

ORIGINAL

Decision No. 53803

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of STOCKTON CITY LINES, INC., requesting authority to increase certain of its rates of fare.

) Application No. 37876

In the Matter of Investigation on the Commission's own motion into the reasonableness of fares, rules, regulations, charges, classifications, practices, operations and service, or any of them, of STOCKTON CITY LINES, INC.

) Case No. 5765

Daniel S. Lane and George H. Hook, for applicant-respondent.
William Biddick, Jr., for City of Stockton; and Joseph Holt, in propria persona; interested parties.
Cyril M. Saroyan, for the Commission's staff.

O P I N I O N

Stockton City Lines, Inc., is a passenger stage corporation engaged in the transportation of passengers within and in the vicinity of Stockton. By Application No. 37876, as amended, it seeks to cancel its token rate of fare, which sells at the rate of three tokens for 35 cents; to increase its school fares from 20 rides for \$1.20 to 10 rides for \$1.00; and to make certain changes in rules.¹ No change is proposed in the Zone I basic cash fare of 15 cents, nor in the 20-cent fare applicable within Zone II and for interzone trips.

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The rule changes include a proposal to limit the use of school fares to the period from 7:00 A.M. to 5:00 P.M. This period under the present tariff provision is from 7:00 A.M. to 6:00 P.M. It is also proposed to cancel applicant's present tariff provision relating to redemption of tokens, but to provide that tokens will be redeemed not later than 60 days after the effective date of any decision authorizing cancellation of token fares pursuant to the application herein.

Case No. 5765 is an investigation on the Commission's own motion, instituted by its order dated May 11, 1956, for the purpose of determining whether the fares, rules, regulations, charges, classifications, practices, operations and service of Stockton City Lines, Inc., are unjust, unreasonable, discriminatory or preferential in any particular or otherwise unlawful and to determine the just, reasonable, sufficient, proper and lawful fares, rules, regulations, charges, classifications, practices, operations and service of that carrier. This investigation was prompted by the termination of service by Newton Passenger Transportation Company, Inc., a passenger stage corporation which until recently operated two generally parallel routes between downtown Stockton and the northeastern section of that city.² On the same date on which Case No. 5765 was instituted, Stockton City Lines was authorized to conduct bus operations over a single route, designated as No. 7 (Waterloo Road), between points in the area formerly served by Newton. This new service, which was authorized by Decision No. 53053 in First Supplemental Application No. 31894, was on an experimental basis, the authority to expire after 90 days. By Decision No. 53542, dated August 7, 1956, in Second Supplemental Application No. 31894, the certificate granted by Decision No. 53053 was made permanent. In connection with the service on Route 7 Stockton City Lines sought, and was authorized, to establish a one-way cash fare of 15 cents and a school fare of 10 cents, the latter limited to use between the hours of 7:00 A.M. and 5:00 P.M. These fares are the same as those sought for general application in Application No. 37876 herein. By Decision No. 53053 authority to charge the above-mentioned fares was extended

² Newton's certificate was revoked by Decision No. 52996, dated May 1, 1956, in Application No. 33468.

beyond the initial 90-day period to the effective date of an order authorizing fares by decision in the proceedings herein.

Public hearing of Application No. 37876 and Case No. 5765 was held on a common record before Commissioner Matthew J. Dooley and Examiner Carter R. Bishop at Stockton on June 18, 1956.

Advance notices of the hearing were posted in applicant's vehicles, and published in a newspaper of general circulation in the area served. Notices were also sent by the Commission's Secretary to interested persons and organizations including civic, educational and commercial groups of the area.

Applicant's ³ fares were last adjusted pursuant to Decision No. 51839 of August 16, 1955, in Application No. 36718. Under authority of that decision the basic one-way cash fare applicable within Zone 1 was increased from 13 cents to 15 cents, the cash fare applicable between Zones 1 and 2 and within the latter was increased from 18 cents to 20 cents, and token fares were increased from four tokens for 45 cents to 3 tokens for 35 cents. ⁴ In the application herein it is alleged that, since the 1955 fare adjustment became effective, the carrier has experienced substantial increases in wage costs coupled with a continuing decline in patronage. ⁵ As a consequence, it is stated, the present fare structure does not provide revenues necessary to maintain a sound financial position, and applicant must seek relief through increased fares.

At the hearing, studies of the financial results of

³ Hereinafter Stockton City Lines will be designated as "applicant".

⁴ Applicant's request to cancel token fares and to increase school fares from 20 rides for \$1.20 to 20 rides for \$1.50 was denied.

⁵ The wage increases in question are as follows: 5 cents per hour effective November 1, 1955, and an additional increase in the same amount effective May 1, 1956. Under the terms of applicant's current contract with the union a further wage increase of 4 cents per hour will become effective on November 1, 1956.

operations were introduced by applicant's vice-president and general auditor and by an associate transportation engineer of the Commission's staff. These studies, which had been developed independently, included analyses of traffic flows and trends, depreciation and rate base statements and projections of estimated revenues and expenses for a representative 12-month period, ending July 31, 1957. Applicant's book records, as adjusted by the staff engineer, disclose that for the 12-month period ending April 30, 1956, the utility's operating revenues and expenses amounted to \$483,747 and \$446,423, respectively, resulting in net operating revenue, after provision for income taxes, of \$22,809 and an operating ratio of 95.48 per cent.

The estimates of revenues and expenses for the projected rate year, as developed by applicant's witness, do not differ materially, in the aggregate, from those calculated by the staff engineer. Under present fares operating deficits are anticipated in both studies. These will amount to \$15,643 and \$16,570, according to applicant and the staff, respectively, with corresponding operating ratios of 103.48 and 103.80 per cent. Under the proposed fares the net operating revenue, after provision for income taxes, was estimated at \$29,705 by applicant and \$28,080 by the staff. The corresponding operating ratios would be 94.22 and 94.40 per cent, respectively. In the development of the foregoing estimates of operating results both witnesses excluded therefrom operations on the new Route No. 7 (Waterloo Road), since the service over that route, as of the hearing date in this proceeding, was being conducted on a temporary basis.

In Table I below are set forth in more detail the operating results which have been summarized above.

Table I

Estimated Results of Operation Under Present
and Proposed Fares for the 12-Month Period
Ending July 31, 1957
(Exclusive of Route No. 7)

	<u>Applicant</u>		<u>Staff</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Operating Revenues</u>				
Passenger	\$433,600	\$502,000	\$423,640	\$489,510
Special Bus	7,250	7,250	6,800	6,800
Advertising	<u>4,750</u>	<u>4,750</u>	<u>5,100</u>	<u>5,100</u>
Total Operating Revenues	\$445,600	\$514,000	\$435,540	\$501,410
<u>Operating Expenses</u>				
Equipment Maintenance and Garage	\$ 70,925	\$ 70,925	\$ 71,210	\$ 71,210
Transportation	268,050	268,050	265,440	265,440
Traffic and Advertising	1,325	1,325	1,400	1,400
Insurance and Safety	35,450	35,450	27,870	27,500
Administration and General	30,285	30,285	26,290	26,290
Depreciation	17,207	17,207	22,130	22,130
Operating Taxes and Licenses	<u>38,001</u>	<u>38,343</u>	<u>32,770</u>	<u>38,440</u>
Total Operating Expenses	\$461,243	\$461,585	\$452,110	\$452,410
Operating Income	<u>\$(15,643)</u>	\$ 52,415	\$(16,570)	\$ 49,000
Other Income	<u>\$100</u>	<u>\$100</u>	<u>---</u>	<u>---</u>
Total Income	<u>\$(15,543)</u>	\$ 52,515	<u>\$(16,570)</u>	\$ 49,000
Income Taxes	---	\$ 22,810	---	\$ 20,920
Net After Income Taxes	---	\$ 29,705	---	\$ 28,080
Operating Ratio (After Taxes)	103.48%	94.22%	103.80%	94.40%

() Indicates loss.

In view of the absence of material differences in the respective estimates of operating results, it is not deemed necessary to discuss herein divergences between applicant's and the staff's studies with respect to individual revenue, expense or rate base items. In both studies revenue estimates were predicated on the assumed continuation of the current downward trend in the number of passengers carried and in the expense estimates recognition was given to the wage increase which will take place on November 1, 1956.

