

Decision No. 51228**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Peerless Stages, Incorporated,) Application No. 36526
requesting authority to increase)
certain of its rates of fare.)

John F. Balaam, for applicant.
John B. Ficklin, for City of Hayward.
L. H. Gulick and John Pearson, for the
Transportation Division, California
Public Utilities Commission.

O P I N I O N

Peerless Stages, Inc., is a passenger stage corporation operating between Oakland and San Jose, Santa Cruz, Palo Alto and intermediate points. By this application it seeks authority to increase all passenger fares by 15 per cent except local fares between San Jose, Los Gatos and Saratoga and intermediate points (hereinafter called Los Gatos Division) and to adjust all resulting fractional fares upward to the next higher cent.

The application was filed December 4, 1954, and a public hearing was held at Oakland before Examiner J. E. Thompson on February 10, 1955. Advance notices of the hearing were posted in applicant's vehicles, published in newspapers of general circulation in the area served, and sent by the Commission's secretary to interested persons and organizations.

Applicant's existing fare structure is comprised of one-way and round-trip fares, 30-ride school fares, and 10- and 20-ride family fares. The basic present one-way adult fare structure is approximately 2.8 cents per mile. The over-all adjustment would increase the one-way adult fare structure to approximately 3.2 cents per mile.

Evidence relative to the proposed fare adjustments was introduced by applicant's traffic manager and by its auditor, and by an engineer of the Commission's Transportation Division. The traffic manager testified that the present fares are insufficient to cover the cost of operation and that continued losses may jeopardize the ability of the company to provide adequate service. The witness stated the company has attempted to perform service at high operating efficiency. It has purchased six new busses during the past four years and will receive delivery of an additional three new busses in April, 1955. He asserted that all operating economies which would not impair the service to the public have been made.

As hereinbefore indicated applicant does not seek an increase in fares for the Los Gatos Division. The traffic manager testified that the division has maintained a uniform level of traffic and has earned revenues approximating full costs of operation. He stated that the reasons for not seeking an increase for this division are that a portion of the area is served by competing carriers and that a further increase in the one-way fares would require assessing federal transportation taxes.

An exhibit showing the actual results of operations under the present fares, as indicated by applicant's books, was submitted by the auditor. The exhibit shows that for the 12-month period ended October 31, 1954, operations were conducted at a loss amounting to \$32,740.

Applicant's traffic manager and the Commission engineer introduced studies showing forecasts of the results of operation under the present and proposed fares for the 12-month period ending February 29, 1956. Both witnesses were of the opinion that a substantial operating loss would be experienced if the present fares were continued during the period in question. The forecasts of the witnesses

are set forth in the following tabulation:

Estimated Results of Operations for the
Twelve Months Ending February 29, 1956
Under the Present and Proposed Fares

	<u>Applicant</u>		<u>Commission Engineer</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Revenues</u>				
Passenger	\$429,000	\$459,000	\$430,810	\$466,850
Other	112,450	112,450	117,440	117,440
Total Revenues	\$541,450	\$571,450	\$548,250	\$584,290
<u>Expenses</u>				
Maintenance	\$ 94,233	\$ 94,233	\$ 95,300	\$ 95,300
Transportation	236,000	236,000	230,880	230,880
Station	18,276	18,276	17,000	18,300
Traffic and Advertising	15,974	15,974	15,900	15,900
Insurance and Safety	61,479	61,479	45,250	45,250
Administrative and General	43,453	43,453	40,000	40,000
Depreciation	53,200	53,200	41,030	41,030
Operating Taxes	58,761	58,761	59,020	60,090
Operating Rents	16,634	16,634	14,080	14,080
Total Operating Expenses	\$598,010	\$598,010	\$558,460	\$560,830
Net Operating Income or Loss	(<u>\$56,560</u>)	(<u>\$26,560</u>)	(<u>\$10,210</u>)	\$ 23,460
Income Taxes (State and Federal)	-	-	-	\$ 6,660
Net Operating Income	(<u>\$56,560</u>)	(<u>\$26,560</u>)	(<u>\$10,210</u>)	\$ 16,800
Operating Ratio after Taxes	110.4%	104.6%	101.9%	97.1%
Rate Base	\$369,390	\$369,390	\$376,800	\$376,800
Rate of Return	-	-	-	4.46%

() - Indicates Loss.

Although there are differences in the estimates of applicant and the Commission engineer, it is clear from the tabulation shown that the company would experience an operating loss under present fares and that even under the most favorable basis the proposed fares would produce an operating ratio of 97.1% after taxes. No one appeared in opposition to the authorization of the proposed fares.

Conclusions

The foregoing tabulated operating results estimated by the Commission engineer are hereby adopted as reasonable for prescribing rates for this carrier. Based upon the evidence in this proceeding, we hereby find that the proposed rates will produce an operating ratio after income taxes of 97.1 and a rate of return of 4.46 per cent on a rate base of \$376,800.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that the 15 per cent increase in fares sought in this proceeding is justified. In view of the immediate need for increased revenues, applicant will be authorized to make the changes on less than statutory notice.

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 Peerless Stages, Inc., be and it is hereby authorized to establish on not less than five days' notice to the Commission and to the public, increased fares as proposed in the application 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 busses 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 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 Los Angeles, California, this 21st day of March, 1955.

Arthur E. Parker
President
Justus J. Caswell
Paul Kuntzevich
William J. ...
Commissioners