

**ORIGINAL**Decision No. 50300

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SANTA BARBARA TRANSIT COMPANY, )  
a corporation, to increase rates )  
and fares for the transportation )  
of passengers between Santa Barbara )  
and Montecito, Carpinteria, and )  
Goleta, California. )

Application No. 35167

Robert H. Schwab, Jr., for applicant.  
Hal F. Wiggins, for the Commission's  
Staff.

O P I N I O N

Santa Barbara Transit Company operates as a passenger stage corporation between Santa Barbara, Montecito, Carpinteria, Goleta and points intermediate thereto. By this application, as amended, it seeks authority to increase the single zone cash fare from 10 cents to 15 cents and to sell tokens at the rate of three for 40 cents, or 13-1/3 cents per ride in lieu of 15-cent cash fare. The present charge of 5 cents for each additional zone traversed is to continue in effect. It is proposed also to discontinue the various round-trip and punch card tickets now in use, to increase slightly applicant's school fares, and to revise and more clearly define the limits of its fare zones.<sup>1</sup>

Public hearing was held before Examiner Bishop at Santa Barbara on April 28, 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.

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<sup>1</sup> Applicant's present and proposed fares are set forth in Appendix "A" of this decision.

Evidence was introduced by applicant through its secretary-treasurer and its vice president. A transportation engineer of the Commission's staff offered exhibits dealing with applicant's finances, operations and services. Counsel for the Commission's staff assisted in the development of the record.

According to the record, applicant's stockholders also own and operate the Santa Barbara Motor Coach Corporation, which provides service exclusively within the city limits of Santa Barbara.<sup>2</sup> The record also shows that these two companies maintain a joint office and common garage and maintenance facilities and that the management of the respective city and intercity operations is centered in a single administrative force.

A large part of applicant's operations are devoted to non-utility services. The record discloses that it operates 24 pieces of equipment, five of which are utilized in common carrier transportation and the balance in its school and charter bus operations. According to the application, approximately 54 per cent of the carrier's revenues during 1953 were derived from the school and charter bus services.

The secretary-treasurer testified that applicant's fares have not been increased at any time since the company was first formed about 25 years ago. On the other hand, he said, operating expenses

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Santa Barbara Motor Coach Corporation does not file tariffs with this Commission.

*Deletion*

*✓*

have advanced, particularly with respect to drivers' and mechanics' wages, fuel, oil, equipment and parts, and liability insurance.<sup>3</sup>

As documentary evidence in support of its request, the carrier relied upon the showings contained in the exhibits which were attached to the application, as amended. These exhibits disclose the results of applicant's utility operations for the calendar year 1953 and its estimate of operating results to be experienced under present and proposed fares during the 12-month period beginning April 1, 1954. According to applicant, its utility operations during 1953 resulted in a deficit of \$5,026. The carrier estimated that during the test period it would suffer a loss under present fares of \$6,216 and that under the proposed fare structure net operating income would amount to \$1,519, after provision for income taxes, with operating ratio and rate of return of 97.9 per cent and 6.7 per cent, respectively.

The Commission engineer also submitted estimates of operating results under present and proposed fares. According to the staff study, the carrier would experience, in its common carrier operations during the 12-month period beginning April 1, 1954, a loss of \$5,935 under present fares and a profit of \$1,470 under the proposed fare adjustment, after normal income tax of 25 per cent. The study reflects an estimated operating ratio of 97.6 per cent and a rate of return of 6.9 per cent, after taxes, under the proposed fares.

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The record shows that drivers' and mechanics' wages were last increased through the establishment of fringe benefits in August, 1952, that these benefits were increased a year later, that public liability insurance rates were increased in the latter part of 1952, and fuel taxes in July, 1953. No specific testimony was adduced regarding dates or amounts of increases in the cost of equipment and parts.

Operating results for the test year, as estimated by applicant and by the staff engineer, under present and proposed fares respectively, are shown in Tables I and II below.

