

ORIGINAL

Decision No. 46911

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of BAY)
RAPID TRANSIT COMPANY, a corporation,) Application No. 32790
for authority to increase rates.)

In the Matter of the Application of BAY)
RAPID TRANSIT COMPANY, a corporation,)
for an order and decision consolidat-) Application No. 33045
ing previous grants and for authority)
to abandon Route 8, and to abandon)
loops constituting portions of Route 3.)

Appearances

Gerald H. Trautman and Duncan A. McLeod, .
for applicant.
Mrs. Ernest Forestal, protestant.
Reginald E. Foster, for City of Pacific
Grove, A. D. Coons, for City of
Pacific Grove, Russell Zaches for
City of Monterey and Thomas K. Perry,
for City of Carmel-by-the-Sea,
protestants.
Harold J. McCarthy and T. A. Hopkins, for
the Commission's staff.

O P I N I O N

Bay Rapid Transit Company, a corporation, conducts a passenger stage business within and between the Cities of Monterey, Pacific Grove and Carmel and adjacent areas. These operations are conducted by the corporation under certificates of public convenience and necessity issued by the Commission.

By Application No. 32790, as amended, authority is sought to establish increased fares. By Application No. 33045, as amended, applicant requests the Commission to grant a certificate of public convenience and necessity embodying therein, with certain modifications, the passenger stage operative rights granted to it by some

¹ It also conducts a sightseeing service between points on the Monterey Peninsula. The rates and service of this operation are not involved herein.

eight decisions which are now in effect.

The matters were heard on a common record before Commissioner Huls and Examiner Lake at Monterey on January 24 and 25, 1952. They will be disposed of in one decision.

The showing made in support of the fare increases was of a revenue and expense nature and was predicated to a large extent upon operations to be conducted under the de novo certificate of public convenience and necessity which is sought herein and upon certain service changes recommended by an Associate Engineer from the Commission's staff. For these reasons it is appropriate first to discuss the certification and service matters.

The modifications sought in the existing operative rights involve the abandonment of operations within the City of Pacific Grove and the unincorporated areas immediately adjacent thereto. This operation now is being conducted as Route No. 8. In addition, they involve the elimination of the terminal loops on the Oak Grove Line (Route No. 3) and the consolidation of this line with the Fort Ord Village Line (Route No. 6).

The record shows, in connection with the abandonment of the Route No. 8 line, that service was established several years ago at the request of the merchants of Pacific Grove to attract business to the business area. However, it is not earning sufficient revenues to return the out-of-pocket cost of performing the service.²

The City Manager of Pacific Grove and a patron of applicant's line protested the sought abandonment. They testified that this line was the only feasible means of public transportation between the residential and business sections of Pacific Grove for many of the residents of that area. The discontinuance of this

2

The record shows that for 1951 revenues received fell short of the amount of the drivers' wages by \$640.

service, they alleged, would work a great hardship on these people and would deprive them of their only way of taking care of their affairs in Pacific Grove.

The record shows that the traffic handled on this route is light and that the revenues therefrom are insufficient to cover the cost of performing the service. The net effect of providing the service, however, on applicant's operating ratio, is negligible.³ It has not been shown that all reasonable economies have been effected, that the applicant has undertaken to attract more passengers to its busses, or that it could not provide a limited service, at least, from schedules operating over paralleling lines. In the circumstances, abandonment of Route No. 8 will not be authorized. The residents of Pacific Grove and the adjacent area are entitled to adequate transportation; they must, however, make it feasible by their patronage.

The other certificate matters herein involved deal only with minor route changes.⁴ They were recommended by the Commission engineer after he had made a comprehensive service study of applicant's operations. The record shows that these modifications will permit consolidation of routes, reductions in the mileages to be operated and will effect economies in the costs of operation without impairing the quality of the service. The record shows, and we hereby find, that these route modifications are reasonable. They will be authorized.

³ See Table No. 2.

⁴ In addition, as a result of the engineer's recommendations, applicant proposed certain time schedule changes; one of them was in connection with operations conducted within Carmel. In this respect applicant proposed to reduce service on Sundays to one morning trip. Representatives of the City of Carmel protested this change and urged applicant to operate at least two trips on Sundays. The one trip proposed in the morning, they pointed out, was designed to connect with a train departing from Monterey. Another trip, they stated, was necessary to connect with a train arriving in Monterey in the evening. Applicant's manager testified that prior to making scheduled changes in the route consideration would be given to providing the evening service.

