

Decision No. 47603

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Mary Maritzen and E. B. Osthues, a)
co-partnership, d.b.a. The Modesto)
Transit Co., for authorization to)
increase fares.)

Application No. 33262

Appearances

- E. B. Osthues and Mary Maritzen, by E. B. Osthues,
in propria persona.
- Allen Grimes, for City of Modesto, interested
party.
- O. B. Liersch, for the Engineering Division,
Transportation Department, Public Utilities
Commission of the State of California.

O P I N I O N

Mary Maritzen and E. B. Osthues, copartners doing business as The Modesto Transit Co., operate as a passenger stage corporation for the transportation of passengers within and in the vicinity of Modesto. The operations are conducted within a single fare zone over two routes extending from the Modesto central business district to Municipal Airport and to South Modesto Acres. By this application, authority is sought to increase the fare for these services.

Public hearing of the application was held at Modesto before Commissioner Mitchell and Examiner Jacopi. Evidence was offered by one of the partners and by a transportation engineer of the Commission's staff. Representatives of the City of Modesto and of the Commission's staff participated in the hearing and assisted in the development of the record.

The last adjustment of applicants' fare structure was made by Decision No. 42864 of May 10, 1949, in Application

No. 30111, when the present fare of 10 cents per one-way ride was authorized. It was estimated that the 10-cent fare, based upon the traffic volume indicated at that time, would produce annual net revenue of \$501 and an operating ratio of 99.3 percent, before provision for income taxes. In the instant proceeding, the applicants reported that the revenue for the year 1951 under the present fare exceeded the operating expenses by \$1,970 before taxes. The corresponding operating ratio was 95.6 percent.

It is alleged that the revenue derived from the present fare now is inadequate to cover the cost of performing the service. This condition was attributed to the effect of increases experienced in operating expenses, including a 10-percent advance in the wages of bus drivers effective July 27, 1952, and to a decline in the number of passengers using the service. Applicants propose to obtain needed revenue by raising the present 10-cent one-way fare to 12 cents. The higher fare is expected to produce additional revenue amounting to \$5,280 per year.

Evidence relative to the financial results of operation anticipated for the future 12-month period ending June 30, 1953, under the present and proposed fares was presented by one of the partners and by a transportation engineer of the Commission's staff. In these forecasts, the witnesses gave effect to the decline in traffic volume as determined by them, to the wage increase and to all known advances in the other expenses. Both witnesses calculated that applicants would suffer a loss if the operations in the test year were conducted under the present fare. Under the proposed fare, the partner and the engineer estimated that the net revenue before provision for income taxes would amount to \$2,517 and \$2,250, respectively. The estimated operating results shown in the tabulation that follows were taken from the exhibits submitted by the witnesses:

Estimated Revenues and Operating Expenses for
The Test 12-Month Period Ending June 30, 1953,
Under the Present and Proposed Fares.

	<u>Present Fares</u>		<u>Proposed Fares</u>	
	<u>Applicants</u>	<u>Commission Engineer</u>	<u>Applicants</u>	<u>Commission Engineer</u>
Revenues	\$37,200	\$37,800	\$43,200	\$43,080
Operating Expenses:				
Maintenance	6,840	7,345	6,840	7,345
Transportation	21,406	19,355	21,406	19,355
Traffic	50	100	50	100
Insurance & Safety	3,100	3,055	3,500	3,430
Administrative and General	5,500	5,495	5,500	5,495
Depreciation	800	851	800	851
Taxes and Licenses	2,064	3,719	2,287	3,954
Operating Rents	300	300	300	300
Total Operating Expenses	\$40,060	\$40,220	\$40,683	\$40,830
Net Operating Revenues Before Income Taxes (1)	(<u>\$2,860</u>)	(<u>\$2,420</u>)	\$ 2,517	\$ 2,250
Operating Ratio Before Income Taxes (1)	107.7%	106.4%	94.2%	94.8%

() - Indicates Loss.

(1) - The income tax figures were not supplied. The operations are conducted by applicants as co-partners. The income taxes which would apply would be affected by the personal exemptions and other allowances available to each co-partner.

Only small differences appear in the estimated operating results before provision for income taxes as calculated by the witnesses for the test year. The variations in the revenue estimates largely are accounted for by differences in judgment relative to the anticipated traffic volume. In addition, an error in calculation appears in applicants' figures which results in understatement of the number of passengers expected to use the service. The staff engineer's revenue estimates were based upon more detailed analyses of traffic flows and trends.

