

ORIGINAL

Decision No. 53690

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of
P. C. CROSS, dba HEMET BUS LINE,
for an Ex-parte order for authority
to increase fares.

Application No. 38114

O P I N I O N

Hemet Bus Line operates an intercity passenger bus service between Hemet and Riverside by way of San Jacinto, Gilman Hot Springs, and Sunnymead. Hemet is located in Riverside County about 35 miles southeasterly from the City of Riverside, and is in a rich agricultural and fruit canning area. There is no basic industry.

Applicant's present fare structure is composed of one-way cash fares, round-trip fares, 10-, 30- and 60-ride commutation ticket books, and 30-ride school books. The minimum cash fare is 10 cents. There is no transfer or joint fare arrangement with connecting carriers.

By this application, as amended, applicant proposes to increase all one-way fares under 80 cents by 5 cents, and corresponding round-trip fares by 10 cents. One-way fares of 80 cents or over, and the corresponding round-trip fares, are to be increased by approximately 10%. Commutation books rates will increase correspondingly with the increase in one-way fares, except that the 60-ride book is to be discontinued because of nonuse by the public for the past 5 years.

The staff made an analysis of operating expenses and a summary showing estimated results of operations under present and

proposed fares for a future 12-month period. Applicant filed similar estimates with its application. A comparison of the estimates follows:

Item	Applicant's Book Record : 12 Mos. End. : 12-31-55		Present Fares		Proposed Fares	
	Applicant	P.U.C. Staff	Applicant	P.U.C. Staff	Applicant	P.U.C. Staff
Bus Miles Operated	79,344	76,440	76,440	76,440	76,440	76,440
Total Revenue	\$19,325	\$19,325	\$18,290	\$20,658	\$19,610	
Total Expense	\$19,398	\$19,198	\$18,390	\$20,098	\$18,520	
Net Income After Taxes	\$ (73)	\$ 127	\$ (100)	\$ 560	\$ 930	
Operating Ratio After Income Taxes %	100.4	99.3	100.5	97.3	95.3	
Rate Base	\$ 908	\$ 810*	\$ 9,460	\$12,210*	\$ 9,460	
Rate of Return %	-	15.7	-	4.6	9.8	

(Red Figure)

* Computed by Staff

Applicant based its estimate of passenger revenue under present fares on the level of traffic for the year 1955. Under proposed fares applicant increased the 1955 revenue by 7½%, representing its opinion of the anticipated increase in revenue. The staff developed its revenue estimate after analyzing the trend of passengers carried since September 22, 1952, the date of the last increase in fares, supplemented by an analysis of company records of passengers carried for the month of April 1956. There appears to be a gradual continuation of downtrend in traffic. The staff estimate of passengers to be carried reflects annual downtrend of about 5½% under present fares plus deflection due to increased

fares of one-fourth of the percent increase under proposed fares. Consequently the staff estimate of revenue is slightly lower than that of applicant because the applicant did not provide for any further downtrend in traffic after 1955.

In general applicant based its expense estimates on book records of expenses for the year 1955 adjusted to include an increase in operators' wages from \$1.50 per hour to \$1.62 per hour effective June 1, 1956, but shown only in applicant's estimate under proposed fares. A new Flexible bus is to be put in service September 1, 1956, on which applicant estimated depreciation expense on a 10-year basis as \$1,200 per year. He also reduced maintenance expense by \$50 per month because of the anticipated lower upkeep of new equipment. Applying this adjustment to the maintenance account results in a figure less than one-half cent per mile for repairs, which coupled with the fact that the stand-by bus will be used part of the time appears to result in an unreasonably low estimate for maintenance expense. Applicant did not provide for increased station commissions which would be payable with higher revenue from increased fares, and did not adjust taxes to include the new bus or the increased Board of Equalization gross receipts tax. The book record of expenses for the year 1955 includes owner's drawing account of \$5,000 which is included under administration expense. Applicant used \$4,800 as remuneration for owner's services in its estimates, the balance of the administration account represents office salaries and expense.

The staff estimate of operating expenses also includes the recent increase in wages and the additional depreciation expense due to the acquisition of the new bus. All expense items of a fixed character are based on prevailing cost levels. Maintenance expense was averaged over a two-year period in order fully to reflect the proper charges, and was estimated at two cents per mile.

Consideration has been given to the fact that the new bus to be purchased will be heavier and will have a larger motor than the present operating equipment. The staff estimated an administrative salary of \$100 per month as adequate for services performed for Hemet Bus Line, since applicant is involved in several business enterprises and does not devote full time to the bus operation. The balance of administrative expense, \$1,330, covers office salaries and expense. The estimate of bus miles to be operated during the rate year ending April 30, 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 bus and at the terminals. The municipalities concerned did not voice any opposition to applicant's proposed increase in fares.

The results of operation presented by applicant under present fares indicates an annual earning of \$127, whereas the staff estimate under present fares shows a loss of \$100. Under proposed fares, applicant estimates net income of \$560 yearly, with an operating ratio 97.3% and a rate of return 4.6%. The corresponding staff estimate is \$930 annual earning, with an operating ratio of 95.3% and a rate of return 9.8%.

The Commission having considered the application as amended, is of the opinion and finds that the proposed fare increases are justified and reasonable. The application will be granted. 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 the proposed fares are justified and reasonable,

IT IS ORDERED:

(1) That P. C. Cross, doing business as Hemet Bus Line, be, and he hereby is authorized to establish, on not less than five days' notice to the Commission and to the public, the proposed fares as set forth in the application, as amended.

(2) That applicant shall post in his buses and at terminals continuously for at least ten days, a suitable explanatory notice of said fare increases.

(3) That the authority herein granted shall expire unless exercised within sixty days after the effective date hereof.

The effective date of this order shall be ten days after the date hereof.

Dated at Los Angeles, California, this 29th day of August, 1956.

[Signature]
President

[Signature]

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Commissioners