Applicant's witness and the staff engineer also developed estimates of operating results for the rate year separately for Route 7 and for the system as a whole, including Route 7. Since the certificate authorizing service by applicant over that route is no longer temporary, consideration hereinafter will be given only to revenue and expense estimates which include Route 7 as an integral part of applicant's operations. In Table II below are shown, in summary form, estimated operating results under present and proposed fares for the system, including Route 7.

Table II

Estimated Results of Operations for the
12-Month Period Ending July 31, 1957.
(Including Route No. 7)

	<u>Applicant</u>		<u>Commission Staff</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
Total Operating Revenues	\$460,404	\$528,904	\$451,900	\$517,770
Total Operating Expenses	\$474,340	\$474,682	\$464,200	\$464,500
Net Before Income Taxes	\$ <u>(13,936)</u>	\$ 54,222	\$ <u>(12,300)</u>	\$ 53,270
Income Taxes	---	\$ 23,736	---	\$ 23,200
Net After Income Taxes	\$ <u>(13,936)</u>	\$ 30,486	\$ <u>(12,300)</u>	\$ 30,070
Operating Ratio (After Taxes)	103.09%	94.23%	102.72%	94.19%
	() Indicates loss.			

Applicant's operating experience with Route 7 had covered a period of only four weeks at the time the studies were completed. However, the record shows a steady upward trend in passengers on that line during the period in question. The revenue estimates both of applicant's witness and of the staff engineer give recognition to this fact.

Estimates of operating results for the rate year under five possible alternate fare structures were also included in the staff study. These results, including Route No. 7 operations, are set forth in Table III below.

Table III

Estimated Results of Operation Under
Five Alternate Fare Structures
Suggested by the Commission's
Staff
(Including Route No. 7)

ITEM	ALTERNATE FARE STRUCTURE				
	I	I-A	II	II-A	III
	Cash 15¢	Cash 15¢	Cash 15¢	Cash 15¢	Cash 15¢
	Tokens 3 for 40¢	Tokens 3 for 40¢	Tokens 4 for 50¢	Tokens 4 for 50¢	
	School 8¢	School 10¢	School 8¢	School 10¢	School 8¢
Total Operat- ing Revenues	\$ 488,530	\$ 497,190	\$ 475,390	\$ 484,050	\$ 509,110
Total Operat- ing Expenses	\$ 464,210	\$ 464,290	\$ 464,070	\$ 464,150	\$ 464,420
Net Before Income Taxes	\$ 24,320	\$ 32,900	\$ 11,320	\$ 19,900	\$ 44,690
Income Taxes	\$ 7,980	\$ 12,240	\$ 3,710	\$ 6,530	\$ 18,600
Net After Income Taxes	\$ 16,340	\$ 20,660	\$ 7,610	\$ 13,370	\$ 26,090
Operating Ratio*	96.66%	95.85%	98.40%	97.24%	94.88%

*After provision for income taxes.

Evidence relating to the quality of service rendered by applicant was introduced by a second engineer of the Commission's staff. His study embraced the matters of adequacy of the service, load standards, on-time performance, condition of the equipment, and other factors. He had found the equipment to be in good condition and the standard of service provided by the utility to be satisfactory.⁶

This witness had made a particular study of Routes Nos. 6 (Port) and No. 7 (Waterloo Road). With reference to the former, he had found that very few passengers ride over the portion of this route between the intersection of Harbor and Los Angeles Streets and the Port of Stockton (.55 miles). Although applicant operates 32 trips daily to the port over Route No. 6, the record discloses that on a test working day in May, 1956, a total of nine passengers rode into the port and only four passengers rode out. The engineer believed that the portion of Route 6, between the above-mentioned intersection and the Port of Stockton should be discontinued. He also recommended that No. 6 buses be routed on Sonora Street between Yosemite and Fresno Avenues, rather than on Washington Street, in order to better serve the residential area lying south of the last-named street. Nobody appeared in opposition to these proposals, and applicant's vice-president testified that the utility would be willing to make the foregoing suggested changes in Route No. 6 with the Commission's approval.⁷

⁶ The engineer mentioned one exception to this general conclusion, in that the utility was not displaying route numbers on the front of its vehicles near the entrance doors, as required by Rule 18.03 of the Commission's General Order No. 98. Applicant's vice-president later testified that this deficiency would be promptly corrected.

⁷ By Application No. 38281, filed on July 21, 1956, Stockton City Lines requested authority to make the changes in Route No. 6 which were suggested by the staff in the proceedings herein. By Decision No. 53728 of September 4, 1956, Application No. 38281 was granted.

Patronage on Route No. 7, the staff engineer pointed out, is increasing. The present hourly frequency of service, he had found, has resulted in an uncomfortably high load factor on the outbound 5:20 P.M. schedule of this route. He felt that greater frequency of service should be provided and suggested that this might be accomplished by coupling up Routes Nos. 6 and 7 into a single route operating from the port, on the west, through downtown Stockton to the outer terminus of Route No. 7, on the northeast. The suggested joining of routes, he said, would eliminate dead time now consumed by buses of both routes at their downtown termini, and would, in his opinion, enable applicant to increase the headway to 40 minutes without augmenting the number of buses now employed on Routes Nos. 6 and 7. He admitted, however, that the peak hour overloading of buses on Route No. 7 might be corrected by the use of a "tripper" bus during that period, and that increased frequency of service at other times of day did not, under then current conditions, seem warranted.

The engineer stated that there had been some public request for additional service on Fremont Street beyond the portion now served by Route No. 7. He offered a plan for rerouting the outer portion of the line in the form of a loop, which, he said, might be adopted in the event that it should be found necessary to provide such additional service. He asserted that, by means of this routing, even a 30-minute headway could be provided on the combined Routes Nos. 6 and 7 without additional equipment, should such frequency of service be later required.

Applicant's witness stated that the management was opposed to combining Routes Nos. 6 and 7 at the present time. He said that the company felt that it should have the benefit of a longer period of experience with Route No. 7 before attempting any

rescheduling or rerouting of its buses. The witness stated that applicant would watch the route closely and would gladly increase the frequency of service on it if, and when, the volume of traffic should warrant it.

Applicant's superintendent testified in response to questions raised by counsel for the City of Stockton concerning the possibility of service into several newly developed residential areas located on the northern and southern outskirts of the city. This witness indicated that applicant has closely watched the areas in question from the inception of their development; explained why service had not been, as yet, extended to them and asserted that when certain access problems were solved and the growth of population in those areas justified such action, service would be provided.

No one opposed the granting of the application. The assistant business manager of the Stockton Unified School District stated the position of the District with respect to the proceedings involved herein. The District, he said, is pleased with the quality of service rendered by applicant, which has always cooperated fully with the District in connection with its transportation problems. With respect to the proposed school fare increase, he stated, the District hopes that any such will be limited to increases which are shown to be essential and reasonable under the circumstances.

Conclusions

As hereinbefore stated, the adjusted book records of the utility show a net profit, after taxes, for the 12-month period ending April 30, 1956, of \$22,809 and an operating ratio of 95.48 per cent. However, these figures do not show the effect of the two 1956 wage increases (effective May 1 and November 1). Taking

these increased operating costs into account, the estimates both of applicant and of the staff indicate substantial losses for the projected rate year under a continuation of present fares. On the other hand, the estimated operating results of record under the proposed fares do not justify the full measure of increases which applicant seeks.

The record discloses that for at least the last three years the total number of revenue passengers carried by applicant has been steadily declining. However, an analysis of the classes of passengers making up the total shows that this downward trend reflects a similar trend only in the number of adult cash fare riders.⁸ The school patronage, on the contrary, has been gradually increasing and the number of token-fare users has, since the beginning of 1954, exhibited a horizontal trend. This last-mentioned fact appears to be significant. We are of the opinion that token fares should not, on this record, be eliminated from applicant's fare structure.

Under Alternate No. 1, as presented by the staff, the present 15-cent cash fare would be retained, tokens would be sold at the rate of three for 40 cents and school fares would be increased from six cents per ride to eight cents per ride. According to the staff estimate of operating results under this alternate, the net operating revenue, after provision for income taxes, would amount to \$16,340 and the operating ratio would be 96.66 per cent. These figures do not take into account the increase in revenue which may be reasonably expected as a result of rerouting applicant's Route No. 6 through the more populous area south of Washington Street. Also, the estimates do not give effect to any increase in revenues which, according to the staff studies, would result if Routes Nos. 6 and 7 were to be combined into a single

⁸ As previously pointed out, the traffic on Route No. 7, which is subject to cash fares only, had, up to the time of the hearing, shown a continuing upward trend.

route. The foregoing operating results, which contemplate the establishment of the Alternate I fare structure uniformly over the system, including Route No. 7, are reasonable and the Commission so finds.⁹

Applicant seeks authority to curtail the period during which school fares will be honored so that such fares will not apply after 5 P.M. in lieu of the present terminal hour of 6 P.M. However, no justification was advanced in support of this part of applicant's proposal. The request will be denied.

The evidence of record in these proceedings, we believe, does not justify an order requiring the linking up of Routes Nos. 6 and 7 into a single route. Nor will respondent be required at this time to reroute the outer portions of Route No. 7. However, Case No. 5765 will be held open until further order, as a vehicle through which to direct Stockton City Lines to make such changes in schedules, routes or operating practices as may later appear to be required in the public interest.

Upon consideration of all the facts and circumstances of record, the Commission is of the opinion and hereby finds that increased fares to the extent provided for in the order which follows are justified and that in all other respects applicant's proposals contained in Application No. 37876, as amended, have not been justified. The Commission is also of the opinion and hereby further finds that the fares, together with the rules and regulations specified in connection therewith, presently applicable

⁹ While applicant has, apart from Route No. 7, two fare zones, it is essentially a single fare operation and the same fare structure should apply on, from and to Route 7 as applies in, from and to the present Zone I. Zone II, which is subject to a 20-cent cash fare, lies between the intersection of 13th Street and Sharp's Lane and the Army Air Training Field. Occasional service only is provided in that zone.

between points on Route No. 7 of respondent, Stockton City Lines, and between points on that route and points on respondent's other routes, should be reduced or revised to the extent necessary to make said fares, rules and regulations uniform with those to be established pursuant to said order for application in, from and to its Zone I.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS ORDERED:

(1) That Stockton City Lines, Inc., be and it is hereby authorized to establish on not less than five days' notice to the Commission and to the public, changes in its passenger fares, exclusive of those applicable on Route No. 7, as follows: (a) increase the token rate of fare from the existing basis of three tokens for 35 cents to three tokens for 40 cents with provision for acceptance of one token in lieu of the 15-cent cash fare, (b) increase the present school token rate of fare from the existing basis of 20 tokens for \$1.20 to 10 tokens for 80 cents and (c) the foregoing increased fares shall be subject, to the extent applicable, to the governing rules and regulations set forth in Stockton City Lines, Inc., Local Passenger Tariff Cal. P.U.C. No. 10.

(2) That the authority granted in paragraph (1) hereof shall expire unless exercised within sixty days after the effective date of this order.

(3) That in all other respects Application No. 37876, as amended, be and it is hereby denied.

(4) That Stockton City Lines, Inc., shall, on not less than five days' notice to the Commission and to the public and

concurrently with the publication of revised fares made by it pursuant to the authority granted in paragraph (1) hereof, revise its fares, together with governing rules and regulations, applicable on, from and to its Route No. 7 to be the same as those which shall then be applicable in, from and to its present Zone I. This shall include the establishment of token fares.

(5) That ordering paragraph 2 of Decision No. 53053 in First Supplemental Application No. 31894, as amended by ordering paragraph 1 of Decision No. 53542 in Second Supplemental Application No. 31894, be and it is hereby deleted.

(6) That in all other respects the order in said Decision No. 53053 shall remain in full force and effect.

(7) That the investigation in Case No. 5765 shall continue, pending further order of the Commission.

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

Dated at San Francisco, California, this 25th day of September, 1956.

[Signature]
President

[Signature]

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Commissioners