

ORIGINAL

Decision No. 51393

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SAN BERNARDINO VALLEY TRANSIT COMPANY,)	
a corporation, to increase certain)	Application No. 36572
fares for the transportation of)	
passengers.)	

O P I N I O N

By this application, as amended, applicant proposes to increase the adult ticket rate per ride from 5 for 50 cents or 10 cents per ride to 9 for \$1.00 or 11.11 cents per ride. No change is proposed in the adult cash fare or the school ticket rate. Also no change is contemplated in the existing fare zone limits.

Applicant conducts passenger bus transportation service in and between the cities of San Bernardino and Colton and surrounding territory. The present fare structure is based on a three-zone system. The adult cash fare is 15 cents for one zone, with 5 cents additional for each successive zone traveled. Reduced fare commutation tickets are sold at the rate of 5 for 50 cents or 10 cents each, good for a single-zone ride. A ticket plus 5 cents cash is good for a two-zone ride, and a ticket plus 10 cents cash is good for a three-zone ride. School tickets are sold at the rate of 36/\$3.00 (.0833) single zone, 36/\$4.50 (.1250) two zone, and 36/\$6.00 (.1667) three zone. Transfers between lines are free. There is no transfer or joint fare arrangement with connecting carriers.

The Commission's staff made an analysis of operating expenses and a summary showing estimated results of operation.

Applicant filed similar estimates with its amended application. A comparison of the book operating results and of estimated future results is shown below:

	Applicant's Book Record For 12 Mos. End. 12-31-54	Present Fares		Proposed Fares	
		Applicant (a)	P.U.C. Staff (b)	Applicant (a)	P.U.C. Staff (b)
Mileage	991,827	972,000	969,500	972,000	969,500
<u>Revenue</u>					
Passenger	\$368,832	\$370,800	\$347,500	\$380,000	\$365,450
Other	<u>7,072</u>	<u>7,500</u>	<u>7,070</u>	<u>7,500</u>	<u>7,070</u>
	\$375,904	\$378,300	\$354,570	\$387,500	\$372,520
<u>Expense</u>					
Maintenance	\$ 80,377	\$ 77,300	\$ 77,640	\$ 77,300	\$ 77,640
Transportation	203,109	204,600	197,400	204,600	197,400
Traffic	2,172	2,500	2,170	2,500	2,170
Insurance	16,180	18,274	16,970	18,700	16,970
Administration	24,283	23,710	21,790	23,710	21,790
Operating Rents	2,545	2,545	2,550	2,545	2,550
Depreciation	17,006	15,639	11,810	15,639	11,810
Operating Taxes	<u>33,059</u>	<u>31,400</u>	<u>31,670</u>	<u>31,500</u>	<u>31,950</u>
	\$378,731	\$375,968	\$362,000	\$376,494	\$362,280
Net Before Inc.					
Tax	\$ <u>(2,827)</u>	\$ 2,332	\$ <u>(7,430)</u>	\$ 11,006	\$ 10,240
Income Taxes (c)	\$ 25*	\$ 371	\$ 25	\$ 3,282	\$ 2,800
Net Income	<u>(2,852)*</u>	1,961	<u>(7,455)</u>	7,724	7,440
Rate Base (d)	67,400 *	54,730*	54,730	54,730*	54,730
Rate of Return %	-	3.6*	-	14.1*	13.6
Operating Ratio					
After Inc. Tax %	100.8 *	99.5	102.1	98.0	98.0

- (a) 12 Months ending February 29, 1956. *Calculated by P.U.C. Staff.
 (b) " " " " " " (Red Figure)
 (c) Federal income tax based upon current rate of 52 per cent.
 (d) Rate Base 85% depreciated.

Applicant based its estimate of revenue on the level of traffic prevailing during the last 6 months of 1954, as fares were increased in July 1954. A loss in traffic of 2½% due to the proposed increase in fares was estimated. School traffic was estimated at its present level.

