

ORIGINAL

Decision No. 46324

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 VALLEY TRANSIT LINES, a California)
 corporation, for authority to increase) Application No. 32736
 fares and charges pursuant to Sec-)
 tion 63(a) of the Public Utilities Act.)

Appearances

Theodore W. Russell, for applicant.

Glenn Newton, Clinton Abernathy and Milton Baum,
 Transportation Department, Public Utilities
 Commission of the State of California.

O P I N I O N

Valley Transit Lines, a corporation, is engaged in the transportation of passengers as a common carrier by motor bus within and in the vicinity of El Monte, Temple City, West Arcadia and Monrovia. By this application, as amended, it seeks authority to establish increased charges and revised fare zones, or, in the alternative, to discontinue operations.

Public hearing in the matter was held before Examiner Bryant at El Monte on October 1, 1951.

Applicant's fares are maintained on a zone basis. Adult fares for transportation within a single zone are 10 cents. Multiple zone fares are based upon the addition of 5 cents to the intrazone fare for each additional zone entered or traversed. Applicant proposes to make higher charges applicable to a large part of its services by revising and increasing the number of zones. Special reduced fares for school children are also proposed.

Applicant's president testified that he has been engaged in providing passenger transportation in the El Monte and adjacent areas at the present level of fares for more than five years. He said that the earnings from his transportation operations have never been sufficient to provide a fair return for the properties used. Operating results since 1947 were reported as follows:

	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>7 months 1951</u>
<u>Revenues</u>					
<u>Passenger</u>	\$34,288	\$54,507	\$59,074	\$62,650	\$35,064
<u>Other</u>	2,543	3,185	2,728	4,592	1,971
<u>Total</u>	<u>\$36,831</u>	<u>\$57,692</u>	<u>\$61,802</u>	<u>\$67,242</u>	<u>\$37,035</u>
<u>Operating Expenses</u>	<u>\$31,948</u>	<u>\$55,270</u>	<u>\$61,302</u>	<u>\$63,619</u>	<u>\$44,425</u>
<u>Net Operating Revenues</u>	<u>\$ 4,883</u>	<u>\$ 2,422</u>	<u>\$ 500</u>	<u>\$ 3,623</u>	<u>\$(7,390)</u> <u>(Loss)</u>

The witness said that the figures through 1950 made no provision for his own full-time services, his compensation having been taken in the form of capital withdrawals which were not entered as an operating expense of the business.¹

Applicant's president asserted that as a result of the continued inadequacy of earnings a crisis has been reached. He declared that his company must either increase fares or partially or wholly suspend operations, and that prompt action is necessary if the services are to be continued. He estimated that revision of the fare zones as proposed would result in an increase of about 20 percent in revenues and would probably restore the operations to a break-even point without allowance for profit.

¹ For the first four years applicant's president conducted the service as an individual. Early in 1951 he adopted the corporate form of organization and transferred, with Commission approval, various operative properties and rights to the corporation (Decision No. 45389 dated February 27, 1951.)

A transportation engineer of the Commission's staff introduced and explained an exhibit covering a survey which he had made of applicant's operations and records. In this exhibit he included traffic analyses, expense data relating to applicant's past operations, and estimates of future operating results under the present and proposed basis of fares. His estimates of future operating results are as follows:

Estimated Results of Operation, Year Ending October 31, 1952

	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Revenue</u>		
Passenger	\$54,980	\$66,130
Other	5,000	5,000
Total Revenue	<u>\$59,980</u>	<u>\$71,130</u>
<u>Expenses</u>		
Maintenance	\$12,100	12,100
Transportation	41,130	41,130
Insurance and Safety	4,640	4,640
Administration	6,430	6,430
Operating Rents	2,040	2,040
Depreciation	4,960	4,960
Taxes	8,450	8,770
Total Expenses	<u>\$79,750</u>	<u>\$80,070</u>
<u>Net Operating Revenues</u>	<u>(\$19,770)</u>	<u>(\$ 8,940)</u>
State and Federal Income Taxes	25	25
<u>Net Income</u>	<u>(\$19,795)</u>	<u>(\$ 8,965)</u>
Operating Ratio before Income Taxes	133.0%	112.6%
Operating Ratio after Income Taxes	133.0%	112.6%
Estimated Rate Base	\$17,600	\$17,600
Rate of Return	-	-

() Indicates loss

Although he anticipated operating losses under the sought fares, the engineer expected that the revenues would be sufficient to enable applicant to meet out-of-pocket expenses and continue its services until further steps could be taken to stabilize the operations.

Notices of the hearing in this matter were posted in applicant's buses; were published in newspapers of general circulation in the areas involved; and were sent by the Commission's secretary to persons believed to be interested. No one appeared at the hearing in opposition to granting of the application. Representatives of various civic organizations supported the application. The administrative officer for the City of El Monte, the manager of the El Monte Community Chamber of Commerce, a representative of the merchants in the El Monte area, and a representative of the realtors in the El Monte area each testified to the effect that applicant's services are essential to the welfare of the community and they urged that the application be granted.

The record is clear that under present fares applicant is incurring and will continue to incur substantial operating losses. An increase in revenues is essential to continuance of the services. It appears that establishment of the proposed fare zones and fares would do no more at best than enable applicant to meet necessary operating expenses. Upon careful consideration of all of the facts and circumstances the Commission is of the opinion and finds as a fact that the increased charges which would result under applicant's zone and fare proposals are justified. The application will be granted. Because of the evident need for increased revenues, applicant will be authorized to make the necessary tariff amendments on less than statutory notice.

O R D E R

Public hearing having been held in the above-entitled proceeding, the evidence received therein having been fully considered, and good cause appearing,

IT IS HEREBY ORDERED that the Valley Transit Lines, a corporation, be and it is hereby authorized to amend its tariff so as to establish, on not less than five (5) days' notice to the Commission and to the public, the fares, rules, fare zones and zone boundaries as specifically set forth in detail in Exhibit A, as amended, attached to Application No. 32736.

IT IS HEREBY FURTHER ORDERED that, in addition to the customary filing and posting of tariffs and time schedules, applicant shall give not less than ten (10) days' notice to the public by distributing and posting in its buses a printed explanation, or, if feasible, a small map of the areas involved, or both, showing clearly the new fares, and fare zones.

IT IS HEREBY FURTHER ORDERED that in all other respects the application be and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

This order shall become effective ten (10) days after the date hereof.

Dated at San Francisco, California, this 23rd day of October, 1951.

R. J. [Signature]
President
Justus F. [Signature]
Harold [Signature]
[Signature]
Commissioners