TABLE I  
AT PRESENT FARES

Estimated Results for Rate Year Ending March 31, 1955  
(Common Carrier Operation)

<u>Item</u>	<u>Applicant</u>	<u>Commission Engineer</u>
<u>Revenues</u>		
Passenger	\$43,609	\$43,680
Guaranteed	9,000	9,290
Other	<u>3,918</u>	<u>920</u>
Total Revenues	\$56,527	\$53,890
<u>Expenses</u>		
Maintenance	\$14,436	\$14,460
Transportation	27,306	26,470
Traffic	1,520	600
Insurance	4,738	4,510
Administration	6,150	5,920
Depreciation	1,621	1,540
Operating Taxes	<u>6,972</u>	<u>6,325</u>
Total Expenses	\$62,743	\$59,825
Net Revenue	<u>(<del>\$ 6,216</del>)</u>	<u>(<del>\$ 5,935</del>)</u>
Operating Ratio	111.0%	111.0%

(Red Figures)

TABLE II

## AT PROPOSED FARES

Estimated Results of Operation for Rate Year  
Ending March 31, 1955  
(Common Carrier Operation)

<u>Item</u>	<u>Applicant</u>	<u>Commission Engineer</u>
<u>Revenues</u>		
Passenger	\$58,190	\$54,630
Guaranteed	9,000	6,520
Other	<u>3,918</u>	<u>920</u>
Total Revenues	\$71,108	\$62,070
<u>Expenses</u>		
Maintenance	\$16,436	\$14,460
Transportation	27,306	26,470
Traffic	4,580	600
Insurance	4,769	4,510
Administration	6,400	5,920
Depreciation	2,121	1,540
Operating Taxes	<u>7,471</u>	<u>6,550</u>
Total Expenses	\$69,083	\$60,050
Net Before Income Taxes	\$ 2,025	\$ 2,020
Income Taxes*	<u>506</u>	<u>550</u>
Net After Income Taxes	\$ 1,519	\$ 1,470
Operating Ratio**	97.9%	97.6%
Rate Base	\$22,504	\$21,270
Rate of Return	6.7%	6.9%

\* At current rates (normal 25 per cent). ✓

\*\* After income taxes (normal 25 per cent).

It is observed that applicant and the staff both calculate that if the present fares remain in effect the carrier will sustain substantial losses during the projected rate year. It appears unnecessary, therefore, to consider any differences in the bases for the two estimates.

Under the proposed fares applicant estimated that revenues would approximate \$71,000, while the staff engineer's estimate was \$62,000. The large difference between the two figures is due to several factors. The company based its estimate on its 1953 experience and assumed that the same proportion of passengers (30 per cent) who use punch card commutation tickets during that year would use tokens under the proposed fare structure. Deflection factors were calculated on the basis of one half the percentage of proposed fare increases.<sup>4</sup> The staff engineer's estimate is predicated on a traffic check of all of applicant's lines which was made during March of this year and on the trend of traffic for the past five years. He employed deflection and token use factors of 6.9 per cent and 57 per cent, respectively. These, he explained, were determined from Commission staff studies of the effect of fare increases on other passenger stage operations.

Applicant included in its revenue estimate anticipated income from a contemplated extension of service to the new campus of the University of California at Goleta. The secretary-treasurer testified that the campus is to be opened in September and that the University has requested applicant to provide service to and from the campus. The staff engineer did not include in his estimate any revenue from this prospective operation. A third factor contributing to the differences in revenue estimates involved the anticipated receipts under applicant's guaranteed compensation for service to and from the

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<sup>4</sup> This formula, the secretary-treasurer explained, was based on the experience of the Santa Barbara Motor Coach Corporation. Assertedly, when that company increased its fare from 10 cents to 15 cents it lost 22 per cent of its passengers.

Santa Barbara County Hospital.<sup>5</sup> The staff engineer testified that applicant in its estimate had overstated the amount to be received under that contract since it had failed to take into account in connection therewith the effect of the proposed increases in fares.

The staff engineer's revenue estimates appear to be reasonable and will be adopted for the purpose of this proceeding.

With regard to expense estimates for the rate year, the record shows that the company books have been so kept as to charge the common carrier buses individually with direct expenses incurred, such as drivers' wages, repair work, gas, oil and tires.<sup>6</sup> Indirect expenses have been prorated by applicant on a mileage basis between its utility operations on the one hand and its charter and school bus service on the other. Administrative salaries have been allocated on a time basis as between duties performed in connection with operations of applicant and Santa Barbara Motor Coach Corporation, respectively.

The staff engineer testified that, with certain exceptions hereinafter discussed, he based his expense estimates on company practice. It will be seen from Table II, supra, that his estimate for the rate year is less than that of applicant by \$9,000. The divergence in the two estimates is attributable principally to the following circumstances. Applicant included an item of \$2,000 for

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The record discloses that, under the contract in question, the County Hospital guarantees applicant revenue of 35 cents per mile on service from and to the hospital. If the actual revenue is less the hospital pays the difference.

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Applicant's secretary-treasurer testified that the drivers are employed by Santa Barbara Motor Coach, which furnishes them to applicant strictly on a time basis at cost and that Motor Coach also maintains and repairs applicant's equipment, billing the latter for the cost of materials and labor.

deferred maintenance of equipment. The staff engineer testified that he had inspected applicant's vehicles, had found that they were in safe operating condition and, therefore, felt that provision for deferred maintenance was not necessary. Applicant included in its estimate an allowance for traffic expense of \$4,510, whereas the staff witness allowed only \$650 for this account. The carrier's figure included \$4,080 for the salary of a full-time traffic supervisor. The staff engineer asserted that, in his opinion, a five bus operation did not warrant the services of a full-time traffic supervisor. His estimate of administrative salaries, he said, included an allowance for this item.

A difference of about \$500 is reflected in the two estimates of administrative expense. This variance is explained by the fact that the staff engineer did not include in his estimate any provision for the salary of applicant's president. The engineer felt that the allowances for the salaries of the vice president, the secretary-treasurer, and an office employee were adequate for an operation of applicant's size and character. The staff engineer also excluded from his estimate of expenses certain personal expense items which his investigation showed were not proper for rate-making purposes.<sup>7</sup>

The rate base as calculated by applicant, \$22,504, exceeded that computed by the staff engineer by \$1,234, or about 6 per cent. It appears that this difference is attributable to the fact that applicant's rate base reflects depreciated investment in utility property as of December 31, 1952, whereas that of the engineer,

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<sup>7</sup> Among these were allowances for gasoline, other automobile expense and insurance.



\$21,270, was taken at the mid-point of the test year, i. e., September 30, 1954.<sup>8</sup>

The estimates of operating expenses and the rate base developed by the Commission engineer appear to be proper. They will be adopted.

The staff engineer, in the course of his investigation of applicant's operations and finances, gave some consideration to the desirability of a consolidation of applicant with Santa Barbara Motor Coach Corporation. At the hearing he testified that more economical and efficient operation might result if the two services were unified in a single corporation. He indicated that under such an arrangement some administrative and overhead expense might be eliminated and that expenses could be curtailed by the elimination of duplicate or parallel services of the two companies. The engineer stated that in order to ascertain all of the economies that might result from a unification of the urban and intercity services it would be necessary to make a careful study, including a field survey, of all the operations involved.

The engineer introduced an exhibit purporting to show the estimated results of an assumed consolidated operation of applicant and Motor Coach for the 12-month period ending March 31, 1955. According to the exhibit, net revenue under consolidated operations would amount to \$8,610 at present fares, after provision for income taxes at current rates (normal 25 per cent), reflecting an operating ratio of 97.2 per cent, and a rate of return of 5.1 per cent. ✓

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The divergence resulting from the difference in dates selected was partially offset by the fact that the staff engineer included in his rate base estimate an allowance for materials and supplies.

In preparing the consolidated study the engineer had access to the book records of Santa Barbara Motor Coach Corporation, as well as those of applicant. However, his estimate of operating expenses under consolidated operations was largely predicated upon the engineer's judgment of the costs which would normally and reasonably be incurred in a transit operation of the size and character of applicant and Motor Coach, taken as a unit.<sup>9</sup> His judgment assertedly was predicated on the results of numerous studies made by the Commission's staff in connection with other comparable transit operations in Southern California.

On redirect examination applicant's secretary-treasurer<sup>10</sup> testified that both companies were willing to join the Commission's staff in an investigation looking to a consolidation of their operations and, within a reasonable period of time, to work out such a consolidation.

No one appeared in opposition to the application for increased fares.

It is patent from the record that applicant's common carrier operations were conducted at a loss in 1953, and that if its present fares are not increased those operations will continue to reflect substantial deficits. As stated above, under the proposed fares the staff engineer estimated that applicant would earn from its common carrier services during the test year a profit, after income taxes, of \$1,470, with an operating ratio of 97.6 per cent and a rate of return of 6.9 per cent. These operating results are not unreasonable.

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From the record it appears that in respect to some groups of expenses, if not all, the engineer's estimates were substantially less than the combined book figures of applicant and Motor Coach, for the year 1953, for the same expense items.

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The witness testified that he is also secretary-treasurer of Santa Barbara Motor Coach Corporation.

