

Decision No. 53446**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of JOHN W. CLAYTON (doing)
 business as Santa Ana-Garden Grove)
 Bus Lines) for a general raise in bus)
 service fares.)

Application No. 37899

O P I N I O N

Applicant operates one of the local bus lines in Santa Ana and vicinity, extending from Santa Ana westerly about 10 miles to Garden Grove. The present fare structure is based on a four-zone system. The adult cash fare is 10 cents for intrazone riding, with 20 cents for the second-zone ride, and five cents additional for each successive zone of travel. Children's fares are 10 cents for any two-zone ride, 15 cents for a three-zone ride, and 20 cents for a four-zone ride. There are no commutation or school tickets. All fares are cash. There is no transfer or joint fare arrangement with any connecting carriers.

Applicant proposes to increase the adult minimum fare from 10 cents to 15 cents with 25 cents for a two-zone ride plus five for each added zone traveled. No change is proposed in the children's fares or the existing fare zone limits.

Applicant and the Commission's staff each made an analysis of the operating revenues and expenses. The staff study is hereby made a part of this record and identified as Exhibit No. 1. A summary of the estimated results of operation under present and proposed fares for the year ending December 31, 1956, follows:

Item	: Applicant's :		: Present Fares :		: Proposed Fares :	
	: Book Record :		: Applicant: PUC Staff :		: Applicant: PUC Staff :	
	: 12 Mos. End :	: 12-31-55 :				
Mileage	67,540	67,540	67,540	67,540	67,540	67,540
<u>Revenue</u>						
Passenger	\$17,789	\$17,790	\$17,790	\$20,458	\$21,070	
Other	691	700	700	700	700	
	<u>\$18,480</u>	<u>\$18,490</u>	<u>\$18,490</u>	<u>\$21,158</u>	<u>\$21,770</u>	
<u>Expense</u>						
Maintenance	\$ 2,772	\$ 3,326	\$ 3,380	\$ 3,326	\$ 3,380	
Transportation	8,710	8,473	8,750	8,473	8,750	
Traffic & Advertising	7	50	50	100	50	
Insurance	1,164	1,160	1,160	1,160	1,160	
Administration	3,950(1)	2,400	2,100	2,400	2,100	
Operating Rents	-	300	300	300	300	
Depreciation	865	698	500	698	500	
Operating Taxes	778	1,822	1,720	1,903	1,820	
	<u>\$18,246</u>	<u>\$18,229</u>	<u>\$17,960</u>	<u>\$18,360</u>	<u>\$18,060</u>	
Net Before Income Taxes	\$ 234	\$ 261	\$ 530	\$ 2,798	\$ 3,710	
Income Taxes	50	55	110	597	770	
Net Income	<u>\$ 184</u>	<u>\$ 206</u>	<u>\$ 420</u>	<u>\$ 2,201</u>	<u>\$ 2,940</u>	
Operating Ratio						
After Inc. Taxes %	99.0(2)	98.8	97.7	89.6	86.4	

- (1) Includes owner's drawing account
(2) Calculated by staff

The staff also estimated result of operations on the basis of an alternate fare structure providing for an increase in the minimum fare from 10 cents to 15 cents with no change in the multiple zone fares or children's fares, as follows:

<u>Item</u>	<u>Alternate Fares</u> <u>PUC Staff</u>
Mileage	67,540
<u>Revenue</u>	
Passenger	\$18,870
Other	700
	<u>\$19,570</u>
<u>Expense</u>	
Maintenance	\$ 3,380
Transportation	8,750
Traffic & Advertising	50
Insurance	1,160
Administration	2,100
Operating Rents	300
Depreciation	500
Operating Taxes	1,750
	<u>\$17,990</u>
Net Before Income Taxes	\$ 1,580
Income Taxes	330
<u>Net Income</u>	<u>1,250</u>
Operating Ratio After Inc. Taxes %	93.6

Applicant based its estimate of passenger revenue under present fares on the level of traffic for the year 1955. Under proposed fares applicant increased passenger revenue for the year 1955 by 20 per cent, representing its opinion of the proposed increase of five cents on each adult fare, less five per cent for deflection due to increased fares, by applying a 15 per cent increase to the 1955 passenger revenue. The staff developed its revenue estimate after analyzing the trend of passengers carried since the inception of the line in 1950. Due to the steady increase in population in the general area of Santa Ana and Garden Grove brought about by subdivisions and housing developments and influenced somewhat by the location of Disneyland and Knott's Berry Farm nearby, the patronage of applicant's bus line has gradually increased until the beginning of 1955 when it appears to have leveled off. Hence, the staff estimate of traffic was based on passengers carried for the 12-month period ending December 31, 1955, decreased by deflection due to increased fares of one-fourth of the per cent increase, ranging from a minimum of 5 per cent to a maximum of 12½ per cent. Due to the different

methods of approach, the staff estimate of proposed revenue is slightly higher than that of applicant.

Applicant based its expense estimates on company records for the year ending December 31, 1955, adjusted to provide for an increase in operators' wages from \$1.65 per hour to \$1.82 per hour effective May 2, 1956, and for other changes in certain of the accounts. The maintenance labor was increased to parallel the operators' raise in wages. The book record of administration expense included the drawing account of the owner, who is no longer active in the business, being replaced by his son. Such amount was eliminated and \$2,400 per year was substituted in the estimates to provide for supervision, administration, and office expenses. Applicant estimated \$300 annually for rental of garage and office facilities.

The staff estimate of operating expenses also includes the recent increase in wages. All expense items of a fixed character reflect current cost levels. Fuel taxes were transferred from the transportation account to operating taxes. Administration expense was estimated at \$100 per month plus accounting and office supplies, making a total of \$2,100 per year. Rate Base consists of one bus which will become fully depreciated in September, 1956. The estimate of bus miles to be operated during the rate year ending December 31, 1956, represents the mileage necessary to provide service under the present schedules now being operated.

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. Notice was posted in the bus and at the terminals of applicant.

Under present fares, a low earning position is indicated by both applicant and staff with operating ratios of 98.8 per cent and 97.7 per cent, respectively. Under proposed fares applicant's estimate of annual net income is \$2,201 with operating ratio 89.6

per cent and no estimate of rate of return because the one piece of operating equipment becomes fully depreciated during the rate year. The corresponding staff figures under proposed fares result in net income of \$2,940 with operating ratio 86.5 per cent.

Two local bus lines are operating in Santa Ana and vicinity, Santa Ana-Garden Grove Bus Line under jurisdiction of this Commission and Santa Ana Bus Service under jurisdiction of the City of Santa Ana. Said companies maintain a joint office with a common garage, administration, and maintenance facilities representing a totally integrated operation, but from an ownership standpoint they are two distinct entities. The Santa Ana Bus Service is owned by Mrs. Mabel Eckles (widow), and the Santa Ana-Garden Grove Bus Line is owned by John W. Clayton, who for many years was manager of Santa Ana Bus Service under the late Mr. Eckles. Since John W. Clayton is semiretired, his son, Ralph Clayton, is manager and actively in charge of both operations. Comparatively, the annual gross revenue of the Garden Grove Line is about one-fourth of the gross revenue of the Santa Ana City Lines. The suggested alternate fare structure will put the two operations on the same fare basis.

In view of the unusual circumstances pertaining to applicant's rate base and the fact that applicant's owner and manager are only partially occupied with this bus line, the Commission is of the opinion and finds that the estimated results of operations indicated in the staff's analysis of the alternate fare structure are reasonable and justified.

A fare increase will be authorized as hereinafter set forth. 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 justified and reasonable,

IT IS ORDERED:

(1) That John W. Clayton, doing business as Santa Ana-Garden Grove Bus Lines, 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 fares:

One Zone

Adult - Cash	15¢
Child - Cash	10¢

Two Zones

Adult - Cash	20¢
Child - Cash	10¢

Three Zones

Adult - Cash	25¢
Child - Cash	15¢

Four Zones

Adult - Cash	30¢
Child - Cash	20¢

(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) That except as herein authorized Application No. 37899 be, and it hereby is, denied.

(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 11th day of July, 1956.

[Signature]
President

Justus J. Caswell

Roy L. Lutterer

[Signature]

[Signature]

Commissioners