A representative of the City of Modesto indicated that the staff engineer, in developing the rate of decline in traffic volume, improperly gave effect to the number of passengers lost

due to the discontinuance of certain evening schedules.² The evidence shows that applicants did not maintain records of the number of passengers handled on the individual schedules. A review of the engineer's calculations discloses that the total number of passengers transported in 1952 after the schedules in question were discontinued amounted to 16 percent less than the total number for the corresponding period of 1951 when the evening schedules were being operated. Thus, the engineer developed a composite percentage reflecting both the traffic lost through curtailment of service and the downward trend in traffic that otherwise prevailed. The traffic level for the test year was developed by reducing by 16 percent the total number of passengers transported in the year 1951, during which period the evening schedules in question still were being operated. It appears that the engineer's estimate was not developed improperly.

In regard to the operating expenses, the differences in some of the figures are attributable to the fact that a number of expenses were grouped in applicants' exhibit whereas the engineer employed the segregations provided in the uniform system of accounts. The taxes on fuel and lubricating oil, for example, were grouped with the cost of these articles in the transportation account. The engineer entered the taxes in the account covering taxes and licenses. Likewise, applicants grouped the cost of lubrication of revenue equipment with the cost of oil in the transportation account. In the engineer's figures, the lubrication is reflected in the maintenance account. Other smaller variations in the expense figures resulted from a difference in the bus mileage to be operated in the test year. The staff engineer's estimate of the mileage was based upon the schedules currently operated. Applicants' mileage figure was not substantiated.

² The record shows that three schedules operated after 6:40 p.m. on each of the two routes involved were discontinued in the latter part of January, 1952, assertedly because of light patronage.

In view of the defects indicated in applicants' calculations, the engineer's estimates will be used for the purpose of this proceeding.

It was developed by the representative of the City of Modesto that the amount of franchise tax to be paid by applicants under the provisions of their city franchise now was under negotiation. The record indicates that the discussions in question might result in applicants being required to pay something more than the book figure used in the estimates of record. One of the partners stated that the negotiations might result in an increase in expenses of as much as \$600 per year with a corresponding reduction in the net revenue before provision for income taxes anticipated under the proposed fare.

Notices of the public hearing in this proceeding were posted in applicants' vehicles and were published in a newspaper of general circulation in the area served. The representative of the City of Modesto stated that the city had no objection to the authorization of the increased fare sought if the Commission found that it was justified by the evidence of record. No one specifically opposed the granting of the application.

The record made in this proceeding establishes that the revenue under the present fare now is insufficient to defray the cost of operation. Under the proposed fare, the annual revenue would exceed the operating expenses by \$2,250 and the operating ratio would be 94.8 percent, before provision for income taxes. This would afford only a small margin between revenue and expenses for an operation having revenue of \$43,080 per year. It is clear that the additional revenue from the proposed fare is needed to assure the maintenance of satisfactory and dependable service to the public. The increased fare in question will be authorized.

Upon consideration of all of the facts and circumstances of record, the Commission is of the opinion and hereby finds that the increased fare sought in the application filed in this proceeding has been justified. The application will be granted. Because of the evident need for additional revenue, applicants' request for authority to establish the increased fare on less than statutory notice also will be granted. The cost of performing the service reflected by the estimated operating results considered herein was based upon the expenses involved in the operation of the present schedules. Under the circumstances, applicants will be directed not to make any reduction in the present service without the express approval of the Commission.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Mary Maritzen and E. B. Osthues, copartners doing business as The Modesto Transit Co., be and they are hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, an increased one-way fare of 12 cents cash in lieu of the present fare of 10 cents cash, as proposed in the application filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that applicants be and they are hereby directed to post and maintain in their vehicles a notice of the increased fare herein authorized. Such notice shall be given not less than five (5) days prior to the effective date of such fare and shall be maintained for a period of not less than thirty (30) days.

IT IS HEREBY FURTHER ORDERED that applicants shall not reduce or curtail any of the schedules or services on any of their routes as provided during the period June 15 to 21, 1952, inclusive, without the express approval of this Commission.

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 17th day of August, 1952.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.