

ORIGINAL

Decision No. 50650

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHLAND BUS LINES, INC., to increase
passenger fares; alter tariff regula-
tions and zone boundaries.

Application No. 38960

O P I N I O N

Applicant conducts passenger bus service in the suburban area between Long Beach and West Anaheim, a distance of about 25 miles, serving in particular the amusement resort of Disneyland and Knott's Berry Farm. In addition to its common carrier service for the general public, applicant provides school bus transportation for several parochial schools which accounts for about one-half of applicant's gross revenue.

The present fare structure is composed of one-way and round-trip cash fares, with reduced rates of fare for children. The minimum fare is 10 cents. Revenue for parochial school transportation service is based on an annual charge and paid for in ten monthly installments. Passes are issued monthly to each student.

By this application, as amended, authority is sought to increase the minimum cash fare from 10 cents to 20 cents, with approximate 10-cent increases in the balance of the cash fares, and to establish 10-ride reduced rate commutation ticket books in lieu of the present round-trip tickets with the exception that the round-trip tickets are to be retained for Knott's Berry Farm and Disneyland to accommodate the tourist trade. Also it is proposed to increase the annual school rate by approximately 10 percent.

The Commission's staff has estimated total revenue from all types of fares in the operation for the general public for the rate year ending December 31, 1958, under present and proposed fares, to be \$28,981 and \$32,248, respectively. Additional revenue from the school operation for the same period, under present and proposed terms, is estimated at \$38,855 and \$41,854, respectively.

In addition to the revenue estimate, the staff made an analysis of operating expenses and a summary showing estimated results of operation under present and proposed fares. Applicant filed similar estimates under present and proposed fares with its original application, dated April 3, 1957. The staff investigation, conducted shortly after the filing date, disclosed that the books of record of applicant were inadequate and insufficient. Consequently applicant was requested to provide the necessary records of operations that would enable the staff to complete its report. This was accomplished late in December 1957, at which time applicant amended its application to conform to current operating conditions. The amendment to the application did not contain a revised Estimated Results of Operation summary, hence it was necessary to file a second amendment March 6, 1958. The staff report reflects current operating conditions of applicant, and the revenues and expenses are based on the results of an audit of the books as of December 31, 1957, where applicable.

A comparison of the applicant and staff Estimated Results of Operation under Present and Proposed Fares for the 12 months ending December 31, 1958, is as follows:

Item	: Applicant's :		: Present Fares :		: Proposed Fares :	
	: Book Record:					
	: 12 Mos. End.:					
	: 12-31-57 :	: Applicant :	: Staff :	: Applicant :	: Staff :	
Bus Miles Operated	228,750	228,750	267,500	228,750	267,500	
<u>Revenue</u>						
Passenger	\$ 28,595	\$ 30,500	\$ 28,980	\$ 33,570	\$ 32,250	
School	38,352	40,500	38,860	43,400	41,850	
Charter	6,888	5,000	6,600	5,000	6,600	
Advertising	-	-	1,080	-	1,080	
Total Revenue	\$ 73,835	\$ 76,000	\$ 75,520	\$ 81,970	\$ 81,780	
<u>Expense</u>						
Repairs, Service, Tires & Tubes	\$ 15,396	\$ 14,500	\$ 16,050	\$ 14,500	\$ 16,050	
Drivers' Wages	21,901	24,000	23,380	24,000	23,380	
Fuel & Oil	6,274	7,000	9,110	7,000	9,110	
Other Transp. Expense	2,403	1,100	150	1,100	150	
Station & Terminal	2,027	2,200	910	2,400	1,010	
Traffic & Advertising	905	1,200	910	1,200	910	
Insurance	4,976	5,320	6,270	5,738	6,270	
Office Supplies & Expense	8,428	8,500	6,300	8,500	6,300	
Operating Rents	1,060	5,390	2,720	5,390	2,720	
Depreciation	4,410	4,750	6,970	4,750	6,970	
Operating Taxes & Licenses	6,965	7,000	8,100	7,000	8,100	
Total Expenses	\$ 74,745	\$ 80,960	\$ 80,870	\$ 81,578	\$ 80,970	
Net Before Income Tax	\$ (910)	\$ (4,960)	\$ (5,350)	\$ 392	\$ 810	
Income Taxes	25	25	25	28	170	
Net Income	\$ (935)	\$ (4,985)	\$ (5,375)	\$ 364	\$ 640	
Operating Ratio %	101.3	106.6	107.1	99.6	99.2	
Rate Base	-	-	\$ 26,060	\$ 27,344	\$ 26,060	
Rate of Return %	-	-	-	1.3	2.5	

(Red Figure)

Applicant based its estimate of passenger revenue under present fares on the level of traffic for the year 1957, adjusted from the results of a traffic check for the week beginning November 20, 1957. Proposed fares were applied to the same traffic to obtain proposed revenue. School revenue was likewise

based on 1957 traffic and extended at proposed rates, but includes anticipated revenue from a pending application to serve a new school which is not included in the staff estimate. Applicant kept no record of charter and advertising revenue at the time of filing the original application. Subsequently, applicant has kept a record of charter revenue but advertising revenue has not been recorded as operating revenue.

The staff's passenger revenue estimate was based on May through December 1957 expanded to a yearly basis and adjusted for summer tourist travel. Distribution of fares is based on a traffic check conducted for the week November 20 to 27, 1957. School revenue was based on present traffic. Charter and advertising revenues were included. It was not possible to obtain an accurate record of passenger travel over a period of several years for trending, but it is believed that the staff estimate reasonably reflects the revenue that applicant will realize during the rate year.

Applicant based its expense estimates on its records for 1957 adjusted to reflect any changed conditions of operations. Applicant included equipment rental in other transportation expense while the staff included it under operating rents. Also, the staff deducted estimated rent from a contemplated new bus yard not yet in existence. Applicant's estimate of terminal expense, being based on 1957, includes some commissions accruing in 1956 that were disclosed by an audit of applicant's books as of October 31, 1957. Applicant omitted Workmen's Compensation, fire and comprehensive insurance from its estimate, and included audit charges for 1955,

1956, and 1957, which were in the recorded figures for 1957, in the estimate for office supplies and expense. Depreciation expense estimate by applicant is less than the staff's because, after inspection of the equipment, the staff reduced the accountant's assigned lives of buses from 14 years to 10 and 8 years and estimated the remaining lives of the balance of the secondhand equipment at five years from date of being placed in service. Under operating taxes, applicant did not include licenses for buses acquired in September and October 1957.

The staff estimate of operating expenses is based on a careful study of the company's operations and reflects current costs of labor and materials. All known increases have been included. Office expense provides for remuneration for owner's services. Depreciation and tax expenses include equipment purchased in September and October 1957. The estimate of bus miles to be operated during the rate year ending December 31, 1958 represents the mileage necessary to provide service under the present schedules including school and charter requirements.

The public has been adequately informed of applicant's **proposal to increase passenger fares.** Local authorities and the parochial schools served by applicant were notified by the receipt of 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 both applicant and staff. Under proposed fares applicant's estimate of net annual income is \$364 with operating ratio 99.6 percent and

rate of return 1.3 percent. The staff estimate of net annual income under proposed fares is \$640 with operating ratio 99.2 percent and rate of return 2.5 percent.

The Commission having considered the application, as amended, and its staff report, finds the facts to be as hereinabove set forth and also finds that the increase in fares hereinafter authorized is justified. 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 the fare increase as herein set forth is justified,

IT IS ORDERED:

(1) That Southland Bus Lines, Inc., a corporation, be, and it hereby is, authorized to establish, on not less than five days' notice to the Commission and to the public, increased fares and revised tariff provisions as proposed in Exhibit B attached to Application No. 38960, as amended by Exhibit B-1 (the proposed fares being the right-hand figure in each box) attached to the First Amendment to the application.

(2) That, in addition to the required filing of amended tariffs, applicant shall give not less than five days' notice to the public by posting in its buses a suitable explanatory notice describing the 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 San Francisco, California, this 6th
day of May, 1958.

[Signature] President
[Signature]
[Signature]
[Signature] Commissioners