

ORIGINAL

Decision No. 57394

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PEERLESS STAGES, INCORPORATED, requesting authority to increase certain of its rates of fare.	} } }	Application No. 40283
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John F. Balaam, for applicant.
Karl K. Roos, for the Commission's staff.

O P I N I O N

Peerless Stages, Incorporated, operates as a passenger stage corporation between Oakland, Fremont, San Jose, Santa Cruz, Palo Alto, and intermediate points. By this application it seeks authority to increase certain of its passenger fares.

Public hearing of the application was held before Examiner Carter R. Bishop at San Jose on September 3, 1958. Advance notices of the hearing were posted in applicant's vehicles and were published in newspapers of general circulation in the area served by applicant. Notices were also sent by the secretary of the Commission to city and county officials in the area.

Applicant's fares were last adjusted pursuant to Decision No. 54395, dated January 15, 1957, in Application No. 38380. By that decision the carrier was authorized to increase its one-way and round-trip fares generally by five percent and to establish a minimum one-way fare of 20 cents in lieu of the previously existing fare of 15 cents. By the instant application Peerless seeks a further increase in its one-way and round-trip fares of six percent.¹

¹ All fares (after the six percent increase) which do not end in "0" or "5" applicant proposes to further increase to the next higher amount ending in "0" or "5".

Applicant also proposes to increase its multiple-ride books by 20 percent, and to increase its minimum one-way fare from 20 cents to 25 cents.² Additionally, it seeks to restrict the application of its school fares to those attending schools no higher in grade than high school.

According to the record, operating costs of applicant have increased substantially since the 1957 fare increases became effective. Concurrently, the carrier has experienced a continuing decline in patronage. Book records disclose an operating loss of \$13,585 for the 12-month period ending June 30, 1958.

Estimates of operating results under present and proposed fares were introduced by the assistant to applicant's president and by a senior transportation engineer of the Commission's staff. The rate years utilized in the studies of applicant and of the staff, respectively, were the 12-month periods ending May 31, 1959, and June 30, 1959. These results are summarized in the table below.

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The multiple-ride books are: a 30-ride school fare and 20-ride and 10-ride commute fares. No increase is sought in the minimum one-way fare of 15 cents applicable between points in San Jose, the Santa Clara County Hospital, and points intermediate thereto.

TABLE

Estimated Operating Results Under Present and Proposed Fares for the 12-Month Periods Ending May 31, 1959 (Applicant) and June 30, 1959 (Staff)

	<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	\$443,590	\$467,679	\$419,150	\$442,360
Charter	217,700	217,700	234,500	234,500
Mail and Express	25,244	25,244	25,140	25,140
Newspaper and Other	<u>2,092</u>	<u>2,092</u>	<u>2,120</u>	<u>2,120</u>
Total Revenues	\$688,626	\$712,715	\$680,910	\$704,120
<u>Operating Expenses</u>				
Operating Expense	\$598,100	\$599,400	\$553,370	\$553,980
Operating Rents	20,500	20,500	20,720	20,720
Operating Taxes	61,850	61,850	59,960	60,140
Depreciation	<u>43,900</u>	<u>43,900</u>	<u>41,670</u>	<u>41,670</u>
Total Expenses	\$724,350	\$725,650	\$675,720	\$676,510
Net Before Income Taxes	\$ <u>(35,724)</u>	\$ <u>(12,935)</u>	\$ 5,190	\$ 27,610
Income Taxes	\$ 25	\$ 25	\$ 25*	\$ 7,090*
Net After Income Taxes	\$ <u>(35,749)</u>	\$ <u>(12,960)</u>	\$ 5,215	\$ 20,520
Operating Ratio	105.2%	101.8%	99.2%	97.1%
Rate Base	\$372,200	\$372,200	\$404,150	\$404,150
Rate of Return	-	-	1.3%	5.1%

 - Indicates Loss.

* Reflects income tax deduction of \$6,000 in interest payments.

It will be seen from the table that applicant estimates, for the rate year, substantial losses both under present and proposed fares. Under the staff projection applicant would earn a net profit, after income taxes, of \$5,215 under a continuation of present fares and of \$20,520 under the proposed fare adjustment. The corresponding operating ratios would be 99.3 and 97.1 percent, with rates of return of 1.3 and 5.1 percent, respectively.

In view of the foregoing estimated results of operation for the rate year it is not necessary to consider in detail the differences in revenue and expense estimates of the respective witnesses. One expense item, however, does call for comment. This relates to the estimated cost of public liability and property damage insurance. Applicant estimated \$72,200 for this item, while the staff allowed only approximately \$33,000, reflecting a difference of about \$39,000 in the two estimates. The record discloses that applicant has what is known as a retrospective liability insurance policy. The initial premium is based on the mileage operated, but subsequent additional payments for a given year may be required, and usually there is a refund to the carrier after all claims for that year are settled. It usually takes three or four years for disposition to be made by the insurance company of all the claims of a specified year, and for the net cost of insurance to the carrier for that period to be determined.

Applicant's liability insurance estimate reflects the initial monthly premium payments which it will make during the rate year, based upon the coach miles to be operated. The sharp increase in the estimate over the initial payments totalling \$56,644 which the carrier made in the 12-month period ending May 31, 1958, is due to a substantial increase it recently experienced in the premium rate per coach mile. In view of the retrospective feature of applicant's policy, the figure of \$72,200 is by no means to be considered final for applicant's rate year.

The staff's estimate of liability insurance cost for the rate year is the result of a study of the net premium payments by applicant for the years 1951-1957 and therefore is more realistic than that of the applicant. However, since the net premium cost

for the last three of these years has not yet been finally determined, because of the delays involved in the settlement of claims by applicant's insurer, it appears that the staff's estimate of liability insurance cost may be somewhat less than that which will be experienced in the future.

No one opposed the granting of the application. In fact, no persons other than representatives of applicant and of the Commission's staff attended the hearing.

Upon careful consideration of the evidence of record we find as a fact that the operating results which may reasonably be reflected under a continuation of applicant's present fares will be insufficient to provide a safe margin between revenues and expenses. We further find that the proposed fare increases and other tariff adjustments have been justified. The application will be granted. In view of the immediate need for increased revenues, the order which follows will be made effective ten days from the date of its issuance and applicant will be authorized to publish the proposed fares on less than statutory notice.

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 HEREBY ORDERED that Peerless Stages, Incorporated, be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, the passenger fares and other tariff changes as proposed in the application filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that, in addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

This order shall become effective ten days after the date hereof.

Dated at San Francisco, California, this 29th day of September, 1958.

E. L. Fox
President
[Signature]
[Signature]
Theodore D. Hunter
Commissioners