

ORIGINALDecision No. 61131

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 P.C. CROSS, d/b/a HEMET BUS LINE,)
 for an ex parte order granting)
 permission to increase rates for the)
 transportation of passengers and)
 express.)

Application No. 42517

OPINION AND ORDER

P. C. Cross, doing business as Hemet Bus Line, operates an intercity passenger bus transportation service between Hemet and Riverside by way of San Jacinto, Gilman Hot Springs, and Sunnymead. Hemet is located in Riverside County about 35 miles southeasterly from the City of Riverside. Applicant also transports express shipments between these points. By this application, filed July 27, 1960, authority is sought to increase the passenger fares and express rates.

A transportation engineer on the Commission's staff made a study of applicant's operations, which study is hereby made a part of this record and identified as Exhibit No. 1.

Applicant's present fare structure is composed of one-way cash fares, round-trip fares, 10-ride and 30-ride commutation ticket books, and 30-ride school books. The minimum cash fare is 15 cents. There is no transfer or joint fare arrangement with connecting carriers. Applicant proposes to increase the one-way cash fares five cents, and the majority of the round-trip fares 10 cents. Commutation books will increase correspondingly with the increase in one-way fares, with minor adjustments. The express rates, which

now range from 25 to 85 cents, are to be increased to 60 cents and \$1.00. Applicant also proposes to cancel several express rates which have not been used for the past 15 years.

The following table shows the estimated operating results under the present fares and the proposed fares, for a future 12-month period, as prepared by the applicant and by the staff engineer.

	<u>Present Fares</u>		<u>Proposed Fares</u>	
	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>
<u>Revenue</u>				
Passenger	\$17,824	\$15,660	\$19,072	\$16,630
Express	1,605	1,550	2,406	2,670
	<u>\$19,429</u>	<u>\$17,210</u>	<u>\$21,478</u>	<u>\$19,300</u>
Operating Expense	19,321	20,170	20,821	20,260
Net before Taxes	\$ 108	<u>\$(2,960)</u>	\$ 657	<u>\$(960)</u>
Income Taxes	22	-	140	-
Net Income	<u>\$ 86</u>	<u>\$(2,960)</u>	<u>\$ 517</u>	<u>\$(960)</u>
Operating Ratio*	99.6%	117.2%	97.6%	105.0%
Rate Base	\$ 5,650	\$ 4,360	\$ 5,650	\$ 4,360
Rate of Return	1.5%	-	9.2%	-

(Red Figure)

* After taxes

Applicant based his estimate of passenger revenue on the level of traffic for the year ended December 31, 1959. Under proposed fares the increased rates were applied to the 1959 traffic and an estimated 3 percent was deducted due to anticipated resistance to the increase. Applicant based his estimate of express revenue on the 1959 level, and the proposed express revenue was obtained by applying the proposed rates to the 1959 business after allowing for a loss of one-fifth of the traffic due to the increased rates.

The staff developed its estimate of passenger revenue after analyzing the trend of passenger travel for the past five

years or approximately since fares were last adjