

ORIGINAL

Decision No. 46466

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
FOSTER TRANSPORTATION, INC. for )  
authority to increase rates; and to ) Application No. 32794  
be granted relief pending full hearing. )

Appearances

Charles Foster, for applicant.

Glenn Newton, Engineering Division,  
Transportation Department,  
Public Utilities Commission of  
the State of California.

O P I N I O N

Foster Transportation, Inc. is engaged in the business of transporting passengers as a common carrier by motor bus within and between the cities of Alhambra, Monterey Park, San Gabriel and adjacent communities. By this application it seeks authority to establish increased fares on less than statutory notice.

Public hearing of the matter was held before Examiner Abernathy at Alhambra on October 26, 1951.

Applicant's fares are maintained on a zone basis. Present adult fares are 10 cents per ride within zones and 15 cents per ride between zones. Lower fares for school children are provided based upon the sale for \$3 of tickets good for 50 rides within zones or 37 rides between zones. Applicant seeks to increase its adult fares to 12 cents per ride within zones and 18 cents per ride between zones. The school fares would be increased by reducing

the number of intrazone rides per ticket to 37 and the number of interzone rides to 25.<sup>1</sup>

Applicant alleges that during 1951 it has had to meet numerous increases in its costs of operation; that it is confronted with a substantial increase in wage costs retroactive to June 1, 1951, under an agreement now pending before the federal Wage Stabilization Board; that its operations are unprofitable; that it does not have sufficient funds to meet current obligations; and that immediate revenue relief is necessary to enable it to continue in business.

Evidence in support of the application was submitted by the general manager and by the clerk of the company. Included in the exhibits which were introduced and explained by the witnesses were financial statements, schedules of various operating data and estimates of results of future operations under present and proposed fares. Revenues and expenses for the year 1948 and since were reported as follows:

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951 (January thru June)</u>
Revenues	\$105,744	\$103,742	\$108,981	\$62,620
Expenses	<u>103,421</u>	<u>101,514</u>	<u>107,470</u>	<u>63,502</u>
Net Operating Revenues	\$ 2,323	\$ 2,228	\$ 1,511	\$ ( <u>882</u> )

(      ) - Indicates loss

According to the estimates of future results, applicant will incur a loss of \$14,065 if present fares are maintained throughout the coming year and a loss of \$2,459 if the sought fares are established.

<sup>1</sup> The present and proposed charges per ride for school children are as follows:

	<u>Present</u>	<u>Proposed</u>
Intrazone	\$ .06	\$ .082
Interzone	.082	.12

Evidence in the proceeding was introduced by a transportation engineer of the Commission's staff who submitted a report covering a review which he had made of applicant's operations. In his report the engineer presented analyses of applicant's traffic and expenses, estimates of future traffic volume and estimates of results of future operations. The engineer's estimates with respect to future operations under present and sought fares are as follows:

Table 1

Estimated Results of Operation  
Year Ending October 31, 1952

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
<u>Revenues</u>		
Passenger	\$ 98,070	\$112,520
Charter	18,850	18,850
Advertising	2,520	2,520
Total Revenues	<u>\$119,440</u>	<u>\$133,890</u>
<u>Expenses</u>		
Maintenance	\$ 29,340	\$ 29,340
Transportation	58,780	58,780
Traffic	630	630
Insurance	7,090	7,090
Administration	10,360	10,360
Operating Rents	11,800	11,800
Depreciation	1,370	1,370
Operating Taxes	<u>11,000</u>	<u>11,100</u>
Total Expenses	\$130,370	\$130,470
Net Operating Revenues	( <u>\$10,930</u> )	\$ 3,420
Federal and State Income Taxes	<u>25</u>	<u>1,120</u>
Net Income	( <u>\$10,955</u> )	\$ 2,300
Operating Ratio *	109.2%	98.3%

( ) - Indicates loss.

\* - After Income Taxes

The record shows that notices of the hearing in this matter were posted in applicant's busses and were published in a newspaper of general circulation in the area involved. In addition the Commission's secretary sent notices to persons and organizations believed to be interested. The Chamber of Commerce of the City of Alhambra, by letter received as part of the record, supported the granting of the application as necessary to the sustenance of applicant's operations. No one appeared at the hearing in opposition to granting of the application.

Although it appears from the data in the foregoing tables that applicant faces substantial losses from its operations, the record as a whole is clear that the data do not accurately portray the probable results of applicant's future operations. In addition to its operations as a passenger stage corporation applicant is engaged in providing passenger transportation service under charter arrangements. In recent years the company has expanded its charter operations considerably. In 1948 charter revenues amounted to \$3,637 or 3.4 percent of total revenues. For the year ended June 30, 1951, charter revenues amounted to \$22,285 or 18.7 percent of the company's total revenues. Applicant is undertaking to increase its charter operations still further and has increased its fleet for that purpose by the addition of leased busses. On the basis of recent operating experience applicant's general manager estimated his company would earn more than \$40,000 in gross revenues from charter sources by the end of June, 1952.

In arriving at their expense estimates for the coming year applicant's general manager and the Commission engineer both included the rental of the leased busses but did not include all of the revenue from the charter operations. Also with respect to the anticipated enlargement of the charter services they omitted such principal items of expense as drivers' wages, and costs of maintenance, fuel and lubricants. Applicant's witnesses stated they were unable to amend their estimates to show what the net results of their operations would be were all of the revenues and expenses applicable to the charter services included.<sup>2</sup> In view of the omissions from their estimates they asked that their figures be disregarded in favor of those of the engineer.

Although the engineer's figures are subject to the same infirmities as those of applicant's witnesses, they may be adjusted for the purpose of this proceeding by elimination of the rental charges for the busses recently leased, and by adjustment of the charter revenues to correspond with the basis of the engineer's expense estimates.<sup>3</sup> Effect being given to these adjustments, applicant's revenues and expenses for the coming year would be as

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Assertedly the charter services are more profitable than applicant's scheduled bus operations. The general manager reported 1950 revenues of 42 cents per bus-mile from charter as contrasted with 29 cents per bus-mile from its passenger stage services.

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The engineer's expense estimates were based on applicant's book records for the year ending with June, 1951, during which period applicant earned \$22,285 in charter revenues. Without adjusting expenses to correspond, he estimated a reduction of \$3,435 in charter revenues during the coming year. In view of applicant's program with respect to its charter operations the reduction in charter revenue appears unwarranted.

set forth in Table 2 below:

	Under Present Fares	Under Proposed Fares
<u>Revenues</u>		
Passenger	\$ 98,070	\$112,520
Charter	22,285	22,285
Advertising	2,520	2,520
Total Revenues	\$122,875	\$137,325
<u>Expenses</u>		
Maintenance	\$ 29,340	\$ 29,340
Transportation	58,780	58,780
Traffic	630	630
Insurance	7,090	7,090
Administration	10,360	10,360
Operating Rents	5,050	5,050
Depreciation	1,370	1,370
Operating Taxes	11,000	11,100
Total Expenses	\$123,620	\$123,720
<u>Net Operating Revenues</u>	\$ (745)	\$ 13,605
Federal and State Income Taxes	25	4,465
Net Income	\$ (770)	\$ 9,140
Operating Ratio *	100.6%	93.3%

( ) - Indicates loss.

\* - After Income Taxes

It is clear from the foregoing table that applicant's earning position is not nearly as critical as alleged. Nevertheless, it is evident that its earnings are insufficient and that the company should be permitted to increase its fares. Applicant's earnings from its total operations, if the sought fares are established, would be substantial. The evidence is convincing, however, that the earnings from the passenger stage services, if considered alone, would be less favorable than indicated, since it appears that the charter services are proportionately the more profitable. Except as to the fares for school children, the sought fares should be authorized.

It seems evident that where applicant, by its charter operations, is able to improve the use factor of the properties normally used in its passenger stage services, and where it is able also to obtain greater revenues per mile than those resulting from its passenger stage services, the charter services add materially to applicant's earnings. No conclusions are reached, however, as to the profitability of the charter operations involving the leased busses. Applicant will be expected to submit data for its passenger stage and its charter services separately in any future proceedings involving increases in its fares.

Applicant's proposal with respect to its school fares involves increases of 36.6 percent and 46.3 percent as compared with an increase of 20 percent in the adult fares. From a revenue standpoint there appears no justification for establishing a greater percentage of increase in the fares for school children than in the adult fares. Applicant did not undertake otherwise to establish the reasonableness of the proposed increases. It is concluded that upon this record a greater increase in school fares than in adult fares is not justified. The increase which will be authorized in school fares will be limited to the same percentage of increase hereinafter authorized in adult fares. Adjustment of applicant's proposal in this respect would reduce the anticipated revenues from the sought fares by about \$500.

Upon careful consideration of all of the facts and circumstances of record the Commission is of the opinion and finds as a fact that the increased fares which are specified in the order which follows are justified. To this extent the sought fares will be authorized. 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 had in the above-entitled application, the evidence received therein having been fully considered, and good cause appearing,

IT IS HEREBY ORDERED that Foster Transportation, Inc., be and it is hereby authorized to amend its tariff, on not less than five (5) days' notice to the Commission and to the public, so as to establish (a) adult fares of 12 cents per ride within zones and 18 cents per ride between zones and (b) fares for school children based

upon the sale of tickets for \$3.00 each, said tickets being good for 42 rides within zones or 28 rides between zones.

IT IS HEREBY FURTHER ORDERED that, in addition to the required filing of tariffs, applicant shall give not less than five (5) days' notice to the public by distributing and posting in its busses a printed explanation, or if feasible, a small map of the areas involved, or both, showing the effect of the fare increases.

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 twenty (20) days after the date hereof.

Dated at Los Angeles, California, this 27<sup>th</sup> day of November, 1951.

R. T. [Signature]  
President  
James J. Calmes  
Harold F. Kula  
Samuel P. Potter  
John E. [Signature]  
Commissioners