We find that applicant's request for a certificate de novo in lieu of its present rights is reasonable and will be granted, modified as hereinbefore discussed, and provided in the order which follows this opinion.

We turn now to the fare proposals.

Applicant's present fares, with minor exceptions, were established more than 25 years ago. The basic adult fares are 5 cents for transportation between its Monterey terminals and the U. S. Naval School at Del Monte, 10 cents cash or 1 token for transportation within Carmel and within and between Seaside, Monterey and Pacific Grove and the area immediately adjacent thereto, and 20 cents or 1 token for transportation from or to Carmel. Tokens good for a 10-cent ride are sold 7 for 50 cents. For a 20-cent ride they are sold 7 for \$1.00.

Fares for children are one half the adult fare subject to a minimum of 5 cents.

Authority is sought to increase the adult 5-cent fare to 10 cents and to increase the 10-cent fare to 15 cents or one token, except for transportation within the city limits of Carmel and Monterey on Route No. 4. For the latter transportation, applicant proposes to maintain the present 10-cent cash fare. For transportation from and to Carmel, the proposed fare would be 25 cents or one token. Tokens good for a 15-cent ride and a 25-cent ride would be sold at the rate of 4 for 50 cents and 5 for \$1.00, respectively.

The proposed fares for children would be one half the adult fare, subject to a minimum fare of 5 cents and to the provision that sufficient monies be added to the resulting fare to make it end in 5 or 0. Thus, the children's fares would be 5 cents where the adult fare would be 10 cents, 10 cents where the adult fare would be 15 cents and 15 cents where the adult fare would be 25 cents. Special fares for school children are not provided now except to the extent

of the children's fares. Applicant proposes to establish a fare for school children on the basis of 20 rides for \$1.50:

In addition to the above-mentioned fares, applicant maintains commutation fares and Sunday and holiday passes. The commutation fares apply between Carmel and Monterey and between Carmel and Pacific Grove, Seaside and other points. They are good for one round trip per day. They cost \$6.50 and \$7.50, respectively. Authority is sought to increase these fares to \$8.00 and \$10.00, respectively:

The Sunday and holiday passes sell for 25 cents. They are good for one round trip between points on all lines on Sundays and holidays. Applicant contended that the pass fare was established many years ago as an incentive to stimulate traffic on the days for which they were sold but that studies indicate that the passes are used only by the regular Sunday passengers and are purchased by riders traveling between Monterey and Carmel primarily for the purpose of defeating the regular fares.⁵ Applicant seeks authority to cancel this fare:

Applicant alleges that, because of increased costs of operations and a downward trend of traffic, the present fare structure does not yield sufficient revenues to return the costs of operation. Studies of the financial results of the operations were made, independently, by employees of applicant and by engineers from the Commission's staff. Exhibits showing the result of these studies were submitted at the hearings. They consisted of balance sheets; operating statements, studies of traffic and revenue flows and trends, rate base statements, and forecasts of estimated results of operations for a test year under present, proposed and alternate fare structures. The figures set forth in Tables Nos. 1 and 2 were taken from these exhibits.

⁵ As is indicated herein the round-trip fare between Monterey and Carmel is 40 cents.

TABLE NO. 1

Results of Operations under Present and Proposed Fares

Applicant

	Actual Revenues and Expenses for 12 Months Ending <u>December 31, 1951</u>	Estimated Revenues and Expenses for period ending January 31, 1953 <u>Under Proposed Fares and Service</u>
Operating Revenues	\$ 189,287	\$ 221,090
Other Income	988	—
Total Income	\$ 190,275	\$ 221,090
Operating Expenses		
Equipment Maintenance and Garage	\$ 44,136	\$ 47,831
Transportation	86,231	86,231
Station Expense	—	480
Traffic Expense	4,242	6,760
Insurance and Safety	11,492	(5) 13,121
Administrative and General Expenses	11,030	26,513
Rents	4,300	5,425
Depreciation	14,262	9,799
Taxes (1)	14,219	14,219
Other Expenses	(2) 50	—
Total Operating Expenses	\$ 189,962	\$ 210,379
Net Income before Federal Income Taxes	\$ 313	\$ 10,711
Federal Income Taxes	74	3,513
Net Income after Taxes	239	7,198
Rate Base	(3) 39,637	(4)
Rate of Return after Income Taxes	.60%	—
Operating Ratio after Income Taxes	99.9%	96.7%

(1) Includes California Franchise Taxes.

(2) Interest expense excluded.

(3) Calculated from December 31, 1951, balance sheet.

(4) Not submitted.

(5) Adjusted to include \$1,756 for additional insurance.

NOTE: Applicant did not submit forecasts of the results of operation for the test period under present fares.

TABLE NO. 2

Results of Operations Under Present and Proposed Fares

Commission Engineer

Estimated Revenues and Expenses under
Present and Proposed Fares for period
ending January 31, 1953

	Actual Revenues and Expenses for 12 Months ending November 30, 1951	Under Proposed Service		Under Proposed
		Present Fares	Proposed Fares	Service with Continuation of Route 8 Proposed Fares
Operating Revenues	\$ 191,085	\$ 172,130	\$ 216,749	\$ 218,391
Operating Expenses				
Equipment Maintenance and Garage Transportation Expense	43,732	44,700	44,700	45,310
Traffic Expense	85,962	77,790	77,790	79,845
Insurance and Safety	4,253	6,445	6,445	6,445
Administrative and General Expenses	12,437	(3) 12,355	(3) 12,355	(3) 12,544
Rents	12,441	15,605	15,605	15,605
	4,220	5,905	5,905	5,905
Total	\$ 163,045	\$ 162,800	\$ 162,800	\$ 165,654
Depreciation	14,717	5,183	5,183	5,183
Taxes	13,963	14,152	14,941	15,083
Total Operating Expenses	\$ 191,725	\$ 182,135	\$ 182,924	\$ 185,920
Net Income before Income Taxes	\$ (640)	\$ (10,005)	\$ 33,825	\$ 32,471
Income Taxes (1)	25	25	12,738	12,008
Net Income	(665)	(10,030)	21,087	20,463
Rate Base	(2)\$ 47,475	\$ 54,700	\$ 54,700	\$ 54,700
Rate of Return	--	--	38.53%	37.41%
Operating Ratio after Income Taxes	100.35%	105.83%	90.27%	90.63%

() - Denotes loss.

(1) Includes California Franchise Taxes.

(2) Depreciated investment as of May 30, 1951.

(3) Adjusted to include \$1,756 for additional insurance.

As will be noted from the foregoing tables, it is only in connection with the estimated results of operation under the sought fares and the service proposed by applicant that there is any basis for comparison between the forecasts of the applicant and the Commission engineer. Because of the wide variations appearing in the forecasts of the witnesses' estimates of revenues and certain anticipated expenses an analysis thereof is necessary.

According to the witnesses, revenue estimates for the test year were based upon current revenues adjusted to give effect to the downward trend in passengers and to the diminution in traffic which would likely result from resistance to the higher proposed fares. The variation in the two estimates is attributable to a difference in the judgment of the witnesses concerning the number of passengers to be handled during the test period and to a misapplication by applicant of the proposed fares to the anticipated number of passengers. For the purposes of the determination to be made here the staff's estimate appears to be more reasonable and will be used.

As will be seen from the tables, applicant's estimate of anticipated expenses under the proposed fares exceeds in almost every instance those submitted by the engineer. The principal differences, which require analysis, are in expenses for maintenance, transportation, administration and depreciation. The maintenance differences are due to the engineer's use of current costs for shop and garage expense, repairs to equipment and for tires and tubes. Applicant's witness predicated his estimate upon an average cost experience over a 3-year period for shop and garage expenses, upon a price increase of 20 percent for material and supplies for the repairs and servicing of equipment, and upon an increase in the costs of tires and tubes of 40 percent over the cost experienced in 1950.

The variation in the transportation expense is due primarily to applicant's failure to adjust the costs to reflect the economies resulting from the proposed service changes. The difference in administrative expenses lies in applicant's claim of amounts greater than those believed necessary by the staff witness. The estimates of the depreciation expense differ due to applicant's use of a shorter life period for the equipment than that employed by the engineer.

