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Decision No. 54754

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PETE DRAKE conducting as sole owner certain automobile passenger stage lines under the name of TERMINAL ISLAND TRANSIT CO., to increase rates and fares for the transportation of passengers between Long Beach, California, and Terminal Island.

Application No. 38568

O P I N I O N

Terminal Island Transit Co., operates passenger bus service in the Los Angeles-Long Beach harbor area. The major portion of its traffic consists of navy personnel and civilian shipyard workers moving between the naval installations and navy ships docked or anchored at Terminal Island and the City of Long Beach. It also provides bus transportation for fish cannery and other industrial workers between Terminal Island plants and Long Beach, Wilmington, and the San Pedro municipal ferry. Principal plants include Bethlehem Steel Shipbuilding Corp., Van Camp Sea Food Co., Starkist Tuna Corp., French Sardine Plant, South Coast Fisheries, Pacific Molasses Co., numerous boatbuilding concerns, General Steamship Corp., and Panama Pacific Lines docks.

Applicant's present fare structure is based on a single-zone system having a cash fare of 15 cents with tokens sold at the rate of 2 for 25 cents, good in lieu of the adult 15-cent cash fare. There are no reduced school fares or other commutation ticket books. Since there is only one line, transfers are not used, and there is no transfer or joint fare arrangement with connecting carriers. Applicant operates 14 buses, mainly dieselized, in 24-hour service every day in the year.

In this proceeding applicant proposes to eliminate the reduced fare token and charge a straight 15-cent cash fare. This

will raise the fare from the 12½-cent token to 15 cents for approximately one-third of its patrons.

The engineering staff of the Commission has made an analysis of operating revenues and expenses of applicant including a summary showing estimated results of operation under present and proposed fares for the year ending December 31, 1957. Applicant filed similar estimates with its application. A comparison of the estimates follows:

TERMINAL ISLAND TRANSIT COMPANY
Estimated Results of Operation Under Present and Proposed Fares
For Year Ending December 31, 1957
Application No. 38568

Item	:Applicant's:		: Proposed Fares :		
	:Book Record:	Present Fares	: Applicant:	Staff :	
	:12 Mos.End.:	Applicant:	Staff :	Applicant:	
	: 10-31-56 :	(a) :	(b) :	(a) :	
				(b) :	
Bus Miles Operated	416,952	415,076	443,200	415,076	443,200
Revenue					
Passenger	\$175,064	\$169,362	\$163,720	\$181,500	\$174,670
Other	5,599	4,147	5,350	4,200	5,350
	<u>\$180,663</u>	<u>\$173,509</u>	<u>\$169,070</u>	<u>\$185,700</u>	<u>\$180,020</u>
Expense					
Maintenance	\$ 41,689	\$ 37,668	\$ 42,800	\$ 37,668	\$ 42,800
Transportation	60,520	63,076	71,810	63,076	71,810
Traffic	211	100	100	100	100
Insurance	10,645	13,060	11,870	13,060	11,870
Administration	22,079	21,313	17,780	21,313	17,780
Operating Rents	1,116	1,116	1,120	1,116	1,120
Depreciation	16,470	17,811	11,010	17,811	11,010
Operating Taxes	18,081	17,977	18,620	17,977	18,850
	<u>\$170,811</u>	<u>\$172,121</u>	<u>\$175,110</u>	<u>\$172,121</u>	<u>\$175,340</u>
Net Before Income Taxes	\$ 9,852	\$ 1,388	\$ (6,040)	\$ 13,579	\$ 4,680
Income Taxes	1,755 (c)	-	-	* 3,560	680
	<u>\$ 8,097</u>	<u>\$ 1,388</u>	<u>\$ (6,040)</u>	<u>\$ 10,019</u>	<u>\$ 4,000</u>
Operating Ratio	95.5%	99.2%	103.6%	94.6%	97.8%
*Rate Base	\$ 68,270	\$ 64,627	\$ 59,090	\$ 64,627	\$ 59,090
Rate of Return	11.9%	2.1%	-	15.5%	6.8%

(Red Figure)

