

ORIGINALDecision No. 5116S

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Charles C. Towle doing business as)
 Highland-Patton Bus Line for approval)
 of proposed increases in rates of)
 fare.)

Application No. 36208

O P I N I O N

Applicant operates a certificated passenger stage service in the City of San Bernardino and between said city and the adjacent unincorporated communities of Victoria Gardens, Del Rosa, Highland and Patton.

By this application it seeks authority to increase its adult cash and ticket fares as follows:

ADULT FARES

<u>One-Zone</u>	<u>Present</u>	<u>Proposed</u>
Cash	\$.10	\$.15
Ticket	None	(5/\$.50) .10
<u>Two-Zone</u>		
Cash	\$.15	\$.20
Ticket	(16/\$2.00) .1250	(5/\$.50 plus \$.05) .15
<u>Three-Zone</u>		
Cash	\$.20	\$.25
Ticket	(12/\$2.00) .1667	(5/\$.50 plus \$.10) .20

No change is proposed in children's or school fares.

Results of operation for the year ending October 31, 1954, together with applicant's and the Commission staff's estimated

results of operation under present and proposed fares are as follows:

	Applicant's Book Record For 12 Mos. End. 10-31-54	Present Fares		Proposed Fares	
		Applicant (a)	Staff (b)	Applicant (a)	Staff (b)
Mileage	321,428	328,964	335,550	328,964	335,550
<u>Revenue</u>					
Passenger	\$86,474	\$90,362	\$92,660	\$100,224	\$98,370
Other	586	575	590	575	590
	<u>\$87,060</u>	<u>\$90,937</u>	<u>\$93,250</u>	<u>\$100,799</u>	<u>\$98,960</u>
<u>Expense</u>					
Maintenance	\$17,080	\$20,752	\$19,810	\$20,752	\$19,810
Transportation	43,620	46,639	47,610	46,639	47,610
Station	1,200	1,200	1,200	1,200	1,200
Traffic	454	450	460	450	460
Insurance	6,617	6,943	6,070	6,943	6,070
Administration	1,778 ^(e)	8,898	7,920	8,898	7,920
Depreciation	4,089	3,841	1,920	3,841	1,920
Operating Taxes	8,529	9,452	8,850	9,452	8,980
	<u>\$83,367</u>	<u>\$98,175</u>	<u>\$93,840</u>	<u>\$98,175</u>	<u>\$93,970</u>
Net before					
Income Taxes	\$ 3,693	<u>\$(7,238)</u>	<u>\$(590)</u>	\$ 2,624	\$ 4,990
Income Taxes	643*	-	-	400*	940
Net Income	<u>\$ 3,050*</u>	<u>\$(7,238)</u>	<u>\$(590)</u>	<u>\$ 2,224*</u>	<u>\$ 4,050</u>
Operating Ratio ^(c) %	96.5*	108.0*	100.6	97.8*	95.9
Estimated Rate					
Base	\$25,110*	\$25,434	\$23,380 ^(d)	\$25,434	\$23,380 ^(d)
Rate of Return %	12.1*	-	-	8.7*	17.3

(a) 12 Months ending September 30, 1955

(b) 12 Months ending December 31, 1955

(c) After Income Taxes

(d) Rate Base 80% depreciated

(e) Not adjusted to include remuneration for owner's services

* Calculated by P.U.C. Staff

(Red Figure)

Applicant estimated adult passenger traffic under both present and proposed fares by assuming a 6 per cent current decline from the previous year without regard to trend and estimated school traffic on the basis of the present school year ticket usage.

The staff analyzed the trend of adult passenger traffic and found that there had been a downward trend during 1953 which leveled off about March of 1954 and became stabilized during the

last 8 months of 1954 with a slight indication of a rise. The staff based its estimate of adult travel on the present level of traffic established in the latter part of 1954. The staff investigated applicant's estimate of school traffic, which appeared reasonable, and adopted it for use in its report.

Applicant based its expense estimate on company records for the year ending September 30, 1954, adjusted to reflect wage increases effective January 1, 1955. On the latter date the operator's wage rate was increased from \$1.56 per hour to \$1.65 per hour, with corresponding increases in mechanical labor. Applicant's book record of administration expense did not include owner's drawing account, but that expense is reflected in its estimate. Applicant's tax estimate is based on proposed fares and does not include any adjustment for weight fee credit. Applicant's rate base includes a use value of \$1,100.00 each for 6 buses, which are fully depreciated, plus a small amount for fully depreciated shop equipment.

The staff estimate of operating expenses provides for the increase in wages in accounts involving labor. Expenses such as gasoline, insurance, etc., and taxes reflect current cost levels. Under the administration account, the staff estimate includes a prorata share of an allowance for the owner's salary and other necessary office expenses. The Highland-Patton Bus Line and the Fontana Transit Lines are both operated from the same office and garage in San Bernardino. Applicant is also co-owner with Melvin H. Bunting of Fontana Transit Lines. The staff estimate of rate base reflects full depreciation accrual for several units of equipment during the rate year and an extension of lives for two used buses from the company two-year life to a five-year life. An allowance for use value of fully depreciated equipment, developed on a similar basis to that used in previous staff studies, is included in the rate base.

A review of the estimated results of operation of applicant and staff indicates an operating loss under present fares. Under proposed fares the applicant estimates a net annual earning of \$2,224 after income taxes, with an operating ratio of 97.8 per cent and rate of return of 8.7 per cent. The staff's corresponding figure is \$4,050, with operating ratio of 95.9 per cent and rate of return of 17.3 per cent. The seemingly high rates of return result from the fact that the rate base is depreciated to approximately 20 per cent of the original book cost of the property.

Considering the relatively low net annual earnings under the above estimates, the indicated operating ratio of approximately 98 per cent by applicant and 96 per cent by the staff and the substantially depreciated rate base, the Commission is of the opinion and finds that the proposed increase in fares is justified and reasonable.

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 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 that fares as hereinafter set forth are justified and reasonable,

IT IS ORDERED:

(1) That Charles C. Towle, doing business as Highland-Patton Bus Line, be, and he hereby is, authorized to establish on not less

than five days' notice to the Commission and to the public the following increased adult fares:

<u>Type of Fare</u>	<u>Fare</u>	
	<u>Cash</u>	<u>Ticket</u>
One-Zone	\$.15	One ticket*
Two-Zone	.20	One ticket* plus \$.05
Three-Zone	.25	One ticket* plus .10

*Tickets to be sold in books of five tickets for 50 cents.

(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 MARCH, 1955.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners