

**ORIGINAL**Decision No. 57061

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 SAN BERNARDINO VALLEY TRANSIT  
 COMPANY, a corporation, to increase  
 student ticket fares (Section 454  
 of the Public Utilities Code)

Application No. 39804

O P I N I O N

Applicant operates the major local bus line in the city of San Bernardino and between the cities of San Bernardino and Colton, adjoining San Bernardino on the southwest. The present fare structure is based on a three-zone system. The adult cash fare is 15 cents for one zone plus 5 cents additional for each successive zone traveled. Reduced fare commutation tickets are sold at the rate of 7 for \$1.00 or 14.28 cents each, good for a single-zone ride. A ticket plus 5 cents is good for a two-zone ride, and a ticket plus 10 cents is good for a three-zone ride. School tickets are sold at the rate of 36/\$3.00 (.0833) single-zone, 36/\$4.50 (.1250) two-zone, and 36/\$6.00 (.1666) three-zone. Transfers between lines are free. There is no transfer or joint fare arrangement with connecting carriers.

In this proceeding applicant proposes to increase the single-zone school ticket rate from 8.33 cents to 10 cents (36 for \$3.60), the second-zone rate from 12.50 cents to 15 cents (36 for \$5.40), and the third-zone rate from 16.66 cents to 20 cents (36 for \$7.20). No change is contemplated in the adult fares. The following table reflects the present and proposed fares with

estimated passengers and revenue for the rate year ending May 31, 1959:

Present Fares

| <u>Zone</u> | <u>Type of Fare</u> |           | <u>Estimated<br/>Passengers</u> | <u>Fare</u>    | <u>Revenue</u>   |
|-------------|---------------------|-----------|---------------------------------|----------------|------------------|
| 1, 2 & 3    | Adult               |           | 1,825,500                       | \$.1550        | \$282,990        |
| 1           | School - Ticket     | 36/3.00   | 540,450                         | \$.0833        | \$ 45,020        |
| 2           | "                   | " 36/4.50 | 3,850                           | .1250          | 480              |
| 3           | "                   | " 36/6.00 | 3,770                           | .1666          | 630              |
|             |                     |           | <u>548,070</u>                  | <u>\$.0842</u> | <u>\$ 46,130</u> |
|             | Total               |           | 2,373,570                       | \$.1387        | \$329,120        |

Proposed Fares

|          |                 |           |                |                |                  |
|----------|-----------------|-----------|----------------|----------------|------------------|
| 1, 2 & 3 | Adult           |           | 1,825,500      | \$.1550        | \$282,990        |
| 1        | School - Ticket | 36/3.60   | 540,450        | \$.10          | \$ 54,050        |
| 2        | "               | " 36/5.40 | 3,850          | .15            | 580              |
| 3        | "               | " 36/7.20 | 3,770          | .20            | 750              |
|          |                 |           | <u>548,070</u> | <u>\$.1010</u> | <u>\$ 55,380</u> |
|          | Total           |           | 2,373,570      | \$.1426        | \$338,370        |

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 with its application, supplemented by a revised estimate dated May 23, 1958, giving effect to the labor wage agreement of March 10, 1958. A comparison of the estimates follows:

SAN BERNARDINO VALLEY TRANSIT COMPANY  
Estimated Results of Operation Under Present and Proposed Fares  
For 12 Months Ending May 31, 1959  
Application No. 39904

