

ORIGINAL

Decision No. 50086

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of BAKERSFIELD TRANSIT CO.)
requesting authority for an)
increase in fares.)

Application No. 35145

Curtis Darling, for applicant.
Harold J. McCarthy and William R. Roche,
for the Commission's staff.

O P I N I O N

Bakersfield Transit Company operates as a passenger stage corporation in the transportation of passengers within the City of Bakersfield, and between Bakersfield, East Bakersfield, Oildale, and adjacent areas. By this application, as amended, it seeks authority to increase its present single cash fare from 12 cents to 15 cents, and to assess a charge of 5 cents for each transfer, in lieu of the existing free transfer privilege.¹ No change is proposed in the school fare of 10 cents per ride.

Public hearing was held before Commissioner Scoggins and Examiner Bishop at Bakersfield on March 31 and April 1, 1954. Advance notices of the hearing were posted in applicant's vehicles, published in a newspaper of general circulation in the area served, and sent by the Commission's secretary to interested persons and organizations. Additionally, letters were addressed to representative educational, civic and commercial bodies of the area, pointing out the problems involved in the proceeding and earnestly inviting representatives of the groups addressed to attend the hearing.

¹ In the application as originally filed no charge in the free transfer privilege was sought.

Evidence was introduced by applicant through three witnesses. Transportation engineers of the Commission's staff offered exhibits dealing with the carrier's finances, operations and services. A single public witness offered testimony concerning service matters. Counsel for the Commission's staff assisted in the development of the record.

Applicant's vice president and general manager testified that the company has experienced a sharp decline in the number of passengers handled. For several years prior to the major earthquake which occurred in Bakersfield in 1952, he said, there had been a steady drop in the volume of traffic. Immediately after the quake the downward trend accelerated sharply. This rapid decline the witness attributed to the following circumstances: Directly after the quake people were barred from the downtown area of Bakersfield, and later were deterred from entering that area because of the prolonged series of lesser quakes which was experienced. Some 166 buildings were either demolished by the major temblor or had to be razed subsequently because of their unsafe condition. Some of these structures will not be rebuilt and their sites will be developed into parking lots. Many office buildings have been relocated in outer areas where no parking problem exists. All these developments, according to the witness, have encouraged the public to use their automobiles instead of patronizing applicant's service.² He stated that applicant will never regain the traffic that it has lost as a result of the 1952 earthquake.

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The witness gave as other reasons for the loss of traffic the destruction of two theaters and of some 1300 lower-priced hotel rooms in the downtown area, the growth of drive-in theaters, and the establishment in August 1953 of a local television station.

Applicant's office manager testified regarding a study which he had prepared setting forth the results of the carrier's operations for several years past and containing estimates of the results to be achieved for a representative future period under present and proposed fares. In 1951 the carrier sustained a loss of \$878. For the years 1952 and 1953, the office manager's study showed that applicant earned net operating income, before provision for income taxes, of \$9,253 and \$14,898 respectively. The record indicates that this improved earning position was due largely to economies resulting from the less extensive operations involved during the clearing and reconstruction period following the earthquake.³

The witness pointed out, however, that wages were increased 5 cents per hour, effective September 27, 1953, and that the carrier has signed an agreement which will put into effect an additional wage increase of the same amount on May 30, 1954. These increases in operating costs, together with increases in fuel costs and in State fuel taxes,⁴ were taken into account by the witness in estimating the results of operations for the 12-month period from May 1, 1954 to April 30, 1955. According to the study, the carrier, during the projected rate year, would sustain a loss of \$46,585 under present fares, while under the proposed fare structure it would have a net income, after income taxes, of \$5,964. Operating results for the test year, as estimated by applicant's witness and by the staff

³ The record shows that 208,000 fewer bus miles were operated by applicant in 1953 than in the previous year.

⁴ Increases in fuel costs became effective January 1, 1953, and in fuel taxes July 1, 1953.

engineers, under present and proposed fares respectively, are set forth in Tables I and II below.

TABLE I

AT PRESENT FARES
Estimated Results for Rate Year Ending April 30, 1955

<u>Item</u>	<u>Applicant</u>	<u>Commission Engineers</u>
<u>Operating Revenues</u>		
Passenger	\$296,760	\$292,450
Special Bus	50	-
Other	<u>3,600</u>	<u>4,950</u>
Total Operating Revenues	\$300,410	\$297,400
<u>Operating Expenses</u>		
Equipment Maintenance and Garage	\$ 73,680	\$ 72,850
Transportation	155,570	155,820
Traffic	1,725	1,800
Insurance and Safety	22,690	22,520
Administrative and General	32,765	30,845
Depreciation	31,266	31,280
Operating Taxes and Licenses	29,289	28,719
Amortization of Organization Expense	<u>10</u>	<u>10</u>
Total Operating Expenses	\$346,995	\$343,844
Net Before Income Taxes*	(<u>\$ 46,585</u>)	(<u>\$ 46,444</u>)
Income Taxes	-	\$ 25
Net After Income Taxes	(<u>\$ 46,585</u>)	(<u>\$ 46,469</u>)
Operating Ratio**	115.51%	115.63%

(Red Figures)

* Applicant's estimated results have been amended by eliminating therefrom interest charges.

