

Decision No. 53611**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of Herman H. Neumann, doing business)	Application No. 38086
as El Cajon Valley Line, for author-)	
ity to increase fares.)	

O P I N I O N

El Cajon Valley Line conducts intercity passenger bus service in the suburban area about 20 miles east of San Diego including the cities and communities of El Cajon, Lakeside, and intervening points of Bostonia, Santee, and the Gillespie Air Field. The distance from El Cajon to Lakeside is approximately 7 miles. In addition, there is a special daily service from El Cajon to the Convair aircraft plant in San Diego. The bus driver works at Convair and carries other workers on his same shift to and from the El Cajon area. Also, applicant performs school contract pupil transportation service for one of the local parochial schools.

Applicant's present fare structure is based on a zone system. The adult minimum fare is 10 cents with 5 cents additional for each successive zone of travel. All fares are cash. There are no commutation or reduced fares with the exception of the Convair service for which weekly passes are sold at the rates of \$3.00 from El Cajon-Bostonia area to the Convair plant in San Diego and \$2.50 from the area west of El Cajon to the San Diego city limits to the aircraft plant. There is no transfer or joint fare arrangement with the San Diego Transit System Line "E" at El Cajon or with other connecting carriers.

In this proceeding applicant proposes to increase all regular fares 10 cents. No change is proposed in the fares for the Convair or school contract service. Applicant does not publish a

children's fare. The minimum fare will increase from 10 cents to 20 cents with 5-cent increments for each added zone traveled. The fare zone limits are not to be changed.

The staff made an analysis of revenue and operating expenses and a summary showing estimated results of operation under present and proposed fares for the year ending March 31, 1957. Applicant filed similar estimates with its application. A comparison of the estimates is shown as follows:

Estimated Results of Operation
Under Present and Proposed Fares*

Item	:Book Rec.:		: Present Fares		: Proposed Fares	
	: 12 Mos.:	: Ended	: Appli-	: P.U.C.	: Appli-	: P.U.C.
	: 3-31-56	: cant	: cant	: Staff	: cant	: Staff
Bus Miles Operated	101,710	101,710	101,710	101,710	101,710	101,710
<u>Revenue</u>						
Passenger	\$18,548	\$18,778	\$18,850	\$21,389	\$22,920	
Other	100	100	100	100	100	
	<u>\$18,648</u>	<u>\$18,878</u>	<u>\$18,950</u>	<u>\$21,489</u>	<u>\$23,020</u>	
<u>Expense</u>						
Maintenance	\$ 3,458	\$ 3,458	\$ 4,170	\$ 3,458	\$ 4,170	
Transportation	6,920	6,919	10,790	6,919	10,790	
Traffic & Adver.	271	271	270	271	270	
Insurance	2,030	2,030	2,050	2,522	2,050	
Administration	660	857	2,000	1,480	2,000	
Operating Rents	605	605	660	605	660	
Depreciation	4,000	3,998	1,140	3,998	1,140	
Operating Taxes	1,299	1,299	3,230	1,352	3,330	
	<u>\$19,243</u>	<u>\$19,437</u>	<u>\$24,310</u>	<u>\$20,605</u>	<u>\$24,410</u>	
Net Before Inc. Taxes	\$ (595)	\$ (559)	\$ (5,360)	\$ 884	\$ (1,390)	
Income Taxes	-	-	(1)	184	-	
Net Income	\$ (595)	\$ (559)	\$ (5,360)	\$ 700	\$ (1,390)	
Operating Ratio After Inc. Taxes	103.2%	103.0%	128.3%(1)	96.7%	106.0%	
Rate Base	-	\$14,003	\$ 9,750	\$14,003	\$ 9,750	
Rate of Return	-	-	(1)	5.0%	-	

(Red Figure)

(1) Calculated by Staff.

* Regular Service, Convair service and school contract service.

