

Decision No. 50774**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
SUNSET STAGES, a corporation, for an	)	
order granting permission to increase	)	Application No. 35435
and adjust and place into effect	)	
certain fares for the transportation	)	
of passengers on its lines.	)	

Ratzer & Bridge, by Collamer A. Bridge, for  
 applicant. William R. Roche, for the Commission's  
 staff.

O P I N I O N

Applicant is a passenger stage corporation rendering service as such pursuant to authority from this Commission in and between the communities of Redondo Beach, Hermosa Beach, Manhattan Beach, Lawndale, Hawthorne and Inglewood, California. The territory it serves is divided into six fare zones. Its base fare of ten cents takes the passenger through the originating zone and the next contiguous zone. An additional five cents is collected for each zone into which transportation is provided after the first two zones. All fares are cash, there are no token, commutation or school fares, and there are no transfer privileges between the various lines of the applicant,

or between applicant's lines and those of any other transit company. At present the fare zones on the various lines vary from one mile to five and one-half miles in length.

By the application herein applicant seeks authority to eliminate the sixth zone, to increase the base fare for one zone to twelve cents, to make the charge applicable to the second zone three cents, and to leave the fares for the additional zones the same as at present, i.e., five cents each. In addition, it seeks more nearly to equalize the length of the fare zones so that, with one exception, they will be four miles or less in length.

A public hearing was held in Los Angeles on October 7, 1954, before Examiner Kent C. Rogers. At that hearing evidence was presented and the matter was submitted. Prior to the hearing, notice thereof was published and posted as required by this Commission. There were no protestants.

Applicant's last fare increase was authorized by this Commission on June 20, 1950, by Decision No. 44408. That decision permitted applicant to discontinue selling tokens at the rate of three for twenty-five cents. A subsequent request by applicant to increase its fares was denied on February 13, 1952 (Decision No. 46754, on Application No. 32483). In this latter decision the Commission admonished the applicant that "In seeking further adjustments in its fares applicant should give consideration to revising its fare structure to a more uniform basis or, in the alternative, to undertake specifically to show the reasonableness of its fare structure as affected by the proposed adjustments." It is in response to this suggestion that applicant seeks to equalize its zone lengths as nearly as possible.

Testimony presented by the applicant's president indicated that during the year 1953 the operations resulted in a loss after income taxes of \$1,572.16, and that for the first six months of 1954 it had a net loss before income taxes of \$9,313.15. A large portion of this loss was attributed to the fact that on July 1, 1953, the drivers' wages were increased from \$1.47 per hour to \$1.67 per hour. This wage will remain the same until July 1, 1955, at which time the wages will be subject to adjustment up or down according to the then existing situation. Further, applicant's liability insurance cost increased from \$17,111 for the year 1953 to an estimated \$20,830 for the year 1954. This figure is subject to reduction in 1955 if applicant has a favorable accident history. In addition to the foregoing, applicant will, during the year 1955, increase its service by consolidating portions of two of its lines into a third line. This change will increase its annual operations by 26,000 miles, and require one additional stage and an average of one and one-half men additional per day. This will increase the cost of transportation by an estimated \$5,100 per year.

Testimony was presented by an engineer of the staff of the Public Utilities Commission. His conclusions are set forth in Exhibit No. 5. This witness stated that if the fare zones are revised, as proposed by the applicant pursuant to the request of the Commission, and the fares are increased in accordance with the request of the applicant, 75 percent of the fares will be increased, 20 percent will remain unchanged, and 5 percent will be reduced. This witness also estimated that with present fares and present zones for the year 1955 applicant

will have an operating ratio of 102.2 percent after income taxes. The witness made a comparison of estimated results of operation under applicant's present fares and proposed zones, under applicant's proposed fares and proposed zones, and under two alternate fare structures with the proposed zones. These estimated results of operation are as follows:

Estimated Results of Operation Under Present,  
Proposed, and Alternate Fare Structures  
For Year Ending September 30, 1955