The staff developed its revenue estimate after analyzing the trend of adult passenger traffic during 1953 and 1954. During 1953 there was a decided downtrend of traffic, which continued

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through 1954 but at a decreasing rate in the latter part of 1954.

The distribution of fares by zones was based on a traffic check conducted Tuesday, Wednesday, and Thursday, January 18, 19 and 20, 1955. The average traffic under present fares for the rate year was estimated at 8.4% below the level of the last half of 1954. Under proposed fares it is estimated that there will be additional traffic loss of about 4.5% due to increased fares. The estimate of school traffic was based on the record of tickets honored on school days from September through December 1954 expanded to the total days in the school year. The applicant's revenue estimate makes no provision for any further downtrend in traffic and results in a higher estimate.

Applicant based its expense estimate on company records from July to December 1954, adjusted to provide for increases in labor rates according to the terms of the wage agreement contract. The staff estimate of operating expense also includes increases in wages resulting from the current contract. The present wage scale for operators is \$1.70 per hour, which is to be increased effective April 1, 1955 to \$1.76 per hour with certain curtailment in fringe benefits, primarily that of increasing the spread time from 11 hours to 12 hours. The mechanic's rate of pay is to be increased from \$1.95 per hour to \$1.99 per hour. Expenses such as gasoline, diesel fuel, insurance, etc., and taxes represent current cost levels. Under transportation expense, the staff excluded from operating expenses the "bonuses" paid to the superintendent of transportation as the regular salary, for rate-making purposes, was deemed ample for the responsibilities involved. The estimate for administrative expense was likewise adjusted to exclude bonuses. After reviewing the estimated lives for buses on a remaining life basis the staff extended the life of certain equipment to 12 years,

which accounts for the lower estimate of depreciation expense by the staff. Applicant's fleet comprises 36 buses, 22 of which are fully depreciated. An allowance for use value of fully depreciated equipment, developed on a similar basis to that used in previous studies, is included in rate base by the staff.

The public has been informed of applicant's proposal to increase passenger fares. Local authorities were notified by copies of both original and amended applications. Notices were posted in the buses and terminals of applicant. Applicant contemplates no material changes in routes or schedules during the forthcoming year. The application was not opposed.

Under present fares the applicant estimates a net annual income after taxes of \$1,961 with an operating ratio of 99.5% and a rate of return of 3.6%, while the staff estimates an operating loss. Under proposed fares the applicant's estimate of net annual income is \$7,724 with an operating ratio of 98% and a rate of return of 14.1%. The staff's estimate under proposed fares is \$7,740 yearly net income, with an operating ratio of 98% and a rate of return of 13.6%. The difference in the estimates of operating results under the fares sought is minor and discussion thereof is not necessary. However, the seeming high rate of return is accounted for by the fact that the rate base is depreciated down to only 15 per cent of the original book cost. When viewed in connection with the operating ratio of 98.0 per cent and net revenue after taxes of about \$7,200 the rate of return is reasonable.

The Commission having considered the estimated results of operation as hereinabove set forth is of the opinion and finds that an increase in fares as hereinafter set forth is justified. 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 San Bernardino Valley Transit Company, a corporation, be and it hereby is authorized to establish, on not less than one day's notice to the Commission and to the public, increased fares as follows:

<u>ADULT FARES</u>	<u>Cash</u>	<u>Ticket or Token</u>
1-Zone	15¢	9/ \$1.00
2-Zone	20¢	1 ticket plus 5¢
3-Zone	25¢	1 ticket plus 10¢

(2) That except as herein authorized, San Bernardino Valley Transit Company shall retain and continue to publish the fares heretofore authorized.

(3) That applicant be, and it hereby is, directed to post and maintain in its vehicles a notice of the increased fares herein authorized. Such notice shall be given not less than five days prior to the effective date of such fares and shall remain posted continuously for a period of not less than thirty days.

(4) That 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 26th day of April, 1955.

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

COMMISSIONERS