

ORIGINAL

Decision No. 59121

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PERSHING L. REINER doing business
as LAGUNA TRANSIT for authority to
increase passenger fares.

Application No. 41320

O P I N I O N

Applicant provides local passenger bus transportation in the City of Laguna Beach and vicinity. The bus terminal is located in the center of Laguna Beach at Ocean Avenue and Coast Boulevard (U. S. 101-A). The service routes extend northerly from the bus terminal about 1½ miles to the city limits, and southerly from the bus terminal past the south city limits to Three Arch Bay, a distance of about 5 miles. Two Ford 21-passenger motor coaches are used in the operation. One of the coaches performs the regularly scheduled service while the other is the spare or stand-by.

The present fare structure consists of a single-zone system. All fares are cash. The adult fare is 15 cents and the children's fare is 10 cents. In this proceeding applicant proposes to increase the adult fare from 15 cents to 20 cents and the children's fare from 10 cents to 15 cents. Present and proposed fares with estimated passengers and revenue for the year ending June 30, 1960, follow:

<u>Type of Fare</u>	<u>Estimated Passengers</u>	<u>Fare</u>	<u>Revenue</u>
	<u>Present Fares</u>		
Adult - Cash	92,010	\$.15	\$13,800
Children - Cash	10,220	.10	1,020
	<u>102,230</u>	<u>\$.1450</u>	<u>\$14,820</u>
	<u>Proposed Fares</u>		
Adult - Cash	84,350	\$.20	\$16,870
Children - Cash	8,690	.15	1,300
	<u>93,040</u>	<u>\$.1953</u>	<u>\$18,170</u>

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. The following is a comparison of the estimates made by the applicant and the staff:

Estimated Results of Operation Under Present and Proposed Fares
For the Year Ending June 30, 1960

Item	:Applicant's:		:Proposed Fares		
	:12-31-58	: Applicant :	: Staff :	: Applicant: Staff :	
	(1)	(2)	(3)	(4)	(5)
Bus miles Operated	58,344	58,344	58,340	58,344	58,340
<u>Revenue</u>					
Passenger	\$14,285	\$14,285	\$14,820	\$18,933	\$18,170
Other	200	200	200	200	200
	<u>\$14,485</u>	<u>\$14,485</u>	<u>\$15,020</u>	<u>\$19,133</u>	<u>\$18,370</u>
<u>Expense</u>					
Repairs, Serv.,					
Tires & Tubes	\$ 2,798	\$ 2,750	\$ 2,330	\$ 2,750	\$ 2,330
Drivers' Wages	4,861	8,950	6,730	8,950	6,730
Gas & Oil	2,882)	2,020)	2,020
Station	376	375	380	375	380
Traffic	16	15	20	15	20
Insurance	1,469	1,644	1,640	1,644	1,640
Office Expense	189	855	680	855	680
Operating Rents	1,500	1,500	1,500	1,500	1,500
	<u>\$14,091</u>	<u>\$16,089</u>	<u>\$15,300</u>	<u>\$16,089</u>	<u>\$15,300</u>
Depreciation	1,315	1,460	1,460	1,460	1,460
Operating Taxes	367	440	1,280	440	1,280
	<u>\$15,773</u>	<u>\$17,989</u>	<u>\$18,040</u>	<u>\$17,989</u>	<u>\$18,040</u>
Net Bef. Income Tax	<u>\$(1,288)</u>	<u>\$(3,504)</u>	<u>\$(3,020)</u>	\$ 1,144	\$ 330
Income Taxes	-	-	-	204	30
Net Income	<u>\$(1,288)</u>	<u>\$(3,504)</u>	<u>\$(3,020)</u>	\$ 940	\$ 300
Operating Ratio %	108.9	* 124.2	120.1	* 95.1	98.4
Rate Base	-	\$11,794	\$10,600	\$11,794	\$10,600
Rate of Return %	-	-	-	* 8.0	2.8

(Red Figure)

* Calculated by PUC staff.