A review of the record suggests that it might be possible through consolidation of applicant with Motor Coach to effect operating economies which would redound to the benefit of both the public and applicant. As stated above, applicant through its secretary-treasurer has expressed a willingness to join the Commission's staff in an investigation looking to a consolidation of the two companies. Accordingly, it is expected that applicant will proceed with a study to determine the effect of consolidation, and that within ninety days from the date hereof it will report its findings to the Commission. The Commission's staff will be expected to cooperate in such study to the extent that applicant may request.

Upon careful consideration of all the evidence of record, the Commission is of the opinion and finds as a fact that the proposed increased fares have been justified. The application will be granted.

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 Santa Barbara Transit Company be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, the passenger fares and other adjustments in station names and zone boundaries as proposed in the application, as amended, filed in this proceeding.

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 five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

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 20<sup>th</sup> day of July, 1954.

Edwin E. Mitchell  
President

Justin J. Adams

Russell Pottel

Gene Roggins

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Commissioners

APPENDIX "A"

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1. Adult One-Way Fares (In Cents)

	<u>Goleta (Airport)</u>		<u>San Marcos Road</u>		<u>La Cumbre Road</u>		<u>De La Vina and State St.</u>		<u>Santa Barbara Station</u>		<u>Hermosillo Drive and Highway 101</u>		<u>Biltmore (Olive Mill Road and 101)</u>	
	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>
San Marcos Road	10	15												
La Cumbre Road	10	15	10	15										
De La Vina and State St.	20	20	10	15	10	15								
Santa Barbara Station	20	25	15	20	10	15	10	15						
Hermosillo Drive and Highway 101	30	40	25	35	20	30	20	30	10	15				
Biltmore (Olive Mill Road and 101)	35	45	30	40	25	35	25	35	15	20	10	15		
Montecito Store (E.Valley Road and San Isidro Road)	35	45	30	40	25	35	25	35	15	20	10	15	10	15
Sheffield Drive and E. Valley Road	40	50	35	45	30	40	30	40	20	25	10	15	10	15
Sheffield Drive and Highway 101	35	45	30	40	25	35	25	35	15	20	10	15	10	15
Summerland	40	50	35	45	30	40	30	40	20	25	15	20	10	15
Carpinteria	45	55	40	50	35	45	35	45	25	30	20	25	15	20

APPENDIX "A"

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1. Adult One-Way Fares (In Cents) - Continued

	Montecito Store (E. Valley Road and San Isidro Road)		Sheffield Drive and East Valley Road		Sheffield Drive and Highway 101		Summerland	
	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>
Sheffield Drive and E. Valley Road	10	15						
Sheffield Drive and Highway 101	-	-						
Summerland	-	-	-	-	10	15		
Carpinteria	-	-	-	-	15	20	10	15

2. Children's Fares

<u>Present</u>	<u>Proposed</u>
Under 5 years - - - - free	Under 5 years - - - - Free
5 - 12 years - One-half fare	Over 5 years: <u>Where Adult Fare Is</u> <u>Children's Fare Will Be</u>
	15 to 30      15
	35 or 40      20
	45 or 50      25
	55      30

APPENDIX "A"

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3. Round-Trip and Commutation Tickets  
In Cents (Except as Noted)

<u>Between</u>	<u>And</u>	<u>Present *</u>			
		<u>Round Trip</u>	<u>\$1.00 Punch Ticket</u>	<u>20-Ride Ticket</u>	<u>6-Ride Ticket</u>
Santa Barbara	Carpinteria	45	5 Fares		
"	Summerland	35	7 Fares		
"	Sheffield & Highway	25	9 Fares		
"	Sheffield & Valley	35	7 Fares		
"	Montecito Store	25	9 Fares		
"	La Cumbre Road	-	14 Fares		
"	Hope Ranch	25	-	\$2.00	
"	San Marcos	25	9 Fares		
"	Goleta	35	7 Fares		\$1.55
"	La Patera	35	7 Fares		

\* It is proposed to cancel all these fares.

4. School Fares

<u>Between</u>	<u>And</u>	<u>Present</u>	<u>Proposed</u>	
		<u>15-Ride Ticket</u>	<u>Where Adult One-Way Fare Is</u>	<u>15-Ride School Ticket Fare Will Be</u>
Santa Barbara	Carpinteria	\$2.50		
"	Summerland	2.00		
"	Sheffield & Highway	1.50	15¢	\$1.35
"	Sheffield & Valley	1.90	20¢	1.80
"	Montecito Store	1.50	25¢	2.25
			30¢	2.70

5. Tokens

Proposed  
3 Tokens for 40¢  
1 Token to be used in lieu  
of 15¢ for one zone