

ORIGINAL

Decision No. 59727

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 fares.)

Application No. 41704

Daniel S. Lane, for Stockton City Lines, Inc.,
 applicant.
Wm. C. Bricca and Timothy J. Canty, for the
 Commission staff.

O P I N I O N

Stockton City Lines, Inc., is a passenger stage corporation operating within and in the vicinity of Stockton. By this application, filed November 27, 1959, it seeks authority to increase its adult cash fares as follows: the intrazone fares, for Zone I, from 17 cents to 20 cents, and for Zone II, from 22 cents to 25 cents, and the interzone fare from 25 cents to 30 cents. Applicant also seeks to increase its token fare from the present rate of three tokens for 45 cents (15 cents per ride) to a rate of five tokens for 95 cents (19 cents per ride). No change is proposed in the current school fare of 10 cents cash or 12 rides for \$1.00.

Public hearing of the application was held before Examiner William E. Turpen at Stockton on January 18, 1960. Advance notices of the hearing were posted in applicant's buses. The application was taken under submission on receipt of late-filed exhibits on January 21, 1960.

Evidence was introduced by applicant's treasurer and by two engineers from the Commission's Transportation Division.

Applicant's fares were last adjusted effective August 15, 1958, pursuant to Decision No. 57109, dated August 5, 1958, in Application No. 40012. Applicant alleges that since this last fare adjustment it has been subjected to further increased costs of operation, including substantial wage increases due primarily to a new wage agreement entered into since the last fare adjustment.¹ According to applicant, the increased costs coupled with low earnings during the past several years make it impossible to maintain a sound financial position under the present fares. Applicant's book records, as summarized by the Commission's engineer, showed its operating revenues for the 12-month period ending October 31, 1959, amounted to \$548,724, while its operating expenses for the same period were \$533,207. After allowing for income taxes this resulted in net income of \$10,267 and an operating ratio of 98.1 percent.

Studies of estimated operating results under present and proposed fares were introduced both by applicant's treasurer and by one of the Commission engineers. The studies, covering the 12-month period ending February 28, 1961, are summarized in Table I, below.

¹ The wage agreement provides for a total increase of 15 cents an hour spread over a two-year period starting November 1, 1959, with increased fringe benefits.

TABLE I

Estimated Results of Operation
Under Present and Proposed Fares
For the 12-Month Period Ending February 28, 1961

	<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	\$509,700	\$583,500	\$513,090	\$588,280
Special Bus	15,400	15,400	21,360	21,360
Advertising	4,800	4,800	6,000	6,000
Miscellaneous	<u>350</u>	<u>350</u>	<u>910</u>	<u>820</u>
Total Operating Revenues	\$530,250	\$604,050	\$541,360	\$616,460
<u>Operating Expenses</u>				
Operating and Maintenance	\$496,190	\$496,190	\$487,535	\$487,535
Depreciation	3,415	3,415	4,500	4,500
Operating Taxes	<u>44,725</u>	<u>44,910</u>	<u>44,240</u>	<u>44,430</u>
Total Operating Expenses	\$544,330	\$544,515	\$536,275	\$536,465
Net Before Income Taxes	\$ (14,080)	\$ 59,535	\$ 5,085	\$ 79,995
Income Taxes	100	\$ 27,030	\$ 1,720	\$ 38,210
Net After Income Taxes	\$ (14,180)	\$ 32,505	\$ 3,365	\$ 41,785
Operating Ratio (After Taxes)	102.7%	94.6%	99.4%	93.2%

() Indicates loss.

The studies of applicant and of the staff were developed independently. In both studies recognition was given in the revenue estimates 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.

The staff's estimates of revenues were slightly higher than those of applicant. For passenger revenues, the staff assumed more patronage than applicant did based on recent trends. As to special bus and advertising revenues, the staff based its estimates on recent trends, whereas applicant used as a base the average over a longer period.

In many of the expense items the staff's estimates were slightly lower than those of applicant. In only one of these items was there any substantial difference, however. For public liability and property damage insurance expense applicant based its estimate of \$36,760 on the present premium rate it is paying, whereas the staff's estimate of \$31,880 was based on applicant's average experience over the last five years. The staff's estimate for depreciation expense for the rate year was somewhat greater than applicant's estimate due to the staff allowing a longer service life for the buses. As a consequence of the shorter service life used by applicant, most of the buses were fully depreciated prior to the beginning of the rate year.

It will be seen from Table I that under a continuation of present fares applicant estimates that it will experience an annual loss of \$14,180, and the staff estimates that net revenue, after taxes, would be \$3,365. Under proposed fares the corresponding estimates are for net revenue, after income taxes, of \$32,505 and \$41,785, 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 two suggested alternate fare structures. These results are summarized in Table II below.

TABLE II

Estimated Results of Operation
Under Alternate Fare Structures
Suggested by the Commission Staff

	I Cash 20c Tokens <u>6 for \$1</u>	II Cash 20c Tokens <u>5 for 80c</u>
Total Operating Revenues	\$583,040	\$571,820
Total Operating Expenses	\$536,375	\$536,375
Net Before Income Taxes	\$ 46,665	\$ 35,445
Income Taxes	\$ 20,000	\$ 13,870
Net After Income Taxes	\$ 26,665	\$ 21,575
Operating Ratio (After Income Taxes)	95.4%	96.2%

No one appeared in opposition to the proposed increased fares.

The record is clear that applicant cannot continue to operate satisfactorily under the present fares and that some measure of fare relief is necessary. The fare increase proposed by applicant, however, is larger than has been justified and will produce results of operation more favorable than those required to assure continued operation of the service.

Under Alternate No. I, as shown in Table II, the proposed Zone I adult cash fare of 20 cents would be adopted.² Tokens would be sold at the rate of 6 for \$1 (16-2/3 cents each). According to the staff's estimate of operating results under this alternate, the net operating revenue, after provision for income taxes, would amount to \$26,665 and the operating ratio would be 95.4 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:

² 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 17 cents to 20 cents, the present Zone II intrazone cash fare of 22 cents to 25 cents, and the present interzone cash fare of 25 cents to 30 cents;
- b. Increase the token rate of fare from the existing basis of three tokens for 45 cents to six tokens for \$1.00 with provision for acceptance of one token in lieu of the 20-cent cash fare;
- c. 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. 12.

(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. 41704 be and it is hereby denied.

(4) That applicant be and it is hereby directed to post and maintain in its vehicle 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 San Francisco, California, this 29th day of February, 1960.

[Signature] President
[Signature]
[Signature]
Theodore J. [Signature] Commissioners