

**ORIGINAL**

Decision No. 49662

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of PETE DRAKE conducting as sole	)	
owner certain automobile passenger	)	
stage lines under the name of	)	Application No. 34972
TERMINAL ISLAND TRANSIT CO., to	)	
increase rates and fares for the	)	
transportation of passengers be-	)	
tween Long Beach, California, and	)	
Terminal Island.	)	

O P I N I O N

Applicant operates a passenger stage service on Terminal Island and between Terminal Island and the city of Long Beach, subject to certain restrictions as to local operations in the city. By this application it seeks a fare increase. Applicant now has a basic fare of 10 cents cash, or a token fare of three tokens for 25 cents. It also provides round-trip and commutation fares which, a staff inspection shows, are not being used by the public. Applicant now has two fare zones with an overlap in each direction. The one-zone fare is 10 cents cash or one token. An additional five cents is charged for the second zone.

Applicant proposes to establish one zone only with a fare of 15 cents cash, and tokens to be sold at the rate of two for 25 cents. It is not proposed to provide any other fares in the form of round-trip or commutation tickets because there has been practically no demand for such fares.

The record shows that applicant will continue to operate at a loss if present fares are maintained.

The engineering staff of the Commission has completed an independent study of the estimated results of operation of Terminal Island Transit Company under present and proposed fares for the year

of 1954. Applicant filed similar estimates with its application. The respective estimates, together with a comparative analysis, follows:

ESTIMATED RESULTS OF OPERATION FOR THE YEAR 1954

	<u>Under Present Fares</u>		<u>Under Proposed Fares</u>	
	<u>Applicant</u>	<u>P.U.C. Staff</u>	<u>Applicant</u>	<u>P.U.C. Staff</u>
Mileage	460,614	460,610	460,614	460,610
Revenue	\$163,655	\$163,660	\$181,825	\$180,130
<u>Expense</u>				
Maintenance	\$ 49,422	\$ 46,040	\$ 49,422	\$ 46,040
Transportation	74,557	74,490	74,557	74,490
Traffic	150	160	150	160
Insurance	10,320	10,080	10,320	10,080
Administration	13,300	14,530	13,300	14,530
Operating Rents	1,116	1,120	1,116	1,120
Depreciation	7,295(a)	7,300	7,295(a)	7,300
Operating Taxes	<u>19,006</u>	<u>18,900</u>	<u>19,006</u>	<u>19,240</u>
Total Expenses	\$175,166	\$172,620	\$175,166	\$172,960
Net before Income Taxes	\$ <u>(11,511)</u>	\$ <u>(8,960)</u>	\$ 6,659	\$ 7,170
Income Taxes	-	-	\$ 1,279(d)	\$ 1,440
Net Income	\$ <u>(11,511)</u>	\$ <u>(8,960)</u>	\$ 5,380	\$ 5,730
Operating Ratio % (b)	107.0	105.5	97.0(d)	96.8
Rate Base	\$ 59,769	\$ 74,920(c)	\$ 59,769	\$ 74,920(c)
Rate of Return %	-	-	9.0(d)	7.6

(Red Figure)

- (a) Applicant's estimate of \$4,198 for depreciation expense is for buses only. Hence, correction was made to include all operative plant and equipment.
- (b) After Income Taxes.
- (c) Includes use value assigned to fully depreciated buses.
- (d) Calculations by P.U.C. Staff.

In determining passenger revenue applicant assumed a 5 per cent loss in traffic due to the proposed fare increase, and estimated an 85 per cent token use. The Commission's staff based its estimate on traffic trend, applied a deflection of 5.1 per cent and a 90 per cent token use. The resulting revenue estimates are practically the same. There is little variance in estimated operating expense

although the methods of calculation differed somewhat. Maintenance expense varied approximately \$3,400 as applicant charged all the expense resulting from anticipated reconditioning of buses to operating expense whereas the staff allocated a portion of this cost to capital. A wage increase, effective January 1, 1954, was considered by applicant and staff.

There are a few other minor differences between the applicant's and staff's estimates due to the different methods of approach. In its estimates the staff relied on the past experience of the company and departmental studies.

In past fare increase proceedings of applicant the pontoon bridge on Terminal Island has been an important factor in estimating operating expenses. When the pontoon bridge is inoperative it is necessary for applicant to use an alternate route from Terminal Island to Long Beach via the freeway, which increases operating miles considerably. The pontoon bridge has been raised and repaired by governmental agencies, and in this report no provision has been made for added mileage due to extended bridge closures, such as experienced in the past. Applicant has confirmed the above and has not included additional mileage in its proposal.

The Cities of Long Beach and Los Angeles are not opposing the application. Notices of the request for a fare increase were posted in all buses and at terminals.

We find that the proposed fares and zone changes are justified and will not result in an unreasonable rate of return. The application will be granted. A public hearing is not deemed necessary.

O R D E R

Application having been made, the Commission being fully advised in the premises and having found the proposed fare and zone changes to be justified,

IT IS ORDERED:

(1) That Pete Drake be, and he hereby is, authorized to establish, on not less than five days' notice to the Commission and to the public, the proposed fare and zone changes as hereinabove set forth.

(2) That applicant shall post a suitable explanatory notice of said fare increases in its buses continuously for ten days prior to the time said increases become effective.

(3) That the authority to increase fares as herein granted shall expire unless exercised within sixty days from the effective date hereof.

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

Dated at San Francisco, California, this 9<sup>th</sup> day of February, 1954.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners