AM

Decision No. 51066

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of FOSTER TRANSPORTATION, INC., a California corporation, for authority to increase fares and charges pursuant to Sections 454 and 491 of the Public Utilities Code of the State of California.	Application No. 35835

O P I N I O N

Applicant operates a passenger stage service within and between the Cities of Alhambra, Monterey Park, San Gabriel and the adjacent area. It seeks authority to increase its adult and school fares as hereinafter set forth. As justification for its requests it is alleged that operating losses have been incurred annually since 1947 despite prior fare increases granted by this Commission in Decisions Nos. 46466 and 48245; that the losses were principally due to higher costs of labor, materials, insurance, taxes and license fees; and that a further increase is necessary if applicant is to continue in business.

Applicant's financial condition as of May 31, 1954, was as follows:

Total Assets (Tangible)	$ 51,776.99
Total Liabilities	56,284.13
Net Worth	$(4,507.14)
Represented by:	
Capital Stock Outstanding	$ 8,000.00
Deficit	$(12,507.14)
	$(4,507.14)

(Red Figure)

In support of its position applicant submitted additional financial data which has been analyzed by a Commission staff transportation engineer who also prepared his report based on applicant's present and proposed fares, setting forth estimates of revenue, expenses, and results of operation.

The following table shows present and proposed fares, and estimated number of passengers and revenue for the year 1955:

Type of Fare	Estimated Passengers	Fare	Revenue
	Present Fares		
One Zone			
Adult - Cash	545,980	$.15	$81,900
Adult - Tkt. 21/3.00	18,590	.1429	2,660
School - Tkt. 33/3.00	75,540	.0909	6,870
	640,110	$.1428	$91,430
Two Zone			
Adult - Cash	157,450	$.20	$31,490
Adult - Tkt. 16/3.00	9,200	.1875	1,730
School- Tkt. 25/3.00	14,040	.1200	1,680
	180,690	$.1931	$34,900
	Proposed Fares		
One Zone			
Adult - Cash	519,770	$.17	$88,360
Adult - Tkt. 18/3.00	17,700	.1667	2,950
School- Tkt. 27/3.00	71,910	.1111	7,990
	609,380	$.1630	$99,300
Two Zone			
Adult - Cash	149,890	$.22	$32,980
Adult - Tkt. 14/3.00	8,760	.2143	1,880
School- Tkt. 21/3.00	13,370	.1429	1,910
	172,020	$.2138	$36,770

The following is a portion of the Commission engineer's analysis and comparative study of the results of operation and explanatory comments:

	Present Fares		Proposed Fares	
	(a) Applicant	(b) P.U.C. Staff	(a) Applicant	(b) P.U.C. Staff
Mileage	490,542	490,540	490,542	490,540
Revenue				
Passenger	$129,189	$126,330	$139,298	$136,070
Contract	44,347	44,800	44,347	44,800
Other	1,775	2,600	1,775	2,600
	$175,311	$173,730	$185,420	$183,470
Expense				
Maintenance	$ 35,466	$ 37,370	$ 35,466	$ 37,370
Transportation	88,298	85,070	88,298	85,070
Traffic	736	720	736	720
Insurance	8,879	8,550	8,879	8,550
Administration	12,214	13,650	12,214	13,650
Operating Rents	17,169	12,390	17,169	12,390
Depreciation	2,453	3,500	2,453	3,500
Operating Taxes	16,826	16,270	16,826	16,400
	$182,041	$177,520	$182,041	$177,650
Net before Income Taxes	$(6,730)*	(3,790)	3,379 *	5,820
Income Taxes	25	25	690 *	1,400
	$(6,755)*	$(3,815)	$ 2,689 *	$ 4,420
Operating Ratio % (c)	103.9*	102.2	98.5*	97.6
Rate Base	$ 51,777(e)	$ 29,530(d)	$ 51,777(e)	$29,530(d)
Rate of Return %	-	-	5.2*	15.0

(a) 12 Months ending September 30, 1955
(b) 12 Months ending December 31, 1955
(c) After Income Taxes
(d) Rate Base 75% depreciated
(e) Total assets from Balance Sheet
* Calculated by P.U.C. Staff

(Red Figure)

The estimates of revenue and expenses in the tabulation above are not completely comparable because of the different periods of time involved. The differences are not significant.

