month period July 1, 1950 to June 30, 1951. According to his exhibits, the actual revenues and operating expenses for this period were \$46,185 and \$45,297, respectively. After provision for income taxes, the net operating income amounted to \$639. However, increases in wages and in the costs of materials and supplies that occurred at various times during the 12-month period in question were reflected in the operating expenses only for the portion of the period when they prevailed. To portray the effect of the increased costs on an annual basis, the engineer introduced calculations indicating that an operating loss amounting to \$2,813 would be experienced if the operations were conducted during the 12-month period September 1, 1951 to August 31, 1952, under the present fares and the higher level of operating expenses.

Forecasts of the results of operation anticipated for the 12-month period September 1, 1951 to October 31, 1952, under the increased fares proposed by applicant were also submitted by the two witnesses. In these estimates, provision was made for loss of traffic attributable to the proposed fare increase and for all known advances in operating expenses. As condensed from the exhibits, the calculations of the results of operation under the proposed fares together with those under the present fares hereinabove discussed are set forth in Table No. 2. It will be noted that the figures in this table are based upon daily operations. The revenues and operating expenses associated with the proposed discontinuance of service on Sundays and holidays are hereinafter discussed.

Table No. 2

Actual and Estimated Operating Results for the
Periods Shown Under Present and Proposed Fares Based
Upon Daily Service

APPLICANT

| | <u>Present Fares</u> <u>Actual for 6</u> <u>Months Ended</u> <u>June 30, 1951</u> | <u>Proposed Fares</u> <u>Estimated for 12</u> <u>Months Ending</u> <u>August 31, 1952</u> |
|---------------------------|--|--|
| Revenues | \$23,063 | \$48,712 |
| Operating Expenses: | | |
| Operating and Maintenance | \$19,202 | \$41,878 |
| Depreciation | 583 | 960 |
| Operating Taxes | 1,902 | 4,170 |
| Operating Rents | 720 | 1,650 |
| Total Operating Expenses | \$22,407 | \$48,658 |
| Net Operating Revenue | \$ 656 | \$ 54 |
| *Income Taxes | <u>184</u> | <u>32</u> |
| *Net Operating Income | \$ 472 | \$ 22 |

COMMISSION ENGINEER

| | <u>Present Fares</u> <u>Actual for 12</u> <u>Months Ended</u> <u>June 30, 1951</u> | <u>Proposed Fares</u> <u>Estimated for 12</u> <u>Months Ending</u> <u>August 31, 1952</u> | <u>Proposed Fares</u> <u>Estimated for 12</u> <u>Months Ending</u> <u>August 31, 1952</u> |
|---------------------------|---|--|--|
| Revenues | \$46,185 | \$45,902 | \$48,919 |
| Operating Expenses: | | | |
| Operating and Maintenance | 38,312 | \$41,840 | \$41,840 |
| Depreciation | 1,386 | 960 | 960 |
| Operating Taxes | 4,159 | 4,265 | 4,295 |
| Operating Rents | <u>1,440</u> | <u>1,650</u> | <u>1,650</u> |
| Total Operating Expenses | \$45,297 | \$48,715 | \$48,745 |
| Net Operating Revenue | \$ 888 | (\$ 2,813) | \$ 174 |
| Income Taxes | <u>(1)249</u> | <u>--</u> | <u>(1) 62</u> |
| Net Operating Income | \$ 639 | (\$ 2,813) | \$ 112 |

* Calculated by Commission's staff.
(1) State tax was omitted from the calculations.
The figures have been corrected by including
the tax.
() - Indicates Loss

The difference in the estimated operating results under the proposed fares shown in Table No. 2 is slight. It is largely attributable to the fact that the witness for applicant estimated that five percent of the commutation traffic would be lost as a result of the fare increase whereas the engineer calculated the traffic loss on the basis of four percent. The estimates of the operating expenses reflect only a minor difference.