| Item                    | Applicant's<br>Record<br>12 Mos. End.<br>3-31-58 | Present Fares    |                              | Proposed Fares   |                              |
|-------------------------|--|------------------|------------------------------|------------------|------------------------------|
|                         |  | (a)<br>Applicant | (b)<br>Staff                 | (a)<br>Applicant | (b)<br>Staff                 |
| Bus Miles Operated      | 909,910  | 890,000          | 890,000                      | 890,000          | 890,000                      |
| <b>Revenue</b>          |  |                  |                              |                  |                              |
| Passenger               | \$307,973  | \$308,000        | \$282,990                    | \$308,000        | \$282,990                    |
| School                  | 45,715   | 42,000           | 46,130                       | 50,400           | 55,380                       |
| Other                   | 8,743  | 6,800            | 8,740                        | 6,800            | 8,740                        |
|                         | <u>\$362,431</u>                                 | <u>\$356,800</u> | <u>\$337,860</u>             | <u>\$365,200</u> | <u>\$347,110</u>             |
| <b>Expense</b>          |  |                  |                              |                  |                              |
| Maintenance             | \$ 71,758  | \$ 73,000        | \$ 78,420                    | \$ 73,000        | \$ 78,420                    |
| Transportation          | 194,337  | 194,000          | 192,090                      | 194,000          | 192,090                      |
| Traffic                 | 3,365  | 3,300            | 3,200                        | 3,300            | 3,200                        |
| Insurance               | 19,700   | 19,500           | 19,980                       | 19,920           | 19,980                       |
| Administration          | 28,240   | 26,500           | 26,190                       | 26,500           | 26,190                       |
| Operating Rents         | 2,908  | 3,500            | 3,120                        | 3,500            | 3,120                        |
|                         | <u>\$320,308</u>                                 | <u>\$319,800</u> | <u>\$323,000</u>             | <u>\$320,220</u> | <u>\$323,000</u>             |
| Depreciation            | 11,941   | 6,067            | 10,530                       | 6,067            | 10,530                       |
| Operating Taxes         | 30,014   | 30,000           | 28,680                       | 30,000           | 28,750                       |
|                         | <u>\$362,263</u>                                 | <u>\$355,867</u> | <u>\$362,210</u>             | <u>\$356,287</u> | <u>\$362,280</u>             |
| Net Before Income Taxes | * \$ 168   | \$ 933           | <del>\$(24,350)</del>        | \$ 8,913         | <del>\$(15,170)</del>        |
| Income Taxes            | 25   | 48               | 25                           | 2,494            | 25                           |
| Net Income              | <u>\$ 143</u>                                    | <u>\$ 885</u>    | <u><del>\$(24,375)</del></u> | <u>\$ 6,419</u>  | <u><del>\$(15,195)</del></u> |
| Operating Ratio %       | 100.0  | 99.8             | 107.2                        | 98.2             | 104.4                        |
| Rate Base               | -  | \$ 52,015        | \$ 36,450                    | \$ 52,015        | \$ 36,450                    |
| Rate of Return %        | -  | 1.7              | -                            | 12.3             | -                            |

(Red Figure)

\* Interest credit offsets indicated income tax  
 (a) 12 mos. end. 11-30-58                      (b) 12 mos. end. 5-31-59

Applicant based its estimate of adult passenger revenue on the level of traffic for the year ending November 30, 1957, reduced by an estimated 2%. School traffic under present fares was extended by the number of school tickets honored for the year ending November 30, 1957. School revenue under proposed fares was obtained by multiplying the number of riders under present fares by the proposed fares.

The staff developed its revenue estimate after analyzing the trend of adult passenger travel for the past two years. There is a uniform continued downtrend in adult passengers carried. Traffic for the first quarter of 1958 is approximately 10% less than the corresponding period a year ago. Under proposed fares the staff estimate reflects a continuation of the downtrend in travel plus the estimated loss in traffic due to increased fares of one-fourth of the percent increase. The staff estimate of adult passenger revenue is less than applicant's estimate because applicant estimated a 2% loss in traffic and did not provide for continued downtrend.

The staff estimate of school revenue represents an increase of 10% above the 1957 level of traffic. The San Bernardino City Schools furnished the staff with its records of pupil transportation expenditures to public carriers from 1947 to 1958, including its estimate for 1959, and which included the San Bernardino Valley Transit Company primarily. The school board buys the school tickets from applicant and distributes the tickets to students qualified to receive free transportation. About 90% of applicant's school revenue is derived from sales of school ticket books to the Board of Education. The estimates of the City Schools indicate an

increase in common carrier transportation expense for 1958-1959 over 1957-1958 for elementary and secondary schools of 9% to 12%. For the past two years the increase has been 10% each year.

