

ORIGINAL

Decision No. 48353

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
VALLEY TRANSIT LINES, a California)
corporation, for authority to increase)
fares and charges pursuant to Sections)
454 and 491 of the Public Utilities)
Code of the State of California.)
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Application No. 33888

Theodore W. Russell and R. Y. Schureman,
for applicant.

Fred King, in propria persona, interested party.

William Richards (in absentia), for the City of Arcadia, protestant.

Glenn Newton, for the Engineering Staff of the Public Utilities Commission of the State of California.

O P I N I O N

Valley Transit Lines, a corporation, is engaged in business as a passenger stage corporation. It transports passengers by motor vehicle between points within and in the vicinity of El Monte, Monrovia, Arcadia, Temple City, and Baldwin Park. By this application, filed on November 14, 1952, it seeks authority to establish increased fares on less than statutory notice.

A public hearing was held before Examiner Bryant at El Monte on February 11, 1953. Advance notices of the hearing

were posted in all the operating equipment and depots, were published in a newspaper of general circulation, and were sent to cities and organizations believed to be interested. The matter is ready for decision.

Applicant alleges that its operations have been unprofitable since their inception in 1946. Assertedly it has absorbed from its working capital the losses of each year, and is now without working capital to continue its services unless sufficient revenue can be secured to make the operations profitable. The fare increase herein sought is stated to be the minimum increase required. Applicant alleges that if such fare increase is not permitted it will be necessary, in order to meet and satisfy outstanding obligations, to abandon and terminate all of its operations and to dispose of its physical properties.

The present basic fare of Valley Transit Lines is 10 cents per person per one-way ride within the initial zone, with an additional fare of 5 cents for each zone boundary traversed. No additional charge is made for transferring from one line to another. Applicant herein seeks authority to increase the basic single-zone fare from 10 cents to 15 cents, to increase the school fare from 10 cents to 12-1/2 cents, to increase the El Monte-Santa Anita Race Track fare from 40 cents to 60 cents, and to make relatively minor zone changes.¹

¹ A zone boundary would be added on one route and deleted on another, in order to correct a disparity in fares on two comparable routes between El Monte and Temple City. The school fares, sold in 20-ride books, apply over the entire system without regard to the zones. The Santa Anita service is provided during racing events only.

Applicant's president and general manager, who is also its sole stockholder, described the properties, routes and services of his company. He introduced balance sheets, operating statements, depreciation schedules, analyses of revenues and expenses, and an estimate of revenues and expenses for a future rate year.

An associate engineer of the Commission's transportation staff introduced and explained an exhibit consisting of income statements, statements of investment, depreciation and rate base, and estimates of the results of operation under present and proposed fares for the year ending with February 28, 1954.

The City of Arcadia, by letter from its city manager, filed protest to granting of the application.² No one appeared at the hearing to oppose the sought increase. Public witnesses in support of the application were the administrative officer of the City of El Monte and the manager of the El Monte Community Chamber of Commerce. They testified that the operations of Valley Transit Lines are necessary to the economy of El Monte and the surrounding area, and that the sought fares had been considered and were deemed to be warranted. They recommended that the application be granted.

The operating results of Valley Transit Lines for the past three years, as summarized from the evidence submitted by applicant and by the Commission engineer, are shown in the following table:

² Valley Transit Lines serves the City of Arcadia to a minor extent only.

Table 1
OPERATING RESULTS FOR PAST PERIODS

<u>Revenue</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
Passenger	\$ 62,650	\$ 60,236	\$ 68,126
Other	<u>4,592</u>	<u>3,503</u>	<u>5,388</u>
	\$ 67,242	\$ 63,739	\$ 73,514
 <u>Expenses</u>			
Oper. & Maint.	\$ 52,194	\$ 61,526	\$ 68,441
Depreciation	7,383	4,609	6,122
Other	<u>4,042</u>	<u>5,056</u>	<u>8,634</u>
	\$ 63,619	\$ 71,191	\$ 83,197
Net Operating Income	\$ 3,623	\$ (7,452)	\$ (9,683)
Operating Ratio - %	94.61	111.69	113.17

() Loss

NOTE: Data for 1950 and 1951 are from annual reports filed with the Commission, as summarized in the staff engineer's exhibit. Data for 1952 are from statements submitted in evidence by the applicant.

Applicant's president and general manager described route extensions and schedule changes made in December 1952, and testified that wages of the drivers were increased effective January 1, 1953. He did not develop detailed estimates of future operating results. He determined, however, that if the proposed fares had been collected during the year 1952, the revenue would have been increased by 30.3 percent. Based upon the estimated vehicle mileage for 1953 and the 1952 cost per vehicle mile, adjusted for current wages, he developed an estimated total operating expense for the future rate year of \$103,960. By increasing by 30.3 percent the 1952 revenue per mile, he developed an operating revenue for the future year of \$109,686. The net revenue on this

basis, before income taxes, would be \$5,726. The witness explained that these estimates made no provision for cost increases other than the recent wage adjustment.

The Commission engineer submitted more detailed estimates of operating results under the present and proposed fares for the year ending with February 28, 1954. His figures are summarized in the following table which we hereby adopt as reasonable:

Table 2

ESTIMATED OPERATING RESULTS
FOR FUTURE RATE YEAR.

Item	Under Present Fares	Under Proposed Fares
<u>Revenue</u>		
Passenger	\$ 81,230	\$ 96,860
Other	9,000	9,700
	\$ 90,230	\$ 106,560
<u>Expense</u>		
Maintenance	\$ 14,730	\$ 14,730
Transportation	57,160	57,160
Insurance	6,870	6,870
Administration	7,480	7,480
	\$ 86,240	\$ 86,240
Depreciation	6,130	6,130
Operating Taxes	10,550	11,000
	\$ 102,920	\$ 103,370
Net Before Income Taxes	\$ (12,690)	\$ 3,190
State & Federal Income Taxes	25	750
Net Income	\$ (12,715)	\$ 2,440
Operating Ratio after Income Taxes - %	114.09	97.71
Estimated Rate Base	\$ 20,430	\$ 20,430
Rate of Return - %	-	11.94
Adjusted Rate Base	\$ 29,760	\$ 29,760
Rate of Return - %	-	8.20

() Loss

The engineer explained that his adjusted rate base, as set forth in the foregoing Table 2, compensates for accelerated depreciation taken in past years by allowing appropriate use values for operating equipment still in service.

The record is clear that applicant's revenues from its present fares are not sufficient to return operating costs and provide reasonable earnings. The fare increases as herein proposed appear to provide an equitable basis for obtaining the revenues required to sustain the operations of Valley Transit Lines.

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 fare increases and zone changes as proposed in this proceeding have been shown to be justified. The application will be granted.

O R D E R

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

IT IS HEREBY ORDERED that Valley Transit Lines be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, increased fares and zone changes as specifically set forth in detail in Exhibit "A" attached to and made a part of its application in this proceeding.

IT IS HEREBY FURTHER ORDERED that, in addition to the required filing of tariffs, applicant shall give notice to the

public by posting in its passenger vehicles and depots an explanation of the changes in fares and zones. Such notices shall be posted not less than five days before the effective date of such changes, and shall remain posted until not less than ten days after said effective date.

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

This order shall become effective ten days after the date hereof.

Dated at San Francisco, California, this 10th day of March, 1953.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Justus F. Craemer, being necessarily absent, did not participate in the disposition of this proceeding.