The estimates in other respects require no detailed explanation. As to those in which there are material differences, hereinabove explained, applicant's estimates lack substantiating supporting data. For the purposes of this proceeding the engineer's estimate of anticipated expenses will be adopted.

The Commission engineer developed a rate base of \$54,700 for the test period. Of this amount less than 50 percent represented the depreciated value of the operating equipment.⁶ The rate base, he stated, represented only 17 percent of the original investment.

Notices of the hearing in these matters were posted in applicant's vehicles and were published in newspapers of general circulation in the area involved. In addition, notices were sent by the Commission's secretary to persons believed to be interested. Counsel for the Commission's staff assisted in the development of the record. The attorney for the City of Pacific Grove took no position in connection with the fare increases. The city attorney for the City of Carmel protested the granting of the increased fares for transportation between Carmel and the Monterey area points but offered no evidence of probative value in support thereof.

3

The balance comprised organization costs and materials and supplies.

The city attorney for the City of Monterey stated that it was believed that any increase in fares would not increase applicant's earnings but would tend to create additional losses.

There is no doubt on this record that unless applicant is able to develop additional revenue its ability to continue to render adequate and efficient service to the public will be seriously jeopardized. It is clear that continued operations under the present fares can only result in further losses. It is apparent, however, that under the estimate submitted by the engineer, indicating earnings of more than \$20,000 and an operating ratio of 90.63 percent, after provision for income taxes, the results of operations under the proposed fares with the retention of service on Route No. 8 would be greater than are necessary or reasonable.

The Commission engineer submitted estimated results of operations under two alternative fare structures with the retention of service on Route No. 8. One of them contemplated the same fares as proposed by applicant except that tokens would sell for 2 for 25 cents and no increase would be applied on the fares applicable between Monterey and Carmel. This fare structure is not equitable and the results thereunder would not be reasonable. The other fare structure, proposed as an alternative by the engineer, contemplated the same fare structure sought by applicant but with tokens which would sell 2 for 25 cents. The estimated operating results under this fare structure are indicated as follows:

Net income after income taxes (1)	\$10,149
Rate Base	\$54,700
Rate of Return	18.55%
Rate of return on normalized rate base of \$101,800	9.97%
Operating ratio	94.93%

(1) Adjusted to include insurance which was not included in the engineer's estimate of expense.

A. 32790,33045-af

It is to be noted, however, that this fare structure includes applicant's proposal to increase the fares for children in excess of the present one-half fare basis. Applicant offered no evidence with respect to children's fares except as to the over-all need for additional revenue.

The fare structure proposed by applicant adjusted to provide that tokens good for a 15-cent ride, to sell 2 for 25 cents, and children's fares to be based upon one half the adult fare with fractions of one cent to be adjusted to the next whole cent, according to the evidence, would produce net revenues of \$8,484 and an operating ratio of 95.71 percent on an operation which would realize annual revenues of almost \$200,000. The original book cost of the current operating equipment was in excess of \$156,000. It is presently 83 percent depreciated. Although the rate of return under this fare structure would be 15.5 percent on a depreciated rate base and 8.33 percent on the normalized rate base, it is nevertheless true that the net income leaves only a sufficient margin between revenues and expenses to provide a profit and to guard against contingencies which could develop suddenly but are not ordinarily anticipated.

In the circumstances we find the fares hereinabove indicated and set forth in the order which follows to be reasonable. They will be authorized.

Applicant's request to cancel the Sunday and holiday passes appears reasonable and will be authorized.

Upon consideration of all of the facts and circumstances of record the Commission concludes and finds as a fact that the sought fare increases are justified to the extent hereinabove indicated and provided by the order herein and that public convenience and necessity require that the sought operative rights be granted to the extent indicated herein and provided by the order which follows.

O R D E R

These applications 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 Bay Rapid Transit Company be and it is hereby authorized to establish in lieu of its present fares the following fare structure:

1. Adult one-way fares.

- (a) Between Monterey and the U.S. Naval School at Del Monte - 10 cents.
- (b) On Route No. 4 within the city limits of Monterey and Carmel - 10 cents.
- (c) Between Monterey, Pacific Grove and Seaside and adjacent areas on the one hand and Carmel on the other - 25 cents cash or one token to be sold 5 for \$1.00.
- (d) Between all other points - 15 cents cash or one token to be sold 2 for 25 cents.

2. Monthly commutation fares.

Between Monterey, Pacific Grove and Seaside and adjacent areas on the one hand and Carmel on the other \$8.00 without transfer privileges and \$10.00 with one transfer privilege per trip.

3. Children's fares.

- (a) One half the adult fare, minimum fare 5 cents. Fares resulting in fractions of a cent may be increased to the next whole cent.
- (b) School children's fares applicable only to students - 20 rides for \$1.50.

IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity be and it is granted to Bay Rapid Transit Company, authorizing the establishment and operation of service as a passenger stage corporation, as defined in Section 226 of the Public Utilities Code, for the transportation of passengers, baggage and shipments of express weighing not to exceed 100 pounds each, on

passenger carrying vehicles between Monterey, Pacific Grove, Carmel, United States Naval School, Del Monte Heights, East Monterey, Seaside, Fort Ord Village and intermediate points, not in addition to, but in lieu of the operative rights heretofore granted to or acquired by applicant under the authority of the Commission's Decision No. 35584, dated July 14, 1942, Decision No. 36947, dated March 21, 1944, Decision No. 38518, dated December 14, 1945, Decision No. 40445, dated June 24, 1947, Decision No. 41034, dated December 17, 1947, Decision No. 44463, dated June 27, 1950, Decision No. 45134, dated December 12, 1950, and Decision No. 46276, dated October 8, 1951, subject to the condition that Bay Rapid Transit Company, its successors or assigns, shall never claim before this Commission, or any court or other public body, a value for the authority hereby granted in excess of the actual cost thereof.

IT IS HEREBY FURTHER ORDERED that the operative rights created by Decisions Nos. 35584, 36947, 38518, 40445, 41034, 44463, 45134, and 46276, be and they are canceled, revoked and annulled together with any orders amendatory thereof, including all other passenger stage operative rights possessed by Bay Rapid Transit Company, except those relating to the so-called Seventeen Mile Drive sightseeing tours.

IT IS HEREBY FURTHER ORDERED that in conducting passenger stage operations pursuant to the certificate granted by this decision Bay Rapid Transit Company shall comply with and observe the following service regulations:

1. Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed thirty (30) days from the effective date hereof.
2. Applicant shall comply with the rules of the Commission's General Orders Nos. 79 and 80 and

Part 19 of General Order No. 98, by filing in triplicate, and concurrently making effective, tariffs and time schedules satisfactory to the Commission.

3. Subject to the authority of this Commission to change or modify them at any time by further order, applicant shall conduct passenger stage operations pursuant to the certificate herein granted over and along the following routes:

Between Monterey and Pacific Grove:

Route No. 1 via Pine Street.

Beginning at the intersection of Del Monte Avenue and Tyler Street (Monterey), thence southerly on Tyler Street to Franklin Street, thence westerly and north-westerly along Franklin Street, High Street, Pine Street, David Avenue, Gibson Avenue, (Pacific Grove), Alder Street, Sinex Avenue to its intersection with 17 Mile Drive Avenue and returning over the same route.

Route No. 2 via Lighthouse Avenue.

Beginning at the intersection of Alvarado Street and Pearl Street (Monterey), thence northerly and north-westerly along Alvarado Street, Lighthouse Avenue, David Avenue, Lighthouse Avenue (Pacific Grove) to its intersection with 17 Mile Drive Avenue.

Additional route in Monterey:

Beginning at the intersection of Del Monte Avenue and Alvarado Street, thence easterly on Del Monte Avenue to Tyler Street, southerly along Tyler Street to Pearl Street, and westerly along Pearl Street to its intersection with Alvarado Street.

Between Monterey and Carmel:

Route No. 4.

Beginning at this carrier's terminal the intersection of Del Monte Avenue and Tyler Street, thence southerly via Tyler Street, Munras Avenue and Webster Street to Cass Street, thence southerly along Cass Street and the Coast Highway to Camino Del Monte at Carmel Woods, thence along Camino Del Monte to Carpenter Street in Carmel, thence southerly along Carpenter Street to Ocean Avenue, westerly along Ocean Avenue to Lincoln Street, northerly along Lincoln Street to Sixth Avenue, thence easterly to the Carmel Terminal at Sixth Avenue and Junipero Avenue and return to Ocean Avenue via Mission Street.

