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ORIGINAL

Decision No. 58908

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SUBURBAN TRANSIT LINES, a corporation, for an order increasing passenger fares.

Application No. 41337

Handler & Baker, by Marvin Handler, for applicant.
Mrs. Wynona Austin, Mrs. Cornie Howard, Mrs. George Clark (member of board of directors of Del Paso Heights Chamber of Commerce), and Richard Malka, all in propriae personae, protestants.
Timothy J. Canty, for the Commission staff.

OPINION

Suburban Transit Lines is a passenger stage corporation engaged in the transportation of passengers between Sacramento and certain other neighboring communities.[1/] By this application it seeks authority to increase certain of its fares and to cancel others.

Public hearing of the application was held before Commissioner Theodore H. Jenner and Examiner Carter R. Bishop at Sacramento on August 14, 1959. Advance notices of the hearing were posted in applicant's vehicles and terminal and were published in a newspaper of general circulation in the area served. Notices were also sent by the Commission's secretary to persons and organizations believed to be interested.

Applicant's present one-way cash fares are set up on a multiple-zone basis. They range from 20 cents to 70 cents. The carrier proposes to increase all of these fares by 5 cents. For movements in a single zone applicant charges the above-mentioned fare of 20 cents, and provides additionally a token fare of two rides for

1/ Points served by applicant include, among others, West Sacramento, North Sacramento, Carmichael, Fair Oaks, Sacramento Air Depot and Mather Field.

35 cents. Between two adjacent zones the fare is 25 cents or one token (at the rate of two for 35 cents) plus 5 cents cash. Applicant also proposes to cancel the token fares and the sale of round-trip tickets. Commutation fare tickets, good for 12 rides, are now sold at a reduction of 10 per cent under the applicable one-way fares. It is proposed to continue this arrangement and to retain also the present plan of providing children's fares at one-half the adult one-way fare.

The services here in issue, the application shows, were taken over by applicant from Gibson Lines under authority of this Commission's Decisions Nos. 57744 and 58070, dated December 16, 1958 and March 2, 1959, respectively, in Application No. 40622.[2/] When applicant began operations on January 1, 1959, it adopted the existing fares of Gibson Lines. It is stated that those fares were last adjusted pursuant to Decision No. 48751, dated June 23, 1953, in Application No. 34207. Assertedly, since that date operating expenses have generally so increased that the business presently is being conducted at a substantial loss.

According to the carrier's book records operating revenues for the six-month period ended June 30, 1959 totaled $177,744, while operating expenses for the same period amounted to $234,188, reflecting an operating loss of $56,444.

Studies of estimated operating results, both under present and proposed fares, were made jointly by applicant's president and its chief accounting officer. Independent estimates were developed by an associate transportation engineer of the Commission staff. Applicant's studies reflected the actual experience of the first five months of 1959, adjusted to give effect to changes in operating

2/ The record shows that applicant's president also operates the Allen Transportation Company, which engages exclusively in charter operations. Its offices are at Woodland.

expense and, under the proposed fare basis, to the anticipated increase in revenues.

The staff's estimate of expenses for the 12 months ending August 31, 1960 was based on the first six months of 1959 expanded to a year and adjusted for known and estimated changes in expenses due to wage changes, other cost changes, and for changes in operating methods. The estimated operating results of applicant and the staff, respectively, are summarized in the table below.

TABLE I

Estimated Results of Operation
Under Present and Proposed Fares
For 5-month Period Ending May 31, 1959 (Applicant)
and 12-Month Period Ending August 31, 1960 (Staff)

Item	Applicant		Staff	
	Present Fares	Proposed Fares	Present Fares	Proposed Fares
Operating Revenues				
Passenger	$147,949	$178,486	$353,590	$413,200
Advertising	571	1,750	4,200	4,200
Total Operating Revenues	148,520	180,236	357,790	417,400
Operating Expenses				
Operating & Maintenance	144,891	144,891	331,570	331,570
Depreciation	15,259	15,259	22,227	22,227
Operating Taxes	15,404	15,404	34,310	34,310
Operating Rents	8,020	8,020	(280)	(280)
Total Operating Expense	183,574	183,574	387,827	387,827
Net Before Income Taxes	(35,054)	(3,338)	(30,037)	29,573
Income Taxes	-	-	-	7,469
Net After Income Taxes	-	-	-	22,104
Rate Base	-	-	118,015	118,015
Rate of Return#	-	-	-	18.5%
Operating Ratio#	123.6%	101.9%	108.4%	94.7%

(Red Figure)

\# After Income Taxes

Revenue estimates of both applicant and the staff under proposed fares included diminution factors designed to give recognition to some loss of traffic expected from the fare increases.3/ In its estimate of operating expenses for the projected five-month period applicant gave effect to certain operating economies which it has or will put into practice and by means of which it expects to effect substantial savings. The staff study also largely reflected these proposed economies.

