

ORIGINALDecision No. 49484

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 FRESNO CITY LINES, INC., for authority)
 to increase fares.)

Application No. 34735
 (as amended)

Dearing, Jertberg & Avery by Kenneth G. Avery, for applicant.
Lloyd A. Bowes, for the Amalgamated Association of Street Electric Railway and Motor Coach Employees of America, interested party supporting the application.
C. M. Ozias, for the City of Fresno, protestant.
T. A. Hopkins, for the Commission staff.

O P I N I O N

Applicant is engaged in the transportation of passengers as a passenger stage corporation in and in the immediate vicinity of Fresno, California, under Commission authority. The present application seeks authority to revise its fares by:

- (a) Increasing basic adult fares from eleven cents or one token, sold at the rate of five for fifty cents to fifteen cents cash fare or one token, sold at the rate of four for forty-five cents.
- (b) Increasing student fares from one token sold at the rate of ten for fifty cents to one token sold at the rate of two for fifteen cents.
- (c) Increasing the fares of children of the ages six to twelve inclusive, and the fares of students six to eighteen years of age inclusive, on school days only and upon presentation of school identification from five cents cash to eight cents cash.¹

As indicated above, the basic zone fare would be increased. No change is proposed in the five-cent increment added to the basic fare for movement through each additional zone.

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A minor amendment to the application was made at the hearing so as to include students as well as children in the fare increase of a cash fare of eight cents or two tokens for fifteen cents instead of the present five cent fare.

A public hearing was held at Fresno on November 18, 1953, before Commissioner Potter and Examiner Rowe. Notices of the hearing were duly posted in applicant's vehicles and also published in a newspaper of general circulation. Evidence both oral and documentary was submitted by applicant and by the Commission staff. The City Attorney of Fresno appeared in opposition to the requested fare increase, but introduced no direct evidence. He participated, however, in the examination of witnesses. A representative of the city schools testified. No one else appeared in opposition to the sought fare increase. The matter was duly submitted for decision.

As justification for the establishment of the fare raises requested applicant alleged and submitted proof that there have been substantial increases in wages, costs of fuel and other operating expenses and in taxes, as well as a decline in passengers. The increased costs are stated as \$34,400 additional per year as wages, \$6,500 as cost of fuel and \$6,600 as increased tax on fuel. The decline of passengers for the twelve months ending August 31, 1953, is put at 510,680 as compared with the 12-month period ending November 30, 1951. The estimated decline of passengers stated in terms of reduced revenue is the sum of \$50,700. The resulting decline in net operating income from such factors is placed at \$98,200 per annum.

Forecasts of results of operation anticipated if the present fares were continued throughout the year commencing December 1, 1953, and ending November 30, 1954, and what the results would be if the increased fares requested were in effect, were presented by company witnesses and by members of the staff. In these calculations, full effect was given to all known advances in expenses actually experienced. The studies contained balance sheets, operating statements, studies of traffic flows and trends,

and depreciation and rate base statements. These detailed studies of the financial results of applicant's operations were presented at the hearing by witnesses for applicant and the Commission staff. The calculations of the witnesses are summarized in the tabulation which follows:

Estimates of the Financial Results of Operations
Anticipated in the Year Commencing December 1, 1953,
Under the Present and Proposed Passenger Fares:

<u>Operating Revenues</u>	<u>Applicant</u>		<u>Commission Engineer</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
Passenger Revenue	\$573,739	\$626,604	\$589,606	\$673,991
Other Operating Revenue	36,760	36,760	39,395	39,395
Total Operating Revenue	<u>\$610,499</u>	<u>\$663,364</u>	<u>\$629,701</u>	<u>\$714,436</u>
Operating Expenses (exclusive of depreciation and taxes)	537,670	539,256	528,085	529,885
Depreciation	47,775	47,775	47,360	47,360
Operating Taxes	<u>58,793</u>	<u>60,030</u>	<u>57,622</u>	<u>59,793</u>
Total Operating Expenses	\$644,263	\$647,061	\$633,067	\$637,038
Net Income Before Income Taxes	(<u>33,764</u>)	16,303	(<u>3,366</u>)	77,398
Income Taxes		3,251		30,770
Net Operating Income	(<u>33,764</u>)	13,052		46,628
Rate Base	515,097	515,097	320,400	320,400
Rate of Return		2.53%		14.55%
Operating Ratio After Income Taxes	105.53%*	98.03%	100.53%*	93.47%

() Indicates red figures.

* Loss (no income tax involved).

The main differences in the foregoing estimated results of operation are attributable to variations in the bases used by the witnesses for calculating the passenger revenue estimates, the amount included in the operating expenses for the cost of management, supervision and accounting and the estimated rate base.

