

ORIGINALDecision No. 46545

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application)
 by SAN BERNARDINO VALLEY TRANSIT)
 COMPANY, a corporation, and FRANK J.)
 BARKO, doing business as FONTANA BUS)
 LINES, for an Order or Orders Granting)
 Permission to Increase Fares for the)
 transportation of Passengers.)

Application No. 32462

Appearances

John B. Lonergan, for San Bernardino Valley Transit Company,
 applicant;
 Frank J. Barko, applicant, in propria persona;
 John W. Kerrigan, for City of Colton, interested party;
 Elizabeth Hensley, for Lee's Auto Stage Line,
 interested party; and
 Glenn Newton for Engineering Division, Transportation
 Department, Public Utilities Commission of the
 State of California.

O P I N I O N

San Bernardino Valley Transit Company, a corporation, and
 Frank J. Barko, an individual doing business as Fontana Bus Lines,
 are engaged in transporting persons by motorbus as common carriers
 in and about the City of San Bernardino and adjacent communities.
 By this application, as amended, San Bernardino Valley Transit
 Company seeks authority to increase its local fares, and both
 applicants together seek authority to increase their joint fares.

Public hearing of the matter was held before Examiner
 Abernathy at San Bernardino, on November 8, 1951.

The local fares of San Bernardino Valley Transit Company
 were last adjusted on October 1, 1950, when increases were established
 pursuant to authority granted by Decision No. 44766 in Application
 No. 31574. Some, but not all, of the fares were increased, the

company having sought only a partial adjustment of its fare structure as an interim measure to meet an emergency need for additional revenues.¹ The company now alleges that further fare increases are necessary to sustain its services. For a like reason Frank J. Barko joins in the application with respect to the joint fares which he maintains with San Bernardino Valley Transit Company. Applicants assert that in addition to yielding additional revenues the proposed increases will round out their fare structures and correct certain disparities which have prevailed hitherto. The present and proposed fares are set forth in the margin below.²

¹ In proposing the interim adjustments, the company indicated its intention of making a study of its fares and of seeking additional increases in the event that the adjustments did not afford a reasonable return upon its investment.

² Present and proposed fares:

Local Passenger Fares - San Bernardino Valley Transit Company

<u>Present Fares</u>		<u>Proposed Fares</u>	
Cash	Token	Cash	Token
10¢	6 for 50¢	10¢	6 for 50¢
12¢	10 for \$1.00	15¢	8 for \$1.00
15¢	none	20¢	6 for \$1.00
20¢	none	25¢	none
25¢	none	30¢	none

Joint Passenger Fares - San Bernardino Valley Transit Company and Frank J. Barko

<u>Present Fares</u>		<u>Proposed Fares</u>	
Cash	Token	Cash	Token
10¢	6 for 50¢	10¢	none
12¢	10 for \$1.00	15¢	none
15¢	none	20¢	none
20¢	none	25¢	none
25¢	none	30¢	none
30¢	none	35¢	none

Both applicants reported that their operations are being conducted at a loss. Revenues and expenses of each from 1949 through June, 1951, were represented as follows:

	<u>1949</u>	<u>1950</u>	<u>January through June, 1951</u>
<u>San Bernardino Valley Transit Company</u>			
Operating Revenues	\$397,284	\$346,290	\$180,144
Operating Expenses	<u>399,670</u>	<u>356,060</u>	<u>183,668</u>
Net Operating Revenues	(\$ <u>2,386</u>)	\$ <u>9,770</u>)	\$ <u>3,524</u>)
<u>Frank J. Barko</u>			
Operating Revenues	\$ 45,966*	\$ 27,756*	\$ 11,281
Operating Expenses	<u>45,919*</u>	<u>28,886*</u>	<u>12,509</u>
Net Operating Revenues	\$ 47	(\$ <u>1,130</u>)	(\$ <u>1,228</u>)

() Indicates loss

* Data from Frank J. Barko's annual reports to the Commission

According to an exhibit which was submitted by the president of San Bernardino Valley Transit Company, the company experienced a loss of \$5,102 during the first 12 months since its fares were last adjusted in October, 1950, although it had anticipated that the increased fares would return a profit of \$6,500. The witness attributed the substantial difference between actual and anticipated results to wage increases amounting to approximately \$11,000 annually which the company had granted during the year to employees working on an hourly basis; to increases in payments to general officers whose salaries had been reduced in 1950 so as to assist the company during its period of financial difficulties; and to the fact that the company's attorneys, who had been serving gratuitously theretofore, have required payment for their services since April 1, 1951. Assertedly,

the combined effect of the additional charges has been an increase of more than \$15,000 in the company's annual operating expenses.

The company witness reported that his company has enjoyed some increase in passenger revenues as a result of a recent upturn in traffic. Taking into consideration this trend, he estimated that the company would earn a profit of \$5,065 if present fares are maintained throughout the coming year and that if the proposed fares are established earnings would total \$18,242.³ He declared that the company urgently needs additional revenues inasmuch as losses of past years have depleted its assets and have impaired its credit.

Frank J. Barko, testifying in his own behalf, stated that there has been no improvement in his earnings over those of the first six months of 1951 and that he is continuing to experience losses of \$200 to \$300 a month. He urged that the sought increases in the joint fares be authorized to provide needed revenue relief. Although he did not have detailed figures available, he estimated that the higher fares would produce \$300 to \$1,000 annually, and would reduce his losses to that extent.

