

ORIGINAL

Decision No. 47640

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of)
P. C. CROSS, D/B/A HEMET BUS LINE,)
for permission to increase passenger) Application No. 33340
fares and express rates.)

Appearances

P. C. Cross, in propria persona.

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

O P I N I O N

P. C. Cross is engaged in the business of operating an interurban passenger stage service between Hemet, San Jacinto, Riverside and intermediate points. By this application he seeks authority to increase his charges for the transportation of passengers and express on less than statutory notice.

Public hearing of the application was held before Examiner Abernathy at Hemet on June 30, 1952. Evidence was submitted by applicant and by a transportation engineer of the Commission's staff.

Applicant's present passenger fares range from 6 cents to 99 cents per one-way ride depending upon the distance involved. Lower fares are provided, with some exceptions, for those buying round-trip and ten, thirty and sixty-ride commutation tickets. Applicant proposes increases of 4 cents to 12 cents in the one-way

fares and proportionate increases in the round-trip and commutation fares. For the transportation of express he seeks to increase the minimum charges by 10 cents per shipment and to increase a special commodity rate for newspapers to 60 cents per 100 pounds from 50 cents per 100 pounds.

According to applicant's testimony, his charges have not been increased from the level at which they were established when his operations were begun in 1939. Assertedly, since that time his operating costs have more than doubled and future operations will result in losses unless higher charges are put into effect. Applicant stated that in the development of the increases sought herein he had endeavored to arrive at fares and rates which would return the additional revenues he needs and which would be reasonable for the transportation involved.

Examples of the present and proposed fares are as follows:

	<u>Present</u>	<u>Proposed</u>
Between Hemet and San Jacinto		
One way	\$.11	\$.15
Round trip22	.30
10-ride ticket	1.10	1.35
30-ride ticket	2.95	3.40
30-ride ticket (school children)	1.65	2.25
30-ride ticket (school children under 12)	1.00	-
Between Hemet and Riverside		
One way	\$.99	\$1.09
Round trip	1.65	1.74
10-ride ticket	7.45	9.30
30-ride ticket	17.80	24.50
60-ride ticket	29.70	39.60
30-ride ticket (school children)	14.85	10.50*
30-ride ticket (school children under 12)	8.90	-

* Reduction

The sought fares and rates are set forth in detail in the application.

Applicant reported that his operations during 1951 resulted in revenues of \$21,727, expenses of \$18,269, and net operating revenues of \$3,458. These results, he said, are exclusive of any allowance for his own services inasmuch as he has followed the practice of not entering a charge against the business for his salary, but has relied upon the net earnings for his compensation.² The witness declared that net revenues for the coming year will be less than for 1951 because of increases of more than \$1,800 a year which have been experienced recently in drivers' wages, insurance costs, and depreciation expense. The sought fares, he estimated, would result in an increase of 8 percent in his passenger revenues and 28 percent in his express revenues.

The Commission engineer submitted an exhibit covering a review which he had made of applicant's operations and records. In his exhibit he included various financial data covering past years' operations, passenger travel statistics from 1945 to the present time, and estimates of revenues and expenses for the future. The exhibit shows that the volume of applicant's traffic has declined to about 60 percent of the level that prevailed during the war years, that applicant has endeavored to adjust his operations and schedules to the lower volume of traffic but that despite various schedule changes has operated his vehicles since 1949 with about two-thirds of the average loads carried theretofore. In arriving at his estimates for the future, the engineer based his calculations largely upon applicant's operating experience for 1951, making such adjustments as appeared warranted in his opinion to give effect to probable changes during the coming year. He adjusted the operating expenses to allow

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At present about three-fourths of applicant's time is devoted to his bus operations.

for compensation for the services which applicant performs in the direction of the business. Also he made certain reductions in some expense items to make them more commensurate with corresponding expense of similar carriers.

Applicant's estimates and the engineer's estimates of operating results for the coming year are summarized in the table below:

Estimated Operating Results, Year Ending June 30, 1953

	Present Fares (Engineer)	Proposed Fares (Applicant)	Proposed Fares (Engineer)
<u>Revenues</u>			
Passenger	\$19,440	\$22,126	\$20,830
Express	1,330	1,781	1,830
Other	70	-	70
Total revenues	\$20,840	\$23,907	\$22,730
<u>Expenses</u>			
Operating and maintenance	\$16,580	\$16,028*	\$16,670
Depreciation	650	1,912	650
Operating taxes and licenses	2,030	1,945	2,090
Operating rents	1,740	1,740	1,740
Total expenses	\$21,000	\$21,625*	\$21,150
<u>Net Operating Revenues</u>	\$ (160)	\$ 2,282*	\$ 1,580
Operating Ratio	100.8%	(a)	93.0%

- () Indicates loss
 * Exclusive of applicant's salary
 (a) Not supplied

Notices of the hearing in this proceeding were posted in applicant's vehicles, were published in a newspaper of general circulation in the Hamet area, and were sent to persons and organizations believed to be interested. No one opposed the granting of the application.

It will be seen from comparison of the data which were submitted by applicant and by the Commission engineer, respectively, that applicant's figures indicate somewhat greater earnings under

present fares and under proposed fares than do those of the engineer. It appears that the engineer's figures present the better portrayal of applicant's operations. As has been noted hereinbefore, in compiling the expenses assignable to his operations, applicant omitted any charge for the administrative and supervisory services which he performs. A reasonable charge for administrative and supervisory services performed is a proper charge against the operations and should be considered in arriving at the cost of the services involved. Applicant's allowances for depreciation expense are too high inasmuch as they reflect vehicle service lives which are shorter than appear reasonable. His estimates of passenger revenues under the proposed fares appear higher than will be realized. They were reached on the assumption that the volume of his traffic would continue at approximately the same level as that of 1951. However, upon analysis of the trend of applicant's traffic the engineer developed that the downward trend which has been experienced during the past several years will continue for another year. Allowance for this trend was made by the engineer in his estimates.

It is clear from the evidence which was submitted by the engineer that the revenues which would be earned during the coming year under the present fares and rates would not be sufficient to meet the costs of the service and to provide a reasonable profit. Increases in applicant's charges are necessary to the preservation of his services for the public. It appears that the sought charges would result in reasonable earnings and that they themselves are reasonable. 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 sought fare and rate adjustments are justified. The application will be granted.

O R D E R

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

IT IS HEREBY ORDERED that P. C. Cross, doing business as Hemet Bus Line, be and he is hereby authorized to amend his Local Passenger Tariff No. 4, C.R.C. No. 4, and his Local Express Tariff C.R.C. No. 2, on not less than five (5) days' notice to the Commission and to the public, to establish the passenger fares and express rates which are shown as proposed fares and rates in Exhibit "A" attached to the application, which exhibit is made a part hereof by this reference.

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 his vehicles a printed explanation, or if feasible, a small map of the areas involved, or both, showing the effect of the fare and rate changes 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 16th day of August, 1952.

Justice J. C. ... President
Harold P. ...
Robert C. ...
Commissioners

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E. E. Mittelstaedt
Commissioner....., being necessarily absent, did not participate in the disposition of this proceeding.