Item	Under Proposed Zones			
	CASE I Present Fares \$.10-.15-.20: .25-.30	CASE II Proposed Fares \$.12-.15-.20: .25-.30	CASE III Alternate Fares \$.11-.15-.20: .25-.30	CASE IV Alternate Fares \$.11-.16-.21 .26-.31
Mileage	790,000	790,000	790,000	790,000
<u>Revenue</u>				
Passenger	\$261,040	\$276,330	\$268,400	\$276,740
Other	3,300	3,300	3,300	3,300
	<u>\$264,340</u>	<u>\$279,630</u>	<u>\$271,700</u>	<u>\$280,040</u>
<u>Expense</u>				
Maintenance	\$ 54,140	\$ 54,140	\$ 54,140	\$ 54,140
Transportation	136,620	136,620	136,620	136,620
Traffic	410	410	410	410
Insurance	17,170	17,170	17,170	17,170
Administration	15,800	15,800	15,800	15,800
Total Optg. & Mtce. Expense	<u>\$224,140</u>	<u>\$224,140</u>	<u>\$224,140</u>	<u>\$224,140</u>
Depreciation	11,690	11,690	11,690	11,690
Oper. Taxes	23,210	24,090	23,310	24,140
Total Expense	<u>\$259,040</u>	<u>\$259,920</u>	<u>\$259,140</u>	<u>\$259,970</u>
Oper. Ratio %	98.0	93.0	95.4	92.8
Net before				
Income Taxes	\$ 5,300	\$ 19,710	\$ 12,560	\$ 20,070
State & Fed. (52%)				
Income Taxes	1,090	5,810	3,470	5,930
Net Income	<u>\$ 4,210</u>	<u>\$ 13,900</u>	<u>\$ 9,090</u>	<u>\$14,140</u>
Oper. Ratio after				
Income Taxes %	98.4	95.0	96.7	95.0
Est. Rate Base	\$103,200	\$103,200	\$103,200	\$103,200
Rate of Return %	4.1	13.5	8.8	13.7

Applicant's president stated that applicant cannot continue to operate under Case I, that the company wants the fares under Case II, and that the Case III fares are insufficient, and that the Case IV fares are impractical as they would require the driver to carry too much change.

There are differences in the applicant's estimated results of operation for the year 1954 under the proposed increased fares and revised zones (Exhibit No. 3) and the Commission staff's estimate of operations for the year 1954-1955 under the fares proposed by applicant (Case III on Page 15 of Exhibit No. 5) which require comment. Applicant estimates that the mileage per year will be 730,872. This figure does not include dead-head mileage or charter service. The Commission staff's estimate of 790,000 miles per year includes these items. The major difference in the exhibits, however, is found in the estimates of the rate base. Applicant's rate base was figured as of December 31, 1953 (see Exhibit F in the application). The Commission's estimated rate base is figured on the value of the property involved as of the present time (see Pages 12 and 13 of Exhibit No. 5). In addition to the foregoing, it appears that the Commission's staff figured the cost of insurance at the rate it will revert to (\$17,100) if applicant has a good accident record during 1954, whereas the applicant considered the future cost of insurance as \$21,000 per year, the same as at present. According to applicant's witness, if it has a good accident record the cost in 1955 will be substantially as figured by the Commission's staff.

It appears from the record that applicant's estimated results of operation are not realistic in view of the foregoing matters. The estimates of the Commission's staff appear to be reasonable and will be used. The record shows that applicant would continue to operate at a loss under the present fare structure and is entitled to an increase in fares and a revised zone structure, and we so find. We are of the opinion that the applicant's fare proposal, Case II above, fairly reflects results that may be expected from a revised fare structure, as set forth in the order herein, which fares, we find, have been justified and will be authorized. The rate of return of 13.5 percent, calculated on the Commission staff's estimated rate base of \$103,200, we hereby find to be reasonable.

O R D E R

Application having been filed, a public hearing having been held thereon, the matter having been submitted, the Commission being fully advised in the premises, and having found that fares as hereinafter set forth are reasonable and justified:

IT IS ORDERED:

1. That Sunset Stages be, and it hereby is, authorized to amend its Local Passenger Tariff Cal. P.U.C. No. 8, on not less than five days' notice to the Commission and to the public, to establish fares as follows:

Originating zone .....	12 cents
Originating zone and the next contiguous zone .....	15 cents
Each zone after the first two zones .....	5 cents

2. That Sunset Stages be, and it hereby is authorized to revise its zone boundary limits as set out in Appendix "A" attached hereto and by this reference made a part hereof.

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

4. That applicant be and it is directed hereby to post and maintain in its vehicles an appropriate notice showing the changes in fares and zones 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.

5. That, except as herein authorized, Application No. 35435 be, and it hereby is, denied.

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

Dated at San Francisco, California; this 16th day of NOVEMBER, 1954

*John E. Miller*  
President  
*Justin D. Greene*  
*Deane Deagans*  
*Rayle Winters*

Commissioners

Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX "A"

SUNSET STAGES

Line No. Zone 1

- 1,2,3,4,  
5,6,10,11 Between Market St. at Regent St. and Hawthorne Ave. at  
Broadway.  
7 Between Crenshaw Blvd. at Manchester Ave. and Crenshaw  
Blvd. at El Segundo Blvd.  
8 Between Emerald St. at Pacific Coast Highway and Vail  
Ave., at Redondo Beach Blvd.  
9 Between Century Blvd. at Airport Drive and Aviation  
Blvd. at Imperial Highway.

Zone 2

- 1 Between Hawthorne Ave. at Broadway and Hawthorne Ave.  
at 173d Street.  
2 Between Hawthorne Ave. at Broadway and Dow Ave. at  
Manhattan Beach Blvd.  
3 Between Hawthorne Ave. at Broadway and Rosecrans Ave.  
at Highland Ave.  
4 Between Hawthorne Ave. at Broadway and Inglewood Ave.  
at 164th St.  
5,6 Between Hawthorne Ave. at Broadway and Hawthorne Ave.  
at 173d St.  
7 Between Crenshaw Blvd. at El Segundo Blvd. and Hawthorne  
Ave. at 173d St.  
9 Between Aviation Blvd. at Imperial Highway and Aviation  
Blvd. at Rosecrans Ave.  
10 Between Hawthorne Ave. at Broadway and Prairie Ave. at  
Redondo Beach Blvd.  
11 Between Hawthorne Ave. at Broadway and Doty Ave. at  
Manhattan Beach Blvd.

Zone 3

- 1 Between Hawthorne Ave. at 173d St. and Hermosa Ave. at  
Pier Ave.  
2 Between Dow Ave. at Manhattan Beach Blvd., and Hermosa  
Ave. at Pier Ave.  
3 Between Rosecrans Ave. at Highland Ave. and Hermosa  
Ave. at Pier Ave.  
4 Between Inglewood Ave. at 164th St. and Hermosa Ave. at  
Pier Ave.  
5 Between Hawthorne Ave. at 173d St. and Hawthorne Ave.  
at 179th St.  
6 Between Hawthorne Ave. at 173d St. and Electric St. at  
Regina Ave.  
9 Between Aviation Blvd. at Rosecrans Ave. and Rosecrans  
Ave. at Highland Ave.



APPENDIX "A" (Continued)

Line No.    Zone 4

- 1      Between Hermosa Ave. at Pier Ave. and Pacific Coast Highway at Ave. I.
- 2      Between Hermosa Ave. at Pier Ave. and Pacific Coast Highway at Ave. I.
- 3      Between Hermosa Ave. at Pier Ave. and Torrance Blvd. at Catalina Ave.
- 4      Between Hermosa Ave. at Pier Ave. and Emerald St. at Pacific Coast Highway.
- 9      Between Rosecrans Ave. at Highland Ave. and Hermosa Ave. at Pier Ave.

Zone 5

- 1      Between Ave. I at Pacific Coast Highway and Reece Rd. at Linda Drive.
- 9      Between Hermosa Ave. at Pier Ave. and Emerald St. at Pacific Coast Highway.