

ORIGINAL

Decision No. 48225

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of BAY RAPID TRANSIT)	
COMPANY, a corporation, for an)	
order authorizing increases in)	Application No. 33817
fares and abandonment and cur-)	
tailment of certain service.)	

Appearances

Gerald H. Trautman, for applicant.
 A. D. Coons and Reginald Foster, for City of
 Pacific Grove, Frank Daybell, for Asilomar
 Property Owners Association, Robert S. Pickett,
 for business and merchants, Roma Philbrook,
 for Asilomar, Vernon T. Hurd, for Holman's
 Department Store, and Manuel Perry, for
 Motel District.
 Louise Balsam, protestant.
 Constance Douglas, protestant.
 Leslie W. Masters, protestant.
 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 operation within and between the cities of Monterey, Pacific Grove and Carmel and adjacent areas. In addition it conducts a sightseeing service between points on the Monterey Peninsula.

By this application, as amended, it seeks authority to establish increased fares, to abandon service over one of its lines and to place its sightseeing operations on a seasonal basis.

Public hearing was held in Monterey on December 1, 1952 before Commissioner Huls and Examiner Lake. The matter was submitted on December 11, 1952, upon receipt of certain late filed documents. It is now ready for decision.

The record shows that advance notices of the hearing were duly posted in applicant's buses and terminal, were published in newspapers of general circulation in the area served and were sent to persons and organizations believed to be interested. Evidence was submitted by petitioner, by an engineer of the Commission's

staff, by patrons of applicant's lines and by other parties interested in the proposals.

The last general adjustment of applicant's fares was authorized in Decision No. 46911 of March 25, 1952, in Applications Nos. 32790 and 33045, when the following fare structure was approved.

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.

Subsequent to the issuance of the authority granting the above fare structure but prior to the establishment of the fares, applicant was confronted with a seven-week work stoppage due to a strike of its drivers. The strike was settled under an agreement which provided for increased wages and a shorter work week. According to the applicant, the added labor costs together with increases in the cost of materials and supplies and in depreciation expense have raised the cost of providing the service to the point where operations under the present fares are being conducted at a loss.

For the 12-month period ending December 31, 1953, applicant estimated the losses would amount to \$8,487, and that its operating ratio would be 104.48 percent. Studies made by the Commission's engineer indicate that the present fares if continued are expected to produce for a test year a net operating loss of \$2,328 and an operating ratio of 101.21 percent.¹

In order to recover its added costs of operations and to place its service on a profitable basis, applicant proposes to increase the present 10-cent fares to 15 cents and to cancel the token fares which sell 5 for \$1.00 and 2 for 25 cents. The tokens are good for a 25-cent and a 15-cent ride, respectively. The present fare for children of 5 cents would be increased to 10 cents or 7½ cents with the purchase of a 20-ride book. In lieu of the present 12½-cent token which may be used by children, applicant proposes to issue a 20-ride card which would sell for \$2.50. Applicant also proposes to accord a free transfer privilege for travel within the City of Carmel. The latter proposal would result in a reduction. No change is proposed in the commutation fares, in the fares for school children nor in the fares for sightseeing operations.

Anticipated operating results under the proposed fares were submitted by applicant and by the Commission's engineer. Applicant's estimate shows the expected results to be somewhat lower than those developed by the engineer. However, applicant's estimate appears to understate the revenues which reasonably may be anticipated. In this respect applicant relied mostly upon

¹ Comparability of future operations with those conducted in the past is not shown for the following reasons: firstly, for the prior 12-month period the operating results were influenced to a large extent by the strike of applicant's employees and, secondly, a portion of the prior operations were conducted over routes and on schedules different from those now being conducted. See Decision No. 49611, supra.

results of operations conducted since the strike period. In addition, applicant's estimate appears to overstate the expenses which should be incurred for an operation of this size. For example, it claimed \$12,000 for the salaries of general officers whereas in the prior proceeding the Commission allowed only \$6,000. For these reasons the estimated operating results do not appear to be reasonable. They will not be adopted.

The estimates of the engineer were said to reflect current operating costs and the present flow of traffic adjusted to reflect the effects of the strike and to reflect the results of the previous fare increases. In addition, the expenses reflect the savings resulting from applicant's proposed route abandonment and curtailment of its sightseeing service. The estimates of this witness are shown in the following table.²

ESTIMATED RESULTS OF OPERATIONS UNDER PROPOSED FARE
STRUCTURE FOR THE 12-MONTH PERIOD ENDING DECEMBER 31, 1953

Operating Revenue	\$ 205,150
Operating Expenses	173,132
Depreciation Expense	7,450
Operating Taxes	<u>14,361</u>
Total Operating Expense	\$ 194,943
Net Income Before Income Taxes	\$ 10,207
Income Tax	\$ 3,348
Net Operating Income	\$ 6,859
Rate Base	\$ 83,170
Rate of Return	8.25%
Operating Ratio After Income Taxes	96.66%

Included in the operating expenses shown in the foregoing table is \$2,500 for advertising. According to the record, approximately 75 percent or \$1,875 of this amount would be allocated to the sightseeing service. The anticipated revenue for this service is \$3,000. The amount allowed is 62.50 percent of the expected

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Under applicant's estimate the net operating income, the rate of return, and the operating ratio would be \$1270, 2.3%, and 99.05% respectively after provision for income taxes.

revenues. Clearly the amount claimed is excessive when contrasted with the anticipated revenue. For a 12-month period, ending September 30, 1952, applicant's advertising expense was \$740. For the determinations to be made here the latter amount will be allowed.