The estimated revenues under the present and proposed fares, according to the record, were based upon the present revenues adjusted to give effect to the decline experienced in the volume of traffic. In these calculations, variations in the figures appear in the rate of the downward trend of traffic employed in developing the expected traffic volume and in the estimated probable use of tokens instead of cash fares. The number of passengers estimated for the rate year by applicant's witnesses included allowance for the full effect of a sharp drop in the number of passengers handled in the month of October 1953. It was agreed by the witnesses that the amount of the fluctuation was unusually great and that the reasons therefor were unknown. The evidence offered by applicant's witnesses in support of their estimate is not persuasive that the traffic volume would continue to drop at the rate indicated in October 1953. On the other hand, the staff engineer's estimate appears to give reasonable effect to the various fluctuations in traffic experienced during the year and will be adopted for the purpose of this proceeding.

In regard to the use of tokens, the applicant's witnesses estimated that 80 percent of the total passengers transported would avail themselves of the lower fares afforded by the purchase of tokens. The staff engineer concluded that the token use would amount to 67 percent. Applicant's estimate was based on the behavior of two Eastern cities while the estimate of the staff engineer was based on the reaction of Fresno riders to various fare structures in effect in the past. The estimate of the staff engineer appears more reasonable and will be used.

In regard to the operating expenses, applicant's estimates include an allowance of \$31,901 for management, supervision and accounting fees based upon a percentage of the gross revenue. The amount is paid to the parent company and includes such services

performed for applicant as supervision, accounting and other general office matters and management functions. The staff engineer allowed \$23,000 for these services based upon consideration of the amount required if applicant itself were to perform all of the services in question. Applicant's estimate based on a percentage of the gross revenue has not been substantiated. The engineer's figure is reasonable and will be adopted herein.

In developing the rate base, applicant included amounts claimed to be the appraised market value of land, structures and other operative properties. This basis was rejected by the Commission when applicant's fares last were adjusted.³ The engineer's estimate of the rate base developed from recorded book values, less accrued depreciation, adjusted to reflect the operating condition at the midpoint of the rate year will be used.

A representative of the Fresno city school system testified that the proposed increase in school fares from 5 cents per ride to 8 cents per ride, or with the use of tokens, 7.5 cents per ride, probably would increase the requests of parents for operation of additional buses by the school authorities. In this connection, applicant introduced no evidence of probative value in support of its proposal to increase school fares to a greater extent than requested for the adult fares. On this record, an increased school fare no greater than 6 cents per ride has been justified. As a convenience to the students, tokens also should be offered at the rate of 5 for 30 cents.

The estimated results of operation under two alternate fare structures were presented by the staff engineer and are as follows:⁴

³ See Decision No. 46492 of December 4, 1951, in Application No. 32184.
⁴ Exhibit No. 4.

<u>Iten</u>	CASE I	CASE II
	Adult 12¢	Adult 15¢-5/50¢
Child 6¢	Child 6¢	
School 5/30¢	School 5/30¢	
Revenues	\$682,109	\$672,018
Operating Expenses	635,783	635,605
Not before Income Taxes	46,326	36,413
Income Taxes	15,135	10,147
Net after Income Taxes	31,191	26,266
Rate Base	320,400	320,400
Rate of Return	9.74%	8.20%
Operating Ratio After Income Taxes	95.43%	96.09%

It is clear from the evidence of record that the present fares are insufficient to cover the cost of operation and that their continuance would result only in further losses. The fares proposed in the staff alternate, Case I, would produce earnings which appear to be no greater than necessary to provide a reasonable margin between revenues and expenses and to assure the continuance of adequate service to the public.

Upon careful consideration of all of the evidence of record, the Commission is of the opinion and finds that the proposed fares set out in the staff engineer's alternate, Case I, and as set forth in the order which follows, have been justified.

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 Fresno City Lines, Inc., be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, changes in its passenger fares as follows:

- (1) Increase the basic adult fare from 11 cents cash or one token sold at the rate of 5 for 50 cents to 12 cents cash.

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(2) Increase fares from 5 to 6 cents cash or one token sold at the rate of 5 for 30 cents for:

- a. Children aged 6 to 12, inclusive;
- b. Students aged 6 to 18, inclusive, on school days only, and on presentation of school identification.

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

IT IS HEREBY FURTHER ORDERED that in all other respects Application No. 34735, as amended, be and it is hereby denied.

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 posted not less than five days prior to the effective date of such fares and shall remain posted for a period of not less than thirty days. Such notice shall be of such type size that it may easily be read by passengers on said buses and shall be entitled "Notice of Fare Increase". Said title shall be in type not less than three-fourths of an inch in height.

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

Dated at San Francisco, California, this 21st day of December, 1953.

A. F. [Signature]
 President
James F. [Signature]
[Signature]
[Signature]
[Signature]
 Commissioners