

Decision No. 47157**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 M & W BUS LINES, INC., a California)
 corporation, to increase rates and)
 fares for the transportation of) Application No. 33020
 passengers between Santa Ana,)
 California and El Toro Marine Base,)
 located in Orange County.)

Cameron and Honberger by Herbert Cameron, for applicant.
John K. Colwell, City Attorney, for City of Santa Ana,
 interested party.
Glenn Newton, Associate Transportation Engineer of the
 Public Utilities Commission.

O P I N I O N

Applicant, a passenger stage corporation, now operates a bus service in the City of Santa Ana and between said city, Tustin and the El Toro Marine Corps Base. Its predecessor inaugurated the service in 1942 (Decision No. 35941, in Application No. 25215). A transfer to applicant corporation was authorized by Decision No. 42895, dated May 24, 1949.

By this application, authority is requested to increase the fare between Santa Ana and El Toro Marine Corps Base, a distance of approximately 9.8 miles, from 25 cents to 30 cents. No change is proposed in the present single-zone fare of 10 cents, nor the two-zone fare of 15 cents.

A public hearing was held at Santa Ana before Examiner Chiesa. Oral and documentary evidence having been adduced, the matter was submitted for decision.

Applicant's general manager and its auditor testified, and there were presented several exhibits showing present and

estimated future revenue and expenses. A Commission engineer also presented and explained a report of estimated results of operation under present and proposed fares.

The attorney for the City of Santa Ana stated that the city did not desire to take a position for or against applicant's proposal.

This is applicant's first request for an increase in fares.

Income statements filed with this Commission for the years 1945 to 1951, inclusive, show average annual results as follows:

	<u>Average 1945-1951</u>
<u>Revenue</u>	
Passenger	\$53,634.00
Special Bus	3,079.00
Other	938.00
	<u>57,651.00</u>
<u>Expenses</u>	
Operating and Maintenance	51,686.00
Depreciation	8,471.00
Operating Taxes and Licenses	4,997.00
Operating Rents	<u>(1,930.00)</u>
	63,224.00
Operating Ratio	109.7%
Net Operating Income	<u>(5,573.00)</u>
Other Income (Net)	5,673.00
Net before Income Taxes	100.00
Income Taxes	36.00
Net Income	64.00

(Red Figure)

Applicant's financial condition as of February 29, 1952, was as follows:

<u>Assets</u>		
Tangible	\$9,390.99	
Intangible	<u>3,555.45</u>	
Total Assets		\$12,946.44
<u>Liabilities</u>		
Current	8,067.88	
Long-term	<u>762.64</u>	
Total Liabilities:		<u>8,830.52</u>
Net Worth		4,115.92
<u>Represented by</u>		
Capital Stock	12,800.00	
Deficit	<u>8,684.08</u>	
		4,115.92

For the three-month period ending February 29, 1952, applicant's operating loss was \$3,311.02. During the period, "other income" (nonoperating) was as follows:

Sub-lease rentals	\$ 972.50	
M & W Cafe net profit	482.67	
Parcel checks and lockers	379.08	
Vending machines	1,152.80	
Telephone commissions	51.67	
Gasoline rebates	<u>90.41</u>	
Total Other Income		\$3,129.13

Considering an interest deduction item of \$54.00, the net loss for said period was \$235.89 (Exhibit No. 5, page 2).

ESTIMATED RESULTS OF OPERATION
UNDER PRESENT AND PROPOSED FARES
FOR THE RESPECTIVE PERIODS SHOWN,
EXCLUDING NONOPERATIVE INCOME

Item	Applicant's Estimate:		P.U.C. Staff Estimate:	
	for Year Ending 12/31/52		for Year Ending 3/31/52	
	Present	Proposed	Present	Proposed
	Fares	Fares	Fares	Fares
Total operating revenue	\$35,600	\$40,757.50	\$39,230	\$42,940
Total expense	48,842	49,641.00	39,610	39,720
Operating ratio	*	*	101.0%	92.5%
Net before taxes	*	*	\$ (380)	\$ 3,220
State and federal income taxes	*	*	25	1,060
Net income	(13,242)	(8,883.50)	(405)	2,160
Operating ratio (after income taxes)	*	*	101.0%	95.0%

(Red Figure)

* No figures submitted by applicant.