With the foregoing adjustment the operating results submitted by the engineer indicate the following:

Operating Revenues	\$ 205,150
Operating Expenses	197,108
Net Income After	
Income Taxes	8,042
Operating Ratio	96.08%
Rate Base	\$ 83,170
Rate of Return	9.67%

The results of operations, as indicated above, under the proposed fares appear to be reasonable. In the circumstances, applicant's request to establish the increased fares will be granted. We turn now to applicant's request to abandon one of its lines, Route No. 8.

The line in issue serves the City of Pacific Grove and certain unincorporated area contiguous thereto. This matter was before the Commission in Application No. 33045, supra.³ In that proceeding the Commission found that applicant was not receiving sufficient revenues to return the out-of-pocket costs of performing the services but concluded that the net effect on applicant's operating ratio, if service were continued, would be negligible. It also found that applicant had not shown that all reasonable economies had been effected or that all attempts had been made to provide service to this area from other lines. For these and other reasons set forth in Decision No. 46911, supra, applicant's request for abandonment of this service was denied.

The record in this proceeding shows expected revenues for the test year of only \$650 as contrasted with out-of-pocket costs of \$2,181 or an out-of-pocket loss of \$1,531. The expense figures

³ The record in Applications Nos. 32790 and 33045 was made part of the record in this proceeding.

include the wages of the driver and the cost of maintenance, fuel, oil, tires, public liability and property damage insurance, and pay roll and transportation taxes. They do not include allowances for depreciation and overhead charges.

In Decision No. 46911, supra, the Commission said: "The residents of Pacific Grove and the adjacent area are entitled to adequate transportation; they must, however, make it feasible by their patronage." The record here shows that the amount of revenue received for the month of September 1952 was 30 percent less than the revenue for September 1951. On a test check of passenger frequency on this line, conducted from October 29 to November 1, 1952, it was found that the average number of passengers carried was only two and two-tenths passengers per trip.

The record also shows that applicant has effected all economies that reasonably could be made and that it has explored all feasible means of providing service without incurring additional losses. Despite its efforts, however, the fact is the anticipated revenues for the test year of \$650 would be less than one half of the cost of the wages of the drivers. Thus the revenues also would be insufficient to cover the costs of fuel, tires, maintenance and other expenses involved in performing the service. Moreover, the net operating income from the system operations under the proposed fares would be insufficient to sustain the burden of continuing this line and to provide a reasonable profit.

Protestants contend that the discontinuance of service on this line would leave them without a means of conducting their business in Pacific Grove. They stated that should the route be abandoned property values would diminish and that the merchants in Pacific Grove would be faced with a loss of patronage. Many of the witnesses offered suggestions pertaining to added service and to the

continuance of present service by the extension of other lines. None of the suggestions, however, appear to be feasible. The record shows that extension of other lines cannot be made without reducing service and jeopardizing traffic in heavier revenue-producing areas. Moreover the circumstances disclose that it would not be prudent to increase service in the face of diminishing traffic, as shown by the record.

The residents in this area would not be completely without a transportation service. Two other routes are provided (Routes 1. and 2). They afford a parallel service and reach within one quarter to one half a mile of the present route.

Upon careful consideration of the data before the Commission, the conclusion is inescapable that continuance of Route No. 8 is not warranted. The sought authority to discontinue this service will be granted. Consideration now will be given to applicant's request to place its sightseeing service on a seasonal basis.

The sightseeing service is conducted from Monterey via the 17-mile drive to Carmel, thence to Carmel Mission and return to Monterey. Applicant holds itself out to perform this service on a daily basis throughout the year providing two or more passengers request it. Authority is sought to provide this service only from May 15 to and including October 15 of each year.

The record shows that during the period applicant wishes to curtail its service, there is insufficient patronage to warrant its continuance. Applicant's request appears to be 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, that public convenience and necessity no longer require the operation of Route No. 8 or the operation of a sightseeing service during the period from October 16

to and including May 14 of each year. Applicant requested that it be authorized to establish the increased fares on less than statutory notice. In view of the evident need for additional revenues, the requested authority will be granted.

O R D E R

This application, as amended, 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 on not less than five (5) days' notice to the Commission and to the public, the revised passenger fares as proposed in the amended application filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that the operative rights created by Decision No. 46911 in Applications Nos. 32790 and 33045 be and they are hereby amended by deleting therefrom Route No. 8 in Pacific Grove described in said Decision No. 46911 as follows:

"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."

IT IS HEREBY FURTHER ORDERED that sightseeing operations from Monterey to Carmel, Carmel Mission and return to Monterey conducted pursuant to Decision No. 42474 in Application No. 27955 shall be conducted on a seasonal basis between the approximate dates of May 15 to October 15 of each year.

IT IS HEREBY FURTHER ORDERED that in all other respects Decisions Nos. 42474 and 46911 shall remain in full force and effect.

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 it is hereby directed to post and maintain in its vehicles a notice of the increased fares 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 Los Angeles, California, this 2nd day of February, 1953.

R. J. ...
President
Justus J. Calmer
Harold P. ...
Kenneth ...
John E. ...
Commissioners