With respect to the proposed fare structure, the general manager asserted that no increase was being sought in the intrazone ten-cent cash fare because a substantial amount of this traffic involves short hauls of five to six blocks. Any increase in the fare, he said, would result in a material drop in the volume of traffic handled. On the other hand, the distance over the only route into Zone 2, the witness said, is twice as great as that for any of the other routes. In view of this, he considered the sought increase of five cents per ride in the fares for the service to and from Zone 2 to be appropriate. In regard to the proposed advance of 25 cents in the 20-ride commutation fares for intrazone movements, the witness stated that the present basis for the fares was too low in the face of applicant's revenue requirements and that the sought increase would provide needed additional revenue.

As previously stated, applicant seeks authority to discontinue service on Sundays and holidays on the hospital route, the only route on which service is provided on those days. The general manager asserted that the amount of traffic handled on such days was small and that the service was operated at a loss. He offered an exhibit in which he calculated that the operations in question would be conducted in the year 1951 at a loss amounting to \$544. The calculations were based upon the actual results of operations for the first six months of 1951 projected for a 12-month period. On this basis, the

revenue amounted to \$672 and the operating expenses to \$1,216. Overhead costs were not included in the expenses.

The Commission engineer developed from applicant's operating records that a total of 3,128 passengers were transported on Sundays and holidays during the first six months of 1951, or an average of 112 passengers per Sunday or holiday. He submitted calculations showing what the results of operation would be under the proposed fares if the Sunday and holiday services were not operated during the 12-month period ending August 31, 1952. According to his estimates, the proposed discontinuance of service would result in a reduction in operating expenses amounting to \$1,235 and a corresponding drop in revenue of \$676. The engineer's calculations covering the proposed weekday operations are compared in Table No. 3 with those for the daily operations.

Table No. 3

Estimated Operating Results for the 12 Months Ending
August 31, 1952, under Proposed Fares as Submitted by the
Commission Engineer

| | <u>Daily Service</u> | <u>Daily Except Sundays and Holidays</u> |
|-----------------------|--------------------------|--|
| Revenue | \$48,919 | \$48,243 |
| Operating Expenses | <u>48,745</u> | <u>47,510</u> |
| Net Operating Revenue | \$ 174 | \$ 733 |
| Income Taxes | <u>62</u> | <u>205</u> |
| Net Operating Income | \$ 112 | \$ 528 |

Objections to the proposed discontinuance of Sunday and holiday service were offered by the medical director, the director of nurses and two representatives of student nurses from Sonoma County Hospital and by two employees of a sanitarium situated near the hospital. According to these witnesses, the service in question is needed by some of the employees for traveling to and from their work. Assertedly, taxicab service, for which the one-way charge is \$1.00,

is the only other public transportation available. The testimony of the witnesses shows that a total of 328 people are employed at the hospital, of which 150 are on duty on Sundays and holidays. On weekdays, 50 to 60 of the employees use applicant's service. On Sundays and holidays, 15 to 20 regular employees and 12 to 15 student nurses utilize the service from time to time. Only a few of these people use it every Sunday and holiday. The student nurses reside at the hospital. They ride the busses principally to visit their homes, to attend church services or to reach theaters in downtown Santa Rosa. It was pointed out that commencing in September a total of about 70 student nurses would be stationed at the hospital. The witnesses asserted that they had no objection to a fare increase that would enable applicant to maintain the service.

A local businessman testified in support of the sought authority to discontinue Sunday and holiday service. He asserted that applicant should not be required to continue services that are being operated at a loss.

Applicant's general manager asserted that the hospital employees and people who visit patients at the hospital made but little use of the Sunday and holiday service. A traffic check he made on a recent Sunday showed that 19 passengers were transported to and 21 passengers from the terminus of the route at the hospital.² These passengers were moved on a total of 32 Sunday schedules (16 in each direction) operated over the route. The witness pointed out that no passengers were transported on 12 of the schedules and one passenger was handled on each of 11 other schedules. On the remainder of 9 schedules the number of passengers ranged from two to six per schedule.

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The average of 112 passengers per Sunday or holiday hereinbefore mentioned covers movements from and to all points on the entire route. The total of 40 passengers referred to above reflects only those moving from and to the terminus of the route at Sonoma County Hospital.

