

ORIGINALDecision No. 49345

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 HORACE SIMMONS, doing business as)
 VACA VALLEY LINES, for an increase)
 in passenger fares between Vacaville)
 and Fairfield and Travis Air Force)
 Base and intermediate points under)
 Section No. 454 of the Public)
 Utilities Act.)

Application No. 34763
 (As Amended)

O P I N I O N

Horace Simmons, doing business as Vaca Valley Lines, operates as a passenger stage corporation for the transportation of passengers (a) between Vacaville and the Travis Air Force Base (also known as Fairfield-Suisun Air Force Base) and intermediate points, and (b) between Fairfield and said Travis Air Force Base and intermediate points. By this application authority is sought to increase fares as follows:

1. For passengers between Vacaville and Travis Air Force Base and intermediate points 30¢ instead of the present fare of 25¢.
2. For passengers between Fairfield and Travis Air Force Base and intermediate points 30¢ instead of the present fare of 25¢.
3. By letter dated September 17, 1953, the application was amended to include the additional request for permission to increase the charge for twenty-five ride script books from \$5.00 to \$6.00.

Applicant refers to the requirement incorporated in General Order No. 101 on January 1, 1952, increasing his insurance coverage costs as necessitating a fare increase. It appears that there is justification for granting the request.

Attached to the application as Schedule I is a statement of the revenue and expenses for the period beginning January 1, 1953, and ending June 30, 1953, as follows:

Passenger Revenue		\$18,247.04
Operating Expenses:		
Repairs and Servicing	\$ 3,157.43	
Wages	5,768.65	
Gasoline and Oil	3,136.95	
Other Transportation Expense	95.16	
Station and Terminal Expense	224.78	
Tariff-Traffic and Advertising	104.60	
Insurance	1,964.69	
Office Expense	65.37	
Depreciation Expense	1,362.85	
Taxes and Licenses	1,016.75	
Legal and Accounting	264.75	
Rent Expense	298.75	
Payroll Taxes	109.72	
		<u>17,570.45</u>
Net Profit from Operations		\$ 676.59
Miscellaneous Income:		
Insurance Adjustment	\$ 1,200.00	
Deduct: Miscellaneous Expense	<u>4.50</u>	<u>1,195.50</u>
Net Profit		<u>\$ 1,872.09</u>

A Schedule II was also attached entitled "Vaca Valley Lines", as follows:

Statement of Estimated Additional Revenue Expected to be Realized at Increased Rates for Six Month Period

Passenger Revenue (At Increased Rate):	\$21,896.45
Operating Expenses (As Per Schedule I):	<u>17,570.45</u>
Net Operating Profit	<u>\$ 4,326.00</u>

The following analysis and estimated results of operation are the result of an independent staff study and comparison for the rate year ending September 30, 1954:

<u>Item</u>	Book Record Year Ended <u>June 30, 1953</u>	<u>Estimate</u>	
		<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$34,939	\$35,700	\$42,850
Operating Expense	<u>34,865</u>	<u>39,720</u>	<u>40,293</u>
Net Before Income Taxes	74	(<u>4,020</u>)	2,557
Net After Income Taxes		(<u>4,020</u>)	2,127
Operating Ratio After Income Taxes		112.6%	95.04%
Rate Base			\$12,613
Rate of Return			16.86%

(Red Figure)

The difference in revenue and expense estimates of applicant and the Commission is accounted for by reason of several factors. Applicant included in his expenses no charges for services rendered by himself for management nor for any other service such as driving the buses himself which he does regularly. The staff's estimate includes \$3,600 expense for this item. This latter estimate assumes a 4 per cent down trend in traffic from the level during the past year. This appears appropriate in view of the fact that applicant's traffic consists almost entirely of military personnel and civilian employees traveling to and from Travis Air Force Base. Another difference is that the staff feels that the 10 per cent commission paid to a local agent on all ticket sales should be discontinued and that this expense could be reduced by at least one-half if fare boxes were installed.

The staff calculations summarized above, which are adopted for the purpose of this proceeding, show a rate base of \$12,613.00 constructed from applicant's book records. This sum does not represent the true operating condition of the properties. The staff estimate shows that operations under the proposed fare structure are expected to produce an operating ratio of 95.04 per cent after provision for income taxes. Operating ratio is a measure of the relationship of the operating expenses to the operating revenues. In other words, to maintain the present service applicant needs 95.04 cents out of every dollar of revenue to pay the operating expenses. This leaves 4.96 cents of the revenue dollar for profit.

The staff estimates appear to fairly reflect the results that may be expected from the proposed fare changes which, we find, have been justified and will not result in an unreasonable charge. The Travis Air Force Base Materiel Officer has advised applicant by letter dated October 21, 1953, that the Transportation Officer of the base has approved the proposed fare increase. This proposal has been advertised in a newspaper of general circulation published in Vacaville and no opposition has been expressed to the application which will be granted. Public hearing is not necessary.

O R D E R

Application having been made, the Commission being fully advised in the premises, and having found that the proposed fare changes are justified and reasonable,

IT IS ORDERED:

(1) Horace Simmons, doing business as Vaca Valley Lines, be and he hereby is authorized to establish in his tariff, on not less than five days' notice to the Commission and to the public, the proposed fares as hereinabove set forth.

(2) That applicant shall post in its buses and terminal a suitable explanatory notice describing the fare increases, continuously for at least ten days before such fare changes become effective.

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

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

Dated at San Francisco, California, this 17th day of November, 1953.

R. Z. [Signature]
President
Justine J. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners