

ORIGINAL

Decision No. 54752

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of) Vornon M. McDonald and John D.) Hansen dba SAN PEDRO TRANSIT LINES) to increase rate of fares for the) transportation of passengers in) the City of San Pedro, California.)	Application No. 38582
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O P I N I O N

Applicants operate one of the three local bus companies in San Pedro, which is a Los Angeles harbor community and a part of the City of Los Angeles. Other operators are Highland Transit, Inc., also under the jurisdiction of this Commission, and the San Pedro Motor Bus Company, a cooperative organization of three individuals operating the Point Fermin line, Gaffey Street line, and Barton Hill line under jurisdiction of the Board of Public Utilities and Transportation of the City of Los Angeles. Applicants operate four 27-passenger capacity Ford Transit buses.

Existing passenger fares are uniform for all bus operators in San Pedro. There are free transfers between lines. Applicants' present fare structure is based on a two-zone system. The adult cash fare is 12 cents for a single-zone ride and 15 cents for a two-zone ride. There is a charge of 3 cents for transfer passengers from other local lines whose destination is Zone 2 of San Pedro Transit Lines. Reduced fare school punch card commutation is available at the rate of 30 rides for \$1.50, or 5 cents for each ride. There is one cent collected for each school transfer issued.

In this proceeding applicants propose to increase the single-zone fare from 12 cents to 15 cents and the two-zone fare from 15 cents to 18 cents. The school rate of fare is to be increased

from 30 for \$1.50 or 5 cents each ride to 30 for \$3.00 or 10 cents per ride and the 1 cent school transfer charge is to be eliminated.

The Commission's staff made an analysis of operating expenses and a summary showing estimated results of operation under present and proposed fares for the year ending December 31, 1957. Applicants filed similar estimates with their application. A comparison of the estimates follows:

Item	Applicants' Book Record 12 Mos. End. 9-30-56	Present Fares		Proposed Fares	
		Applicant	Staff	Applicant	Staff
Bus miles operated	100,572	96,575	96,575	96,575	96,575
<u>Revenue</u>					
Passenger	\$28,387	\$28,386	\$27,320	\$34,059	\$32,310
Other	325	600	630	600	630
	<u>\$28,712</u>	<u>\$28,986</u>	<u>\$27,950</u>	<u>\$34,659</u>	<u>\$32,940</u>
<u>Expense</u>					
Maintenance	\$ 3,218	\$ 3,440	\$ 4,580	\$ 3,440	\$ 4,580
Transportation	20,837	21,116	19,240	22,728	19,240
Traffic	84	80	100	80	100
Insurance	1,595	1,834	1,950	1,834	1,950
Administration	1,050	1,050	1,200	1,050	1,200
Operating Rents	1,500	1,500	900	1,500	900
Depreciation	2,926	1,671	1,550	1,671	1,550
Operating Taxes	1,583	1,453	2,820	1,453	2,930
	<u>\$32,793</u>	<u>\$32,144</u>	<u>\$32,340</u>	<u>\$33,756</u>	<u>\$32,450</u>
Net before Inc. Taxes	\$(<u>4,081</u>)	\$(<u>3,158</u>)	\$(<u>4,390</u>)	\$ 903	\$ 490
Income Taxes	-	-	-*	-*	-
Net after Taxes	\$(<u>4,081</u>)	\$(<u>3,158</u>)	\$(<u>4,390</u>)	\$ 903	\$ 490
Operating Ratio %	114.2	110.9	115.7	97.4	98.5

*Interest credit offsets indicated income tax.

(Red Figure)

Applicants based their estimate of revenue for the year 1957 under present fares on the 12-month period ending September 30, 1956. Under proposed fares applicants increased the estimate under present fares by 20 per cent which is intended to reflect a 25 per cent increase less 5 per cent for traffic loss due to the increase in fares. The staff developed its revenue estimate from analysis of

the trend of passengers carried since the last fare increase January 20, 1954. Distribution of fares by zones was obtained from company records. The trend of traffic was downward until the latter part of 1955 when it appears to have leveled off. The staff estimate under proposed fares is based on the level of traffic for the year ending September 30, 1956, adjusted to reflect estimated loss in passengers carried due to increased fares of one-fourth of the per cent increase. Applicants' book record for the 12-month period ending September 30, 1956, includes revenue from a line that was discontinued during the year, which the staff excluded in its estimates. Hence the staff estimate of revenue under present fares based on the level of traffic for the above period is slightly less than the books reflect. The revenue estimates of applicants and staff are reasonably in accord.

Applicants based the expense estimates on book records of expenses for the year ending September 30, 1956, adjusted for known changes in several of the expense accounts. Insurance rates were increased December 1, 1956. Applicants increased operators' wages 10 per cent in the estimate under proposed fares. No adjustment was made in municipal gross revenue taxes coincident with increased revenue.

The staff estimate of operating expenses does not include the increase in labor wage rates because there is no firm commitment or other contract. The two owners of San Pedro Transit Lines drive buses a portion of each day, do most of the bus maintenance work, and perform other duties in connection with the transit operation. Remuneration for owners' services is reflected in the respective expense accounts. Applicants sublease garage space to the Point Fermin line of San Pedro Motor Bus Company for \$50 per month. The staff adjusted operating rents downward accordingly. Also, the

staff transferred gasoline taxes from the fuel account to operating taxes. Although there is some variation among the individual expense accounts when comparing the estimates of applicants and staff, the total operating expenses do not differ appreciably.

The public has been adequately informed of applicants' proposal to increase passenger fares. Local authorities were notified by copies of the application. Public notice was given by announcements posted in the buses and terminals of applicants. No protests have been received.

Under present fares an operating deficit is indicated by both applicants and the staff. Under proposed fares applicants estimate annual earning of \$903 with operating ratio 97.4 per cent. The corresponding staff estimate of yearly net income is \$490 with operating ratio 98.5 per cent.

Applicants' proposal contemplates an increase of 100 per cent in school fares. In our opinion this is more than is justified and the order will provide for an increase in school fares of approximately the same amount as for adult fares. The provision for a second-zone charge of three cents will also be eliminated for school fares.

The Commission, having considered the application, is of the opinion and finds that the fares as hereinafter set forth are justified and reasonable. 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 Vernon M. McDonald and John D. Hansen, copartners, doing business as San Pedro Transit Lines, be and they hereby are authorized to establish, on not less than five days' notice to the Commission and to the public, the following fares:

<p><u>Adult Fare</u> One zone - 15¢ Two zones - 18¢</p>	<p><u>Children's Fare</u> Under 5 yrs. of age - free Over 5 yrs. but under 12 yrs. - 10¢ 12 yrs. of age and over - full adult fare</p>	<p><u>School Fare</u> One zone: 30-ride Punch card - \$2.50 Two zone: 30-ride Punch card - \$3.00</p>
<p><u>Transfers:</u> Within one zone - free Second zone - 3¢</p>	<p><u>Transfers:</u> Within one zone - free Second zone - 3¢</p>	<p><u>Transfers:</u> Free</p>

(2) That applicants shall post in their buses and at terminals continuously for at least ten days prior to the effective date of this order, 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 twenty days after the date hereof.

Dated at Los Angeles, California, this 26th day of MARCH, 1957.

[Signature]
 President
[Signature]
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 Commissioners