** After provision for income taxes.

TABLE II

AT 15-CENT FARE AND 5-CENT TRANSFER
Estimated Results for Rate Year Ending April 30, 1955

<u>Item</u>	<u>Applicant</u>	<u>Commission Engineers</u>
<u>Operating Revenues</u>		
Passenger	\$351,964	\$350,180
Special Bus	50	-
Other	<u>3,600</u>	<u>4,950</u>
Total Operating Revenues	\$355,614	\$355,130
<u>Operating Expenses</u>		
Equipment Maintenance and Garage	\$ 73,680	\$ 72,850
Transportation	155,570	155,820
Traffic	1,725	1,800
Insurance and Safety	22,690	22,520
Administrative and General	32,765	30,845
Depreciation	31,266	31,280
Operating Taxes and Licenses	30,750	30,075
Amortization of Organization Expense	<u>10</u>	<u>10</u>
Total Operating Expenses	\$348,456	\$345,200
Net Before Income Taxes*	7,158	9,930
Income Taxes	1,194	1,893
Net After Income Taxes	5,964	8,037
Operating Ratio***	98.32%	97.74%
Rate Base	\$267,786	\$252,750
Rate of Return**	(2.23%**** (2.36% #	3.18%

* Applicant's estimated results have been amended by eliminating therefrom interest charges.

** After provision for income taxes.

*** On applicant's rate base.

On Commission staff rate base.

Both the applicant's witness and the staff engineers developed estimates of operating results for the rate year under a 15-cent fare with no charge for transfers. Such a fare structure

would, according to the carrier witness, result in a loss of \$1,004. The staff engineers estimated a net operating income after taxes of \$2,014, and an operating ratio of 99.42 per cent.

It is clear from Table I that, on the basis of the estimate either of the carrier or of the staff, substantial losses will be sustained if present fares are continued in effect. It is likewise clear that a 15-cent fare alone will not be adequate.

With respect to the estimated results of operations under the proposed fare structure (Table II) the two estimates of operating revenues are so close that any discussion of their elements is unnecessary. As to expenses, the company estimate exceeds that of the Commission's staff by less than one per cent. The only item in this category which requires specific comment is that of salaries of general officers, which are included in Administrative and General Expenses. In applicant's study the total of these salaries, for the projected rate year, was shown as \$16,500. The staff engineers testified that \$14,700 would be in conformity with the level of administrative salaries found to prevail in other transit systems of similar size and character. The amount allowed by the staff engineers appears to be proper.

The rate base estimates, as shown in Table II, differ by \$15,036, or by about 6 per cent. These divergences are due almost entirely to the inclusion of several items in the carrier's rate base which were not embraced in that developed by the staff engineers,⁵ and to differences in the amounts allowed for use value of fully depreciated rolling stock and equipment and for materials and supplies. With respect to the items which are omitted from the staff rate base,

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The items in question were: insurance deposits and prepayments, office change fund, prepaid property taxes and other prepayments.

a Commission engineer asserted that they had been omitted because they in effect constitute a working capital fund. According to the engineer, it is not customary to include such a fund in the rate base of a going transit property, which operates on a cash basis. Applicant's allowance for use value of fully depreciated property was a judgment figure, while that of the staff assertedly was developed by extending the life of such property through the rate year. The allowances for materials and supplies, according to the record, were predicated, in the carrier's study, on an inventory, and, in the staff rate base, on amounts customarily allowed in other proceedings involving transit operators of comparable size.

The estimated operating results, including the rate base, developed in the study of the Commission staff engineers appear to be proper. They will be adopted for the purposes of this proceeding.

At the hearing one of the staff engineers proposed that the carrier, instead of establishing a charge for transfers, make certain changes in its service. This proposal involved abandonment of the carrier's Route No. 9 but not the abandonment of all the services being offered by that route.⁶ This proposal was opposed by the company in its entirety. The staff suggestion of change was first made public at the hearing. No advance notice of it had been given, in order that interested persons might be prepared to appear. The proposal will not be adopted.

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Under the staff proposal that part of Route No. 9 which serves the Homaker tract would be incorporated in Route No. 4. According to the testimony of the engineer, the rerouting into the Homaker tract could be accomplished safely without lengthening the round-trip running time of buses on Route No. 4. Applicant's vice president, on the other hand, stated that in order to maintain present schedules under the proposed plan the average speed of Route No. 4 buses would have to be increased to such a point as to render the operation unsafe.

The president of a Bakersfield department store testified for applicant to the effect that the maintenance of a transit system was essential to the community. He asserted that if applicant were to cease operations the result could be a deterrent to the business interests of the area. He reported that several years ago his company instituted an arrangement, still in effect, whereby his store paid the fares, from and to home, of persons making purchases of \$2.00 or more. He testified that only a few people have taken advantage of this offer. He also testified that the retailers of Bakersfield have initiated a program for the purchase of parking lots on the periphery of the business district. He admitted that this program might be detrimental to the traffic of applicant.

No one appeared in opposition to the authorization of the proposed fares. However, a single public witness testified regarding a service matter. He complained regarding a stop on the No. 2 Route which had been eliminated because of the erection of parking meters at that point. The elimination of the stop made it necessary for the witness to walk two additional blocks from the bus to his work. We here take official notice of the fact that, as a result of a conference with Bakersfield city officials, the bus stop in question has been restored, which satisfies the complaint.

It is clear from the record that applicant is faced with a serious situation, involving constantly declining traffic and revenues. This decline has been sharply accentuated as a result of the major earthquake of 1952 and the consequent changes in the structure of the business district of Bakersfield and in the travel habits of its citizens.⁷ According to testimony adduced at the hearing,

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The record shows that in the last two years applicant has lost about 40 per cent of its traffic. During the same period the daily bus mileage has been reduced by only 23 per cent.

applicant has attempted, through special "Transit" days and other schemes, to encourage a larger patronage of its services, but its efforts in this direction have thus far not been successful. It is clear also that unless some relief through increased fares is accorded the carrier it will sustain heavy losses, which will place its entire operations in jeopardy.

The staff engineers' estimate of operating results for the rate year under the proposed 15-cent fare with 5-cent transfer reflects net operating income, after income taxes, of \$8,037, an operating ratio of 97.74 per cent and a rate of return of 3.18 per cent. These results are not unreasonable.

While the evidence shows that few, if any, transit operators in this State now make a charge for transfers, the 5-cent charge sought herein, if authorized, will not be an innovation in Bakersfield.⁸ In applicant's present circumstances as disclosed by this record and the demonstrated need for increased revenues above the 15-cent fare level, the transfer charge is justified for the particular transit service involved.

An examination of the proposed tariff attached to the application, as amended, discloses that applicant also seeks to establish a charge of one full fare for the transportation of two children under five years of age when accompanied by an adult and to prohibit the transportation of dogs except "Seeing Eye" dogs when accompanied by a blind person.⁹ However, no evidence was adduced in

⁸ Applicant, according to the record, at one time had a charge of 2 cents per transfer, and later a charge of 5 cents. The 2-cent transfer was eliminated in 1949 by authority of Decision No. 43097 in Application No. 30168. The 5-cent transfer was authorized by Decision No. 45536, dated April 3, 1951, in Application No. 31858. The free transfer privilege was restored pursuant to Decision No. 47412, dated June 30, 1952, in Application No. 33120, as amended.

⁹ Under the rules presently in effect, any number of children under five years of age will be carried free when accompanied by parent or guardian, and, in addition to "Seeing Eye" dogs, small lap dogs, when muzzled, will be carried free of charge.

support of either of these proposals. In the circumstances they will not be approved.

Upon careful consideration of all of the evidence of record, the Commission is of the opinion and finds as a fact that the increased fares which are set forth in the order which follows are justified. To this extent the application, as amended, will be granted. In all other respects it will be denied.

O R D E R

Public hearings having been held in the above proceeding, the evidence having been fully considered, and good cause appearing,

IT IS HEREBY ORDERED that applicant be and it is hereby authorized to establish, on not less than ten days' notice to the Commission and to the public, the following changes in fares:

(a) Increase its present one-way fare from 12 cents to 15 cents.

(b) Provide for the issuance of transfers, upon request, at time one-way fare is paid, entitling the passenger to one continuous trip in the same general direction over and upon the portion of its lines not reached by the originating bus, said transfers to be issued subject to a charge of 5 cents, except that no charge will be made for transfers issued at time school children's fare is paid.

IT IS HEREBY FURTHER ORDERED that in all other respects Application No. 35145, as amended, be and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that, in addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed

explanation of its fares. Such notice shall be posted not less than ten days before the effective date of the fare changes and shall remain posted until not less than twenty 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 twenty days after the date hereof.

Dated at San Francisco, California, this 25th day of May, 1954.

John L. Mitchell
President

Justus F. Caswell

Kenneth Potter

Verne Higgins

Commissioners