Applicant based its estimate of passenger revenue under present fares on the level of traffic for the 12 months ending March 31, 1956, after making some minor additions to the book records. Under proposed fares applicant increased passenger revenue by approximately 20 per cent, representing its opinion of the anticipated increase in revenue. The staff based its estimate of revenue on the book records for the year ending March 31, 1956, which is the period of time that the present owner has operated the El Cajon Valley Line, supplemented by a traffic check conducted May 12, 14, and 15, 1956. Book records of the former owner were not available. The present book records of applicant do not conform to the uniform classification of accounts prescribed by this Commission. Under proposed fares the staff applied a deflection of one fourth of the per cent increase due to increasing fares, ranging from a minimum of 10 per cent to a maximum of 15 per cent. Due to the different methods of computation, the staff estimate of revenue is slightly higher than that of applicant.

In general, applicant based its expense estimates on book records of expenses since it acquired the line April 1, 1955, with known changes in several accounts, such as equipment registration and license fees. Applicant included interest in administration expense, and based depreciation expense on 5-year equipment lives. The books reflected \$195 interest charges for the past 12 months and applicant used \$820 in its estimate under proposed fares.

The staff estimate of operating expenses also includes any known changes in the accounts. All expense items of a fixed character are based on current cost levels. The estimates for maintenance and transportation are higher than past records indicate because the recorded expenses did not fully reflect the proper charges. Under transportation expense the staff based its

estimate of operators' wages on the present payroll and transferred the fuel taxes to the tax account. When applicant acquired the bus line about a year ago the owner did a considerable amount of driving himself and did not charge his time to operators' wages, hence applicant's book record and present and proposed estimates are lower than the current payroll indicates. At the present time applicant performs only administrative duties, for which the staff included \$100 per month in its estimate. The cost of insurance was determined from inspection of policies in force, which were rewritten recently at a lower rate. Applicant's estimate for insurance is higher than that indicated by present policies, and it is believed that applicant's bookkeeper used the old rates in estimating insurance. The staff excluded one bus in calculating depreciation expense, which is being cannibalized to keep the others running, and extended the life of another bus from 5 to 10 years, and provided for salvage value, which resulted in lower depreciation expense than that reflected by the books and applicant's showing. The estimate of bus miles to be operated during the rate year ending March 31, 1957, 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 a copy of the application. Notice was posted in the buses and at the terminals. The proposed increase in fares was not opposed.

The results of operation presented by applicant under present fares indicate an operating deficit for the total operation including the regular service, the Convair service, and the school contract. The staff estimated results of operation separately for the three types of operation: the regular service indicates a loss,

the Convair service and the school contract show a profit but not sufficient to offset the losses on the regular service. The over all results in a deficit of \$5,360 yearly.

Under proposed fares, applicant estimates net income of \$700 with operating ratio 96.7 per cent and rate of return 5 per cent for the total operation, while the corresponding staff estimate indicates an operating deficit of about \$1,390 per year, which is slightly in excess of the depreciation reserve requirement. Since there is no change proposed in the fares for the Convair service and school contract, the results of operation will be the same as under present fares. The earning position for the regular service will be improved by about \$3,970 under proposed fares but will still show a deficit of \$2,940 with operating ratio 121.6 per cent.

In view of the above results of operation and the absence of protests the Commission is of the opinion and finds that an increase in fares as hereinabove set forth is justified, provided, however, that applicant shall establish a fare for children between the ages of five and twelve as hereinbelow set forth, with free transportation for children under five years of age when accompanied by an adult. Such a children's fare will not materially affect applicant's revenue as hereinabove estimated.

A fare increase will be authorized as hereinafter set forth. A public hearing is not 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 Herman H. Neumann, doing business as El Cajon Valley 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 adult and children's cash fares:

<u>Adult Fare</u>		<u>Children's Fare</u> (5-12 years of age)
One Zone	20 cents	10 cents
Two Zones	25 cents	15 cents
Three Zones	30 cents	15 cents
Four Zones	35 cents	20 cents
Five Zones	40 cents	20 cents

Children under five years of age when accompanied by an adult shall be carried free.

(2) That except as hereinabove authorized, present fares and fare zones shall remain in full force and effect.

(3) 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.

(4) That except as herein authorized, Application No. 38086 be, and it hereby is, denied.

(5) 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 21st day of August, 1956.

Justin J. Callahan President
Ronald Winterman
B. H. Huggo

 Commissioners