Applicant's records show 11% increase in students carried in 1958 over 1957. The staff estimate of school revenue is higher than applicant's estimate accordingly.

Applicant based its expense estimates on book records of expenses for the year ending November 30, 1958, adjusted to reflect increases in labor according to the current wage agreement contract which was settled March 10, 1958, and subsequent to applicant's filing. Operators' wages at present are \$1.86 per hour which will increase to \$1.90 per hour September 1, 1958, with corresponding increases in mechanics' wages.

The staff estimate of operating expenses includes the increases in labor wage rates, and all other items of a fixed character are based on current costs. Shop supervision was transferred from mechanics' payroll to supervision in the staff estimate, which also reflects an additional mechanic hired in May 1958. Tire expense was reduced by the mileage bonus received by the company. Injuries and damages were estimated from analysis of company claim settlements for the past 5 years. Operating taxes exclude Board of Equalization gross receipts tax except 1½% on charter movements in accordance with recent legislation. Depreciation expense is based mainly on 12-year lives for the diesel buses, and when compared to applicant's lives of 5, 7 and 10 years for buses, results in higher depreciation expense because most of the equipment is fully accrued on applicant's books. Materials and supplies have

been omitted from rate base, having previously been charged to operating expense accounts.

The estimate of bus miles to be operated during the rate year ending May 31, 1959, represents the mileage necessary to provide service under the present schedules including special bus or charter requirements.

Local authorities, including the San Bernardino City Schools, were notified by copies of the application. Public notice was given by announcements posted in the buses and terminals of applicant. The application is not opposed.

Under present fares applicant's estimate shows a net annual earning of \$285 with operating ratio 99.8% and rate of return 1.7%, while the staff estimate indicates an operating deficit with operating ratio 107.2%. Under proposed fares applicant's net yearly income is estimated as \$6,419 with operating ratio 96.2% and rate of return 12.3%. The staff estimate under proposed fares indicates an operating deficit but of a lesser degree than under present fares with an operating ratio of 104.4%.

The following tabulation shows the comparison between the adult cash fare and the present and proposed school fares:

|             | Adult<br>Cash<br>Fare | <u>Present School Fares</u><br>Amount | % of<br>Adult Fare | <u>Proposed School Fares</u><br>Amount | % of<br>Adult Fare |
|-------------|-----------------------|---------------------------------------|--------------------|--|--------------------|
| One Zone    | 15c                   | 8-1/3c                                | 55.6%              | 10c                                    | 66.7%              |
| Two Zones   | 20c                   | 12-1/2c                               | 62.5%              | 15c                                    | 75.0%              |
| Three Zones | 25c                   | 16-2/3c                               | 66.7%              | 20c                                    | 80.0%              |

The proposed one-zone school fare has the same relationship to the adult fare as now prevails in the three-zone fare. The proposed school fares for two-zone and three-zone rides are unduly high; however, as shown on Page 2, only \$480 annual revenue is presently obtained from two-zone school passengers and only \$630 from three-zone school passengers. Under proposed school fares these revenues would be \$580 and \$750, respectively.

If the proposed school fare for one zone is used in conjunction with the present two-zone and three-zone school fares, the operating ratio of 104.4% under applicant's proposed fares as calculated by the staff will not change.

The Commission finds that the school fares as hereinafter authorized are justified and reasonable. The application will be granted in part and denied in part. 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 following school fares are justified and reasonable,

IT IS ORDERED:

(1) That San Bernardino Valley Transit Company, a corporation, be, and it hereby is, authorized to establish, on not less than five days' notice to the Commission and to the public, the following increased school fare:

|        |             |                   |
|--------|-------------|-------------------|
| Zone 1 | Ticket Book | 36 rides - \$3.60 |
|--------|-------------|-------------------|

Transfers Free

(2) That except as herein authorized, Application No. 39304 be, and it hereby is, denied.

(3) That the authority herein granted shall expire unless exercised within ninety 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 29th day of July, 1958.

E. Lynn Fox  
President  
J. E. Mitchell  
Paul H. Kistner  
Theodore J. ...  
Commissioners