Additional route in Carmel:

Carmel Loop: Beginning at Carmel Terminal; Sixth Avenue and Junipero Avenue; thence along Junipero Avenue to Ocean Avenue; Camino Real, Ninth Avenue; Carmel Avenue; Santa Lucia Avenue; San Carlos Street, Seventh Avenue; Lincoln Street; Sixth Avenue to point of commencement:

Between Monterey and Fort Ord Village:

Route 6 via U. S. Naval School and Seaside.
Beginning at the intersection of Del Monte Avenue and Tyler Street, thence easterly along Del Monte Avenue, and Monterey-Castroville Highway to Fort Ord Village; thence via Fort Ord Village, Noche Buena Avenue, Pine Avenue to Monterey-Castroville Highway, thence returning via Castroville Highway and Del Monte Avenue to place of beginning:

Additional route in Monterey:

Beginning at the intersection of Fifth Street and Sloat Avenue (U.S. Naval School); thence along Fifth Street to Ocean Avenue; northerly along Ocean Avenue to its intersection with Del Monte Avenue:

Additional route in Pacific Grove:

Route No. 8.
Beginning in Pacific Grove at Forest Avenue and Lighthouse Avenue, thence north on Forest Avenue to Ocean View Boulevard; thence west along Ocean View Boulevard and Jewell Avenue to Seventeenth Street and north on Seventeenth Street to Ocean View Boulevard, thence westerly along Ocean View Boulevard turning into Sea Palm Avenue to Ripple Avenue, thence north and west along Ripple Avenue to Seventeen Mile Drive, thence south along Seventeen Mile Drive to Lighthouse Avenue, thence northwest along Lighthouse Avenue to Asilomar Boulevard and south along Asilomar Boulevard to Sinex Avenue, thence east along Sinex Avenue to Alder Street and north along Alder Street to Gibson Avenue, thence east along Gibson Avenue to Forest Avenue, and north along Forest Avenue to the point of commencement:

Between Monterey and Seaside:

Route No. 9 via Fremont Street:
Beginning at the intersection of Del Monte Avenue and Tyler Street, Monterey; thence southerly along Tyler Street to Munras Avenue; southeasterly on Munras to Fremont Street, and along Fremont Street to Hilby Avenue, thence easterly on Hilby Avenue to Noche Buena Avenue, thence north on Noche Buena Avenue to Phoenix Avenue, thence west on Phoenix Avenue to Fremont Street, thence returning southerly and westerly along Fremont Street to point of commencement.

Additional route in Monterey:

Beginning at the intersection of Fremont Street and Airport Road, along Airport Road to U.S. Naval Auxiliary Air Base and return to Fremont Street via same route.

4. Applicant is authorized to turn its motor vehicles at termini either in the intersections of streets or by operating around a block contiguous to such intersections, provided that municipal traffic regulations are observed and complied with.


IT IS HEREBY FURTHER ORDERED that in all other respects applications Nos. 32790, as amended, and 33045, as amended, be and they are hereby denied.

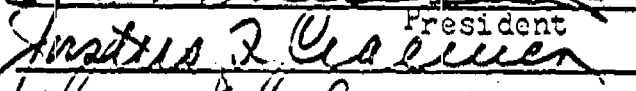
IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) days after the effective date of this order.

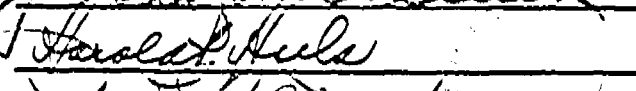
IT IS HEREBY FURTHER ORDERED that applicant be and he is hereby directed to post and maintain in his vehicles a notice of the increased fares and route changes herein authorized. Such notice shall be made not less than five (5) days prior to the effective date of such fares and shall be maintained for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

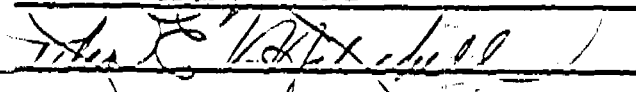
This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 25th day of March, 1952.



President






Commissioners