

**ORIGINAL**Decision No. 57109

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. 40012

Daniel S. Lane, for applicant.James Eddy and Charles R. Sexton,  
for the Commission 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 this application it seeks to increase its adult cash fares as follows: the intrazone fares, for Zone I, from 15 cents to 17 cents, and for Zone II, from 20 cents to 22 cents, and the interzone fare from 20 cents to 25 cents. Applicant also seeks to increase its token fare from the present rate of three tokens for 40 cents to a rate of three tokens for 50 cents.<sup>1/</sup> Additionally, it is proposed to increase the school fare from ten rides for 80 cents to ten rides for \$1.00.

Public hearing of the application was held before Examiner Carter R. Bishop at Stockton on June 18, 1958. 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 bodies of the area.

<sup>1/</sup> Under present fares one token is accepted in lieu of 15 cents cash; under the proposed fares one token would be accepted in lieu of 17 cents cash.

Evidence was introduced by applicant's vice president and by an associate transportation engineer of the Commission's staff.

Applicant's fares were last adjusted effective October 15, 1956 pursuant to Decision No. 53803, dated September 20, 1956, in Application No. 37876. Applicant alleges that, since the 1956 revision of fares, it has sustained advances in operating costs, due primarily to a new wage agreement which provides for periodic increases in employee wages and fringe benefits.<sup>2/</sup> During the same period, the carrier alleges, a continuing decline in patronage has been experienced.

Because of the increase in operating costs, coupled with the decline in traffic, applicant assertedly will be unable to maintain a sound financial position under the present fare structure. According to applicant's book records, its operating revenues for the 12-month period ending April 30, 1958, amounted to \$503,502, while its adjusted operating expenses for the same period totaled \$492,220. The adjusted net operating revenue was \$7,582 and the operating ratio was 98.5 percent, both after providing for income taxes.

Studies of estimated operating results under present and proposed fares were introduced by both witnesses. The studies embrace the 12-month period ending August 31, 1959. They are summarized in Table I following.

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<sup>2/</sup> The wage agreement provides for increases in the hourly wage rates totaling 20 cents per hour, effective as follows: November 1, 1957, 3 cents per hour; May 1, 1958, 5 cents per hour; November 1, 1958, 6 cents per hour; and August 1, 1959, 6 cents per hour. The fringe benefits include vacation, health and welfare, and retirement allowances.

TABLE I

Estimated Results of Operation  
Under Present and Proposed Fares  
For the 12-Month Period Ending August 31, 1959

	<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	\$445,400	\$510,900	\$450,970	\$515,320
Special Bus	27,000	27,000	27,340	27,340
Advertising	4,000	4,000	4,610	4,610
Miscellaneous	350	350	750	800
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Operating Revenues	\$476,750	\$542,250	\$483,670	\$548,070
<u>Operating Expenses</u>				
Operating and Maintenance	460,090	460,090	446,630	446,630
Depreciation	11,304	11,304	9,664	9,664
Operating Taxes	38,385	38,550	38,360	38,520
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Operating Expenses	\$509,779	\$509,944	\$494,654	\$494,814
Net Before Income Taxes	\$(33,029)	\$ 32,306	\$(10,984)	\$ 53,256
Income Taxes	-	\$ 11,920	-	\$ 23,216
Net After Income Taxes	-	\$ 20,386	-	\$ 30,040
Operating Ratio (After Taxes)	106.9%	96.2%	102.3%	94.5%

( ) Indicates loss.

The studies of applicant and of the staff were developed independently. In both studies revenue estimates were predicated on the assumed continuation of the current downward trend in the number of passengers carried; also, recognition was given to the deflection in patronage which is to be expected as a consequence of the increase in fares which will result if the application is granted.

Additionally, in the expense estimates in both studies due consideration was given to the wage increases which, under the current agreement, will take effect in November, 1958 and August, 1959.<sup>3/</sup>

The staff's estimates of revenues under both present and proposed fares were slightly higher than those of applicant and in many of the items of expense the estimates of the staff were slightly lower than those formulated by applicant. In only two items of expense were there substantial divergences in the respective estimates. Public liability and property damage insurance expense was estimated by the staff at \$30,000, and by applicant at \$37,800, for the rate year. The record discloses that the staff estimate is a rounded-off average of the company's loss experience for the years 1955, 1956 and 1957,<sup>4/</sup> while applicant's estimate reflects the amount of premium which it would pay at the present insurance rate applied to the estimated gross revenues for the rate year under present fares.<sup>5/</sup>

Depreciation expense for the rate year was estimated by applicant and the staff at \$11,304 and \$9,664, respectively. The

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- 3/ The respective estimates of operating results for the rate year also gave effect to a recent reduction in the price of fuel and to a downward revision in the franchise tax levied by the City of Stockton. This tax rate was recently reduced by 50 percent.
- 4/ According to the record applicant's loss experience for each of the years 1955, 1956 and 1957 was \$27,708, \$18,388 and \$48,632, respectively. The last named amount includes estimates for many unsettled claims.
- 5/ Public liability insurance premiums paid by applicant reflect a specified percentage of their gross passenger revenues. Recently the rate was increased from 7½ percent to 8 percent. It fluctuates up and down with the carrier's claim loss experience.

difference of \$1,640 is due to the fact that applicant used a service life of 12 years for its buses while the staff allowed a service life of 14 years. The record discloses that the company's vehicles are 93 percent depreciated. They are well-maintained, however, and in serviceable condition.