No one appeared in opposition to the proposed increase in fares.

The evidence of record indicates that applicant has been able to conduct its operations at relatively low cost levels. The Commission engineer pointed out that the expenses for the year 1950 were equal to 19.05 cents per bus mile.³ Assertedly, he knew of no comparable operation where the costs were lower than 24.0 cents per bus mile. This record shows that despite these favorable conditions the present fares have been in recent years and still are insufficient to cover the cost of performing the service. It is clear that the continuance of operations under the present fares would only result in further operating losses.

As to the proposed fares, applicant's witness and the Commission engineer differed slightly in their estimates of the operating results thereunder. Even under the more favorable estimate, however, the sought fares would provide only small annual returns amounting to \$112 if service every day of the week were continued and \$528 if operations were conducted daily except Sundays and holidays. Under the circumstances, applicant will be authorized to establish the increased fares sought.

The proposal to discontinue the service provided on Sundays and holidays will now be considered. The evidence of record shows that the amount of traffic handled on those days is comparatively small and that the revenues therefrom fail to cover the cost of performing the service. It does not show that all reasonable economies have been effected. It is the responsibility of the carrier to make operating economies through reasonable and necessary schedule changes. In so doing, however, every effort should be made to provide essential service. This record shows that a number of employees of the county

³ The Commission engineer also reported that applicant's bus equipment was well maintained, that it was in good condition and that the busses were regularly cleaned.

hospital and of the sanatorium situated nearby ride the busses to and from work on Sundays and holidays, that other people have been using the service on those days, and that the number of potential riders is likely to increase. The Commission is reluctant to authorize complete discontinuance of the operations without a clear showing that all reasonable attempts have been made to eliminate or reduce the operating loss.

Applicant will be expected to continue the service in question for a test period of 90 days. During that time, the operations, and particularly those dealing with schedules on which the record shows there is little or no travel, should be analyzed for the purpose of effecting operating economies. Applicant should also undertake a program of attracting more passengers to its busses. In so doing, the cooperation of the public, including the officials, nurses, and other employees of the county hospital and sanatorium, should be sought. Applicant will be required to inform the Commission of the operating results for the test period. In the meantime, no action will be taken on the request for authority to discontinue the Sunday and holiday operations.

The people of Santa Rosa are ~~advised~~ ^{advised} that applicant cannot be expected to continue indefinitely Sunday and holiday operations that do not return the out-of-pocket costs of performing the service. If the people desire to retain the service, they must make it feasible by their patronage. J.P.

Upon careful consideration of all of the facts and circumstances of record, we are of the opinion and hereby find that the increased fares sought have been justified. Because of the evident need for additional revenue, applicant will be authorized to establish the increased fares on less than statutory notice.

O R D E R

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


IT IS HEREBY ORDERED that Motor Street Car Service, Incorporated, be and it is hereby authorized to establish, within sixty (60) 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, as amended, filed in this proceeding.


IT IS HEREBY FURTHER ORDERED that, pending further order of the Commission, applicant be and it is hereby directed to continue the operation of Sunday and holiday service; that it shall endeavor to effect operating economies and to improve the traffic volume as indicated in the foregoing opinion; and that it shall report to the Commission within twenty (20) days after the conclusion of the test period the operating economies effected and the financial results of the operation.

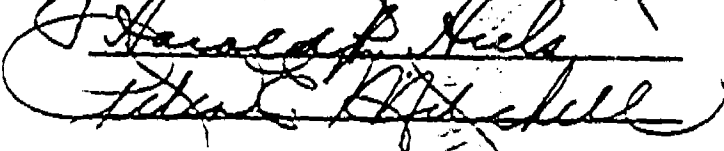
IT IS HEREBY FURTHER ORDERED that applicant be and it is hereby directed to post and maintain in its vehicles a notice of the increased fares herein authorized. Such notice shall be made not less than five (5) days prior to the effective date of such fares and shall be maintained for a period of not less than thirty (30) days.

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

Dated at Los Angeles, California, this 18th day of September, 1951.



President


Commissioner


Commissioners