Applicant estimates that it will derive "other income" (nonoperating) from the following sources:

Sub-lease rentals	\$3,870	
M & W Cafe net profit	-	
Parcel checks and lockers	540	
Vending machines	2,000	
Telephone commissions	200	
Gasoline rebates	560	\$7,170

Said additional "other income" would reduce the loss calculated by applicant for the projected period to \$6,072 under present fares, and to \$1,713.50 under proposed fares. The staff, on the other hand, considered \$3,800 of said "other income" to be operating revenue, and estimated an additional \$3,430 to be non-operative rentals and revenues.

Staff estimates, considering all income, would bring the operating ratio to 91.4 per cent under present fares and 86.7 per cent under the proposed fares.

The wide divergence of the latter figures with the staff's figure of 95.0 per cent for operating ratios, based on operating income only, results from the unusual ratio of "other income" to rate base. It is to be noted that applicant's plant and equipment are approximately 88 per cent depreciated, which means the condition per cent is 12 per cent as compared to a normal average of 50 per cent.

Under the proposed fares, considering operating and non-operating income, applicant's auditor estimated a net loss of \$1,713.50, whereas the staff engineer's figure was a net profit of \$5,880. The variance of \$7,601.50 is due principally to the different approach in estimating operating expense items, such as equipment and maintenance, transportation expense, and station and terminal expense. The basis of applicant's figures, according to its auditor, is the "past history of the company" and a "prediction" resulting from a discussion with applicant's general manager. As applicant's predictions in several respects appear to be excessive and are not justified by the evidence of record, we are inclined to accept the staff's estimates which are based on the company's records and present commitments, including adjustments for anticipated higher costs of operation.

However, the evidence clearly shows that applicant is operating at a loss; that applicant's equipment is in need of repair and replacement; that applicant is operating under a fare structure

established by its predecessor in 1942; that present salaries of drivers and a mechanic are low (\$1.15 per hour for drivers, \$1.35 for mechanic, based on a 48-hour week); that no overtime is paid although two of its drivers average six to seven hours per week overtime; that applicant's public liability and property damage insurance costs are necessarily high (8.6 per cent of gross).

Although being of the opinion that the estimates of the Commission's transportation engineer more accurately reflect results that may be expected from the proposed fare increase, we are convinced that, upon all the evidence of record, applicant is entitled to relief through an adjustment in fares. Therefore, we find that an increase from 25 cents to 30 cents in the fare between Santa Ana and the El Toro Marine Corps Base has been justified and will be authorized.

O R D E R

A public hearing having been held in the above-entitled proceeding, the matter having been submitted, and the Commission being fully advised in the premises and having found that the proposed fare increase is reasonable and justified,

IT IS ORDERED:

(1) That M & W Bus Lines, Inc. be, and it hereby is, authorized to establish, on not less than five (5) days' notice to the Commission and the public, a fare of thirty (30) cents between the City of Santa Ana and the El Toro Marine Corps Base.

(2) That, except as hereinabove authorized, applicant shall continue to charge its present fares.

(3) That the authority herein granted shall expire unless exercised within sixty (60) days from the effective date hereof.

IT IS HEREBY FURTHER ORDERED that the five (5) days' notice to the public, provided for in ordering paragraph (1), shall be posted in applicant's buses and shall be a suitable explanatory notice describing the fare increase.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 13th day of May, 1952.

R. Z. [Signature]
President
Justin Z. [Signature]
Samuel [Signature]
Peter E. [Signature]

Commissioners