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Decision No. 52853

ORIGINAL

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 fares for the transportation of passengers, and application for permission to discontinue portion of service on Routes 1, 2 and 4.	Application No. 37601

O P I N I O N

Applicant operates a passenger stage service in the City of San Bernardino and vicinity and between San Bernardino and the City of Colton. By this application, as amended, it requests authority to increase its adult fares. By amendments, applicant withdrew its requests to curtail service and increase school fares.

Present and proposed fares are as follows:

	Present Fare	Proposed Fare
Adult Cash	15 cents	15 cents
Adult Tickets	9 for $1.00 (11.11¢)	8 for $1.00 (12.5¢)
Adult Multiple Zone	5¢ additional for each of 2 zones	No change
Transfer	Free	Free

Applicant has no transfer or joint fare arrangement with connecting carriers.

The Commission's staff estimates that, for the year ending October 31, 1956, total passengers will decrease from 2,847,080 if present fares are continued, to 2,808,400 under proposed fares, and that total passenger fare revenue will increase, respectively, from $358,880 to $375,300.

A comparison of applicant's and the staff's estimated results of operation, under present and proposed fares, for said period is as follows:

	Applicant's Book Record 12 Mos.End. 10-31-55	Present Fares		Proposed Fares	
		Applicant	P.U.C.Staff	Applicant	P.U.C.Staff
Mileage	959,879	959,879	959,880	959,879	959,880
Revenue					
Passenger	$362,659	$363,481	$358,880	$379,824	$375,300
Other	8,704	6,490	7,500	6,500	7,620
	$371,363	$369,971	$366,380	$386,324	$382,920
Expense					
Maintenance	$ 78,272	$ 81,804	$ 80,760	$ 81,804	$ 80,760
Transportation	196,345	202,647	198,990	202,647	198,990
Traffic	2,530	3,700	3,270	3,700	3,270
Insurance	17,418	20,187	17,200	21,068	17,200
Administration	23,863	24,970	22,340	24,670	22,340
Operating Rents	2,533	2,533	2,530	2,533	2,530
Depreciation	15,671	14,132	8,700	14,132	8,700
Oper. Taxes	31,331	30,521	30,020	30,727	30,290
	$367,963	$380,494	$363,810	$381,281	$364,080
Net before Inc. Tax	$ 3,400	$(10,523)	$ 2,570	$ 5,043	$ 18,840
Income Taxes	560*	25	590	1,404	5,930
Net Income	$ 2,840*	$(10,548)	$ 1,980	$ 3,639	$ 12,910
Oper. Ratio after Income Taxes %	99.2*	102.9	99.5	99.1	96.6
Rate Base	-	$ 67,640	$ 45,675**	$ 67,640	$ 45,675**
Rate of Return %	-	-	4.3	5.4	28.3

* Calculated by staff.
** Rate Base depreciated to approximately 14% of original cost.

(Red Figure)

Applicant based its estimate of adult passenger revenue on the level of traffic since the last fare increase May 9, 1955, or the average of five months' experience expanded to a yearly basis. A loss of 2 per cent was taken for downtrend and deflection due to increased fares.

The staff developed its revenue estimate after analyzing the trend of adult passenger traffic since August, 1954. There appears to be a continuation of the downtrend in traffic. The staff estimate of the number of adult passengers carried reflects an annual downtrend of about 6 per cent plus deflection due to increased fares of one-fourth of the per cent increase, resulting in a lower adult passenger revenue than that of applicant because applicant did not provide for further downtrend in traffic. Staff "other revenue" includes U. S. mail carrier revenue of approximately $1,000, which was omitted by the applicant.

Applicant based its expense estimates on company records for the year ending October 31, 1955, adjusted to provide for increases in labor rates according to the terms of the wage agreement contract effective March 1, 1956, and for other recent changes in certain of the accounts. The staff estimate of operating expenses also includes increases in wages resulting from the current contract, and all expense items of a fixed character reflect existing cost levels. The present wage scale for operators is $1.83 per hour, which was increased March 1, 1956, from $1.76 per hour, with corresponding percentage increases in the shop or mechanical department. In addition to the increase in wages there is some increase in fringe benefits, such as raising the guarantee from $60 per week to $62.50 per week. Applicant's estimate for operators' wages is about $2,000 higher than the staff estimate. Applicant applied a weighted average rate per hour to the operators' hours to obtain its estimate. The average used included both mechanics and operators and was higher than appropriate for the operators only. Applicant's cost of fuel was found to contain an error in the computation of gallons of gasoline consumed, which resulted in an overestimate of about $1,000. Under the supervisory accounts the staff estimate shows the shop foreman under the supervisory account, rather than in mechanics' wages as recorded in the books. The staff estimate of Injuries and Damages (P.L. & P.D. Insurance) is lower than that of applicant because the staff estimated the account according to the company's pay-out of claims experience over the past three years, whereas applicant estimated 4½ per cent of gross revenue for the reserve requirement as a self-insurer. Under the administration account applicant included expense for additional office help. It contends the present staff is undermanned. Legal fees are based on the past 12 months' experience which included law expense for a corporate reorganization. The staff estimate provided expense for some additional office help, but less than applicant, and deleted the extraordinary legal fees, resulting in a slightly lower estimate than that of applicant.

The major difference in the expense estimates of applicant and staff lies in the calculation of depreciation expense. Applicant used lives of 5, 7 and 10 years for the buses, whereas the staff reviewed the service lives of the buses in the light of the estimated remaining life and in certain instances extended the total service to 12 years. Consequently, the staff estimate of depreciation expense is lower than applicant's estimate. Applicant's fleet comprises 36 buses, 22 of which are fully depreciated. The rate base is depreciated to approximately 14 per cent of original cost. No inclusion has been made in rate base for materials and supplies as such have already been charged to the respective operating expense accounts and are reflected in the estimates accordingly. Applicant's rate base is the balance sheet figure as of October 31, 1955, and includes about $20,000 for materials and supplies. The staff rate base represents an average rate base and excludes materials and supplies for the reason stated.

The estimate of bus miles to be operated during the rate year ending October 31, 1956, represents the mileage necessary to provide service under the present schedules including special bus or charter requirements.

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. The municipalities do not oppose the consideration of the application, as amended, upon an ex parte basis.

Under present fares an operating deficit is estimated by applicant, while the staff shows a very small earning at approximately the break-even point with operating ratio 99.5 per cent. Under proposed fares the applicant's estimate of net yearly income is $3,639 with operating ratio 99.1 per cent and rate of return 5.4 per cent. The corresponding staff estimate under proposed fares produces net annual income of $12,910 with operating ratio 96.6 per cent and rate of return 28.3 per cent, which seemingly high rate of return is due to the fact that the rate base is depreciated down to only 14 per cent of the original cost. In the circumstances it is concluded, after considering the amount of net income, the operating ratio, the rate of return and other factors, that the anticipated operating results under the proposed fares are reasonable.

The Commission having fully considered the matter, finds that the proposed increase in fares is justified and will not result in an unreasonable charge. The application will be granted.

A-37601 GF *

ORDER

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 five days' notice to the Commission and to the public, increased fares as follows:

Adult Fares	Cash	Ticket or Token
1-Zone	15¢	8/$1.00
2-Zone	20¢	1 ticket plus 5¢
3-Zone	25¢	1 ticket plus 10¢
Free Transfer		

(2) 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.

(3) 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 3rd day of April, 1956.

President

Commissioners