It will be seen from Table I that under a continuation of present fares applicant and the staff estimate that the utility will experience annual losses of \$33,029 and \$10,984, respectively. Under proposed fares the corresponding estimates are for net revenue, after income taxes, of \$20,386 and \$30,040, respectively. The estimated results for the test period as developed by the staff engineer appear to be proper. They will be adopted for the purposes of this proceeding.

In addition to estimates of operating results under present and proposed fares the staff study included estimated results for the rate year under three suggested alternate fare structures. These results are summarized in Table II below.

TABLE II  
Estimated Results of Operation  
Under Three Alternate Fare Structures  
Suggested by The Commission Staff

ITEM	Alternate Fare Structure		
	I	II	III
	Cash 17c Tokens 3 for 45c	Cash 17c Tokens 5 for 80c	Cash 16c Tokens 3 for 45c
Total Operating Revenues	\$524,320	\$535,990	\$516,250
Total Operating Expenses	\$494,754	\$494,784	\$494,734
Net Before Income Taxes	\$ 29,566	\$ 41,206	\$ 21,516
Income Taxes	\$ 10,442	\$ 16,718	\$ 7,058
Net After Income Taxes	\$ 19,124	\$ 24,488	\$ 14,458
Operating Ratio *	96.4%	95.4%	97.2%

\* After Income Taxes

Under all three alternates school fares would be sold at 10 cents cash or 12 rides for \$1.00.

No one appeared in opposition to the proposed increased fares. In fact, the only appearances entered at the hearing were those of applicant and the staff.

### Conclusions

The record shows that the operating results which may be expected under a continuation of present fares during the projected rate year will not provide a safe margin between revenues and expenses. On the contrary, the forecasts of both applicant and the Commission's staff reflect substantial deficits. In the circumstances, some measure of fare relief is clearly necessary.

Exhibits of record include tables which show the number of passengers transported by applicant during each month from May, 1956 to May, 1958, inclusive. An analysis of these figures shows that there has been a gradual downward trend in the total number of passengers during that period. The analysis further shows that the trend in the number of adult cash fares (15 cents) has been horizontal, the monthly totals fluctuating around the figure of 120,000.<sup>6/</sup> However, the number of token fares sold per month, which had been fairly constant for two years prior to October 1, 1956, began a slow, but steady, downward trend on that date. This was the effective date of an increase in the token fare from 11-2/3 cents per ride, with no change in the cash fare of 15 cents.

The reduction in October, 1956, of the difference between applicant's cash fare and its token fare apparently prompted the subsequent decline in the number of token users. It appears, on the basis of applicant's experience, that if tokens are to continue as a part of its fare structure, the value of a token should be

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<sup>6/</sup> The analysis also shows that, disregarding the summer slump, the trend in the number of school fares during the period in question was horizontal. A school fare increase in October, 1956 did not cause any decrease in the number of school fares collected.

at least two cents less than the adult cash fare. Under applicant's proposal herein the value of a token would be 16-2/3 cents as compared with a proposed Zone I cash fare of 17 cents.<sup>7/</sup> It appears that to adopt such a fare structure would be to practically eliminate the use of tokens on applicant's system.

Under Alternate No. I, as shown in Table II, the proposed Zone I adult cash fare of 17 cents would be adopted. Tokens would be sold at the rate of three for 45 cents (15 cents each), and school fares would be increased to the basis of 10 cents cash or 12 tickets for \$1.00 (8-1/3 cents per ride). According to the staff's estimate of operating results under this alternate, the net operating revenue, after provision for income taxes, would amount to \$19,124 and the operating ratio would be 96.4 percent. These operating results are reasonable and the Commission so finds.

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 have not been justified.

#### O R D E R

Based upon the evidence of record and upon the findings and conclusions 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, as follows:

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<sup>7/</sup> While applicant has two fare zones it is essentially a single-zone operation. Zone II lies between the intersection of 13th Street and Sharp's Lane and the Stockton airport. Very few passengers utilize the service from, to, or within Zone II.

- (a) Increase the present Zone I intrazone cash fare of 15 cents to 17 cents, the present Zone II intrazone cash fare of 20 cents to 22 cents, and the present interzone cash fare of 20 cents to 25 cents;
- (b) Increase the token rate of fare from the existing basis of three tokens for 40 cents to three tokens for 45 cents with provision for acceptance of one token in lieu of the 17 cent cash fare;
- (c) Increase the present school token rate of fare from the existing basis of 10 tokens for 80 cents to 10 cents cash or 12 tokens or tickets for \$1.00;
- (d) 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. 11.

(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. 40012 be and it is hereby denied.

(4) That applicant be and it is hereby directed to post and maintain in its vehicles a notice of the increased fares herein authorized. Such notice shall be posted not less than five days prior to the effective date of such fares and shall remain posted for a period of not less than thirty days.

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

Dated at Los Angeles, California, this 5<sup>th</sup> day of August, 1958.

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

- 8 Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.