Applicant based its estimate of passenger revenue under present fares on the level of traffic for the year 1958.

The staff developed its revenue estimate after analyzing the trend of revenue passengers from the date of the last increase in fares, August 18, 1953, to May 1959. The traffic pattern of Laguna Transit is similar to that of other transportation agencies affected by the high tourist, beach, and vacation patronage during the summer months. It may be likened to the Balboa-Newport area, Catalina Island, and other ocean-front beach cities and communities catering to the summer tourist-vacation trade. During the months of July and August passenger travel is about one-third greater than any other month of the year. The trend indicates that applicant's patronage has remained fairly constant for the past five years, with a slight indication of uptrend during the 12 months ending May 31, 1959. The staff estimate of revenue under proposed fares reflects diminution due to increased fares of one-fourth of the percent increase.

Applicant based its expense estimates on book records of expenses for the year ending December 31, 1958 adjusted for known changes in certain of the accounts. Drivers' wages did not reflect the driving time of applicant and his wife in 1958. The estimate provides for remuneration for owner's services in this account, plus \$50 per month in office expense.

The staff estimate of operating expenses is based primarily on applicant's operating experience for the year 1958. Expense items of a fixed character are based on current cost levels. Maintenance expense is less than that shown on the books because repairs for a recently acquired bus are estimated at one cent per mile

compared to five cents per mile for older equipment. Applicant-owner and his wife drive buses part of the time and there is no remuneration for owner's services recorded on the books. The staff estimate for drivers' wages is based on the total driving pay hours multiplied by the going rate of \$1.67 per hour. Gasoline taxes have been transferred from the fuel account to taxes, which accounts for the lower gasoline cost and higher taxes in the staff estimate. Depreciation expense is increased because of the addition of a new bus purchased May 4, 1959.

The estimate of bus miles to be operated during the rate year ending June 30, 1960, represents the mileage necessary to provide service under schedules effective June 1, 1959.

The public has been adequately informed of applicant's proposal to increase passenger fares. Local authorities were notified by 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 has estimated a net annual earning of \$940 with an operating ratio of 95.1% and rate of return 8.0%. Under proposed fares the staff estimates a net annual earning of \$300 with an operating ratio of 98.4% and rate of return 2.8%.

Having considered the matter we find the facts to be as set forth hereinabove and that the proposed increase in the adult fare is just and reasonable. On the other hand, we cannot find that an increase in the children's fare from 10 cents to 15 cents is just and reasonable. It appears that the proposed 15-cent children's fare

would result in an estimated increase in passenger revenue of approximately \$280. It is our opinion that the retention of a 10-cent fare for children, five years of age and under twelve years of age, would result in a more favorable diminution factor than that indicated, thereby bringing the end result as to operating ratio and rate of return substantially to the figures as shown in column (5) of the tabulation hereinabove set forth. In any event, the benefit to be derived does not justify the proposed fare.

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 informed in the premises and having found that fares as hereinafter set forth are justified and reasonable,

IT IS ORDERED:

1. That Pershing L. Reiner, doing business as Laguna Transit, be, and he hereby is, authorized to establish on not less than five days' notice to the Commission and to the public, the following increased fare:

Adult Fare 20 cents cash.

2. That except as hereinabove authorized, Application No. 41320 be, and the same hereby is, denied.

3. That within sixty days after the effective date hereof, and on not less than five days' notice to the Commission and to the public, applicant shall amend his tariffs on file with this Commission to reflect the authority herein granted. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order No. 79.

4. That, in addition to the required tariff filings, applicant is directed to post and maintain in his vehicles a suitable explanatory 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 be maintained for a period of not less than fifteen days.

5. That the authority herein granted shall expire unless exercised within sixty days from 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 October, 1959.

 President

Peter L. Mitchell

E. Lynn Fox

Theodore J. Deussen

 Commissioners