The president of the San Bernardino Valley Transit Company and Frank J. Barko both expressed the opinion that the joint fares are unduly low in relation to their respective local fares, pointing out that joint fares were established in 1946 and prior thereto and have not been subsequently adjusted, although the local fares of San Bernardino Valley Transit Company have been increased three times and those of Frank J. Barko have been increased once. Aside from the

³ The earnings estimates of the witness are before any allowance for income taxes. He said that he had not made any determination of the applicable tax rates.

revenue aspects of the joint fares, the transit company's president said that the joint fares should be increased with adjustment in the local fares in order that there may be no violation of the long and short haul provisions of the Public Utilities Code.⁴

Detailed data relating to the past and future operations of San Bernardino Valley Transit Company were submitted also by a transportation engineer of the Commission's staff. In the table below the engineer's estimates are set forth and compared with those of the transit company's witness:

Estimated Results of Operations San Bernardino Valley Transit Company				
	Present Fares		Proposed Fares	
	(a) Company Witness	(a) Engineer	(a) Company Witness	(a) Engineer
<u>Revenues</u>				
Passenger Revenue	\$364,444	\$356,300	\$379,082	\$369,660
Other Revenue	6,575	6,440	6,575	6,440
Total Revenues	\$371,019	\$362,740	\$385,657	\$376,100
<u>Expenses</u>				
Maintenance	\$ 79,602	\$ 82,250	\$ 79,602	\$ 82,250
Transportation	190,433	182,750	190,433	182,750
Traffic & Advertising	2,750	3,010	2,750	3,010
Insurance and Safety	16,900	16,700	17,900	17,170
Administration	19,450	19,210	19,450	19,210
Operating Rents	2,535	2,550	2,535	2,550
Depreciation	24,027	23,060	24,027	23,060
Operating Taxes	30,257	29,440	30,717	29,630
Total Expenses	\$365,954	\$358,970	\$367,414	\$359,630
<u>Net Operating Revenues</u>	\$ 5,065	\$ 3,770	\$ 18,243	\$ 16,470
Income Taxes	1,661 (b)	1,240	5,984 (b)	5,400*
Net Income	\$ 3,404 (b)	\$ 2,530	\$ 12,259 (b)	\$ 11,070*
Estimated Rate Base	\$107,200 (c)	\$116,470	\$107,200 (c)	\$116,470
Rate of Return After Taxes	3.2% (b)	2.2%	11.5% (b)	9.5% *
Operating Ratio " Taxes	99.1% (b)	99.3%	96.8% (b)	97.0% *

* Adjusted to correct error.

- (a) Applicant's estimate for year ending September 30, 1952; engineer's estimate for year ending October 31, 1952.
- (b) Not included in applicant's showing. Separately calculated on basis of current income tax rates.
- (c) The company witness did not develop a rate base. Data shown are calculated from the company's book records as of September 30, 1951. Comparable data of engineer are based on average valuations for rate year and include adjustments.

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"No common carrier.... shall charge or receive any greater compensation for the transportation of persons.... for a shorter than for a longer distance over the same line or route in the same direction, within this State, the shorter being included within the longer distance...." (Section 460, Public Utilities Code.)

The record shows that notices of the hearing were sent by the Commission's secretary to persons believed to be interested. Notices were published also in a newspaper of general circulation in the areas involved and were posted in applicants' vehicles. No one opposed the granting of the application. A representative of the City of Colton appeared as interested party and participated in the examination of the witnesses.

It is clear from the record in this proceeding that applicants' earnings are insufficient and that an adjustment in fares is essential to the maintenance of the services involved. Even with the increases in fares as proposed, it appears that Frank J. Barko will continue to incur losses from his operations. With respect to the San Bernardino Valley Transit Company, as the foregoing table shows, the company witness and the Commission engineer are in substantial agreement in their estimates of future operating results. The revenue estimates of the company's witness are somewhat more favorable and indicative of slightly greater traffic expectations for the coming year than those of the Commission engineer. However, it appears that the expense estimates of the company's witness are also higher and reflect costs which are expected from handling the additional volume of traffic. In neither case does it appear that the company's earnings from the proposed fares will be excessive. 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 fare increases which applicants seek to establish have been justified. The application will be granted.

In seeking authority to establish the increased fares applicants ask that they be given authority to make the fares effective on less than statutory notice. In view of the evident

need of applicants for additional revenues, the authority which is sought in this respect also will be granted.

O R D E R

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

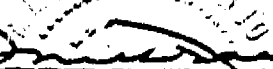
IT IS HEREBY ORDERED that San Bernardino Valley Transit Company and Frank J. Barke, an individual doing business as Fontana Bus Lines, be and they are hereby authorized to amend their tariffs on not less than five (5) days' notice to the Commission and to the public so as to establish the increased fares as proposed in their application, as amended, in this proceeding and as set forth in footnote 2 of the preceding opinion.

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

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) days after the effective date of this order.

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

Dated at San Francisco, California, this 18th day of December, 1951.


James J. [Signature] President
James J. [Signature]
Harold P. [Signature]
Kenneth L. [Signature]
John E. [Signature]
Commissioners