Applicant based its passenger revenue estimate on company records for the 12-month period ending September 30, 1954, which was increased according to proposed fares and reduced by an estimated 5% deflection for traffic loss due to increased fares.

The staff analyzed the trend of traffic in the Alhambra area for a recent period of time and based its estimate on the present level of traffic. The slope of the trend was downward from January 1953 until the fall of 1954 when it appears to have leveled off. The staff estimate provides for 4.8% traffic loss due to increasing fares.

In addition to the regular scheduled line revenue accruing from common carrier operations, this operator has substantial school bus transportation contracts producing $44,800 annual revenue, about 25% of total revenue. The contract operations are comingled and integrated with the common carrier operation and there is not a segregation of operating expenses.

Applicant based its expense estimate on company records for the year ending September 30, 1954. Applicant did not include depreciation expense for three recently acquired buses, and included interest on equipment obligations. Also, since filing the subject application, applicant has renegotiated its union wage agreement and increased wages 5 cents per hour effective December 1, 1954, which increase in expense is not reflected in its estimate. Further, applicant included the total assets from the balance sheet as a rate base rather than the depreciated value of the operative property.

The staff, in its estimate of operating expenses, provided for the increase in wages in accounts involving labor, included all depreciation expense, and eliminated interest charges. The salary allowed for manager of $6,000 was transferred from the transportation account to the administrative account. To this was added an estimated amount to provide for other administrative and office expenses. The resulting figure for total administration is about 10% of the underlying expense accounts, which compares favorably with the experience of other operators in the bus industry.

Applicant had six buses leased from Crown Body & Coach Corporation at the time it filed this application, and included a full year's rental for each bus in its estimate of operating expenses. The lease-rental agreement with Crown Body & Coach Corporation provides that the rental of a bus is reduced each succeeding year for the same piece of equipment. The staff estimated rental according to the number expected to be leased by applicant and the rates that will apply during the year involved in its estimate. Under the terms of the lease-rental agreement the applicant may purchase the bus for one dollar after having paid rent on it for five years. Applicant intends to acquire two Ford Transit buses, Nos. 46 and 47, early in 1955, which are now leased.

The staff and applicant, in many cases, used different methods of approach in preparing the respective estimates. Under present fares an operating deficit is indicated by both applicant and staff. Under proposed fares applicant estimates a net annual income of $2,689, with operating ratio 98.5% and rate of return 5.2%. The staff's corresponding figure is $4,420, with operating ratio 97.6% and rate of return 15%. This rate of return is due to the highly depreciated condition (approximately 75%) of applicant's operative property included in the rate base. Applicant's rate of return resulted from the inclusion of all of its assets listed in the balance sheet rather than the depreciated value of its operative property.

The application was not opposed, although notice thereof was posted in all of applicant's buses, and service by mail was made to all interested local authorities.

The Commission having fully considered the application, is of the opinion and finds that the proposed fare increase is justified and that it will produce a reasonable return. A public hearing is not deemed necessary.

ORDER

Application having been made, 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 Foster Transportation, Inc., a California corporation, be, and it hereby is, authorized to establish on not less than five days' notice to the Commission and to the public the following fares and rates:

FARES

One Zone

Adult - Cash	17 cents
Adult - Ticket	18-ride, $3.00
School - Ticket	27-ride, $3.00

Two Zone

Adult - Cash	22 cents
Adult - Ticket	14-ride, $3.00
School - Ticket	21-ride, $3.00

(2) That in addition to the required filing of tariffs, applicant shall give notice to the public by posting in its buses a statement of the fare changes. The notices shall be posted at least five days prior to the effective date of the fare changes, and shall remain posted for not less than ten days thereafter.

(3) The authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 1st day of February, 1955.

Peter E. Mitchell
President

Justus F. Craemer

Ray E. Untereiner

Matthew J. Dooley

COMMISSIONERS