The staff estimate of certain operating expenses differed substantially from applicant's forecast of the same expense items. In view of the end results reflected by the two studies; however, it is not deemed necessary to enumerate or analyze these differences. The difficulty of making a proper comparison of two studies which embrace differing periods of time is, of course, obvious.

Estimated operating results under certain alternative bases of fare structures were also introduced by the staff witness. Assuming the granting of the application as sought except that tokens would be retained on the basis of two for 45 cents, the engineer estimated a rate of return of 15.3 per cent and an operating ratio of 95.6 per cent. Assuming the foregoing, but with tokens offered at the rate of five for $1 this witness estimated rate of return and operating results at 10.7 per cent and 96.9 per cent, respectively.4/ These figures are all after provision for income taxes.

Four individuals appeared in opposition to the granting of the application. Some of their objections related to alleged shortcomings in the quality of service rendered by applicant. Applicant's president testified that the matters complained of would have his prompt attention and that remedial action, where indicated, would be

3/ While the application does not specifically so state, in effect it is proposed to discontinue selling round-trip tickets (at 180 per cent of the one-way fare). The revenue estimates under proposed fares include the additional revenue expected by reason of the proposed discontinuance of this practice of selling round-trip tickets.

4/ The record shows that applicant did not develop an estimated rate base in its studies since under both present and proposed fares it forecast operating losses.

promptly taken. Protests relating to the increases sought were that the latter were too great.

Conclusions

Applicant's book records show that during the first five months of operation it lost over $48,000. Applicant estimates that under a future five-month period, after the adoption of certain operating economies, it would still suffer a loss under a continuation cf present fares of $35,000. Even under the proposed increased fares applicant forecasts that its operations would result in a deficit of over $3,000. The corresponding operating ratios reflected by these two estimates are 123.6 and 101.9 per cent, respectively.

The staff estimates show operating results that are considerably more favorable than those of applicant. As shown in the table above, the staff study shows, for the 12-month period utilized, an estimated loss of $30,000 and an operating ratio of 108.4 per cent, under present fares. Under the sought fare structure it estimates, after taxes, net operating revenue of $22,104, and an operating ratio of 94.7 per cent. Apart from a consideration of the reasonableness of the staff estimates of those items of expense which, in the aggregate, are largely responsible for the wide divergence in the end results of the two studies of record, the estimated annual results of operation were based upon only six months actual operating experience since applicant took over the operation. Even so, the results forecast by the staff witness under a granting of the application are not unreasonable. The record is abundantly clear that applicant is in a precarious financial position[5/] and that prompt

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5/ The record discloses that the purchase of operating rights and equipment from the predecessor company was largely financed by a bank loan, on which the June and July payments are delinquent, with the August payment due shortly. Recently the bank found it necessary to sell some of the collateral held as security for the loan.

rate relief is imperative.

As the Commission has pointed out many times in other rate proceedings, operating ratios, rates of return, and other pertinent data are valuable indices of earning requirements. The Commission has further said that in reaching its conclusions in such matters it considers all available data without limitation or restriction to any single method or formula. The primary requirement is that the final result shall be reasonable.

For the reasons stated above, after a careful consideration of all the evidence of record, we find as a fact that applicant's operations will be conducted at a loss if the present fare structure applicable thereto remains unchanged and that the estimated operating results under the proposed fares, as reflected by both the applicant's and the staff's figures, as set forth above, are reasonable. We further find that the proposed increased fares, including the discontinuance of the sale of tokens and round-trip fares, are justified. The application will be granted.

In view of the urgent need for additional revenues, applicant requests that publication of the increased fares be made effective on five days' notice to the Commission and to the public and that the order authorizing the increases be made effective five days after the date of its issuance. The publication request appears reasonable. It will be granted. The effective date of the order which follows, however, will be ten days after the date hereof.

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 that:

1. Suburban Transit Lines be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, the increased fares and other tariff provisions proposed in the application filed herein.

2. 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.

3. 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 19th day of AUGUST, 1959.

Everett C. McKeage
President

C. Lyn Fox

Theodore H. Jenner

Commissioners

Commissioners Peter E. Mitchell, Matthew J. Dooley, being necessarily absent, did not participate in the disposition of this proceeding.