- (a) 12 months ending 8-31-57
- (b) 12 months ending 12-31-57
- (c) Interest credit offsets indicated income tax
- * Calculations by P.U.C. Staff

Applicant based its estimate of revenue for the year ending August 31, 1957, under present fares on the 12-month period ending August 31, 1956, without consideration of trend. Under proposed fares applicant increased the estimate under present fares by the additional amount to be realized from token passengers who would be affected by the proposed increase and have to pay 15 cents cash. The staff developed its revenue estimate from analysis of the trend of traffic since the last fare increase February 22, 1954, supplemented by company traffic records of the number of passengers paying cash fares and those using tokens. The trend of passengers carried appears to be continuing downward at a uniform rate. The staff estimate of revenue under present fares is lower than that of applicant because applicant made no provision for any further downtrend in traffic. Under proposed fares the staff estimate also reflects the continuation of the downtrend in passenger travel. The staff estimate of other revenue includes advertising revenue which applicant inadvertently omitted in its estimates.

Applicant based its expense estimates on book records of expenses for the year ending August 31, 1956, adjusted for known changes in certain of the operating expenses. All accounts involving labor have been adjusted to provide for increases effective January 6, 1957. Operators' wages were increased from \$1.70 per hour to \$1.75 per hour, and mechanics' from \$2.05 per hour to \$2.10 per hour. Applicant is a Standard Oil Company distributor of gasoline, tires, batteries, and auto accessories at its place of business in addition to conducting Terminal Island Transit Company. In the estimates applicant has endeavored to eliminate certain of the expenses of the service station which are contained in the transit company books but did not

consider administrative and office expenses. Under proposed fares applicant did not adjust for increases in municipal gross revenue taxes coincident with increased revenue.

The staff estimate of operating expenses also includes the increases in labor wage rates, and all other expense items of a fixed character are based on current costs. The staff's depreciation expense is based on 10-year lives for the buses with an allowance for salvage, which results in a lower figure than that shown by applicant. Administration expense was reduced to conform to applicant's estimate of actual time spent by management and employees in performing the duties for the service station and for the transit operations, since the total expense is reflected in the transit books. Applicant shows a balance sheet figure for rate base, and in order to place results of operation of applicant and staff on a comparable basis the staff has shown applicant's results based on the staff's rate base. Materials and supplies have been previously charged directly to operating expenses, hence they are excluded in rate base.

The pontoon bridge on Terminal Island is an important factor in estimating operating expenses for the company. When the pontoon bridge is inoperative it is necessary for applicant to use an alternate route from Terminal Island to Long Beach via the freeway, which increases mileage from six to nine one-way miles. Pontoon bridge closures have been more frequent recently and the staff estimate of bus miles operated provides for such closures based on Navy and Harbor Department notifications of pontoon bridge closures October through December 1956. It is estimated that similar conditions will prevail throughout the year of 1957. Bus miles were increased 6.8 percent accordingly.

Pontoon bridge closures are aggravated by increased harbor traffic (merchant marine ships) and by high tides of 5 feet, 8 inches and over. Applicant did not provide for the additional miles to be operated due to pontoon bridge closures.

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

Under present fares an operating deficit is indicated by the staff while the applicant estimates an annual earning of \$1,388 with operating ratio 99.2 percent and rate of return 2.1 percent. Under proposed fares the applicant shows an earning of \$10,019 with operating ratio 94.6 percent and rate of return 15.5 percent on a rate base about 60 percent depreciated. The corresponding staff estimate results in a net annual income of \$4,000 with operating ratio 97.8 percent and rate of return 6.8 percent.

The Commission having considered the application is of the opinion and finds that the proposed fares as hereinafter set forth are justified and reasonable. The application will be granted. A public hearing is not deemed 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 Pete Drake, an individual, doing business as Terminal Island Transit Co., be and he hereby is authorized to establish on not less than five days' notice to the Commission and to the public the following fares:

Adult Fare

15¢

Children's Fare

Under 5 yrs. of age - free
Over 5 yrs. but under
12 yrs. - 10¢
Over 12 yrs. of age -
full adult fare

(2) That applicant shall post in its 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]

[Signature]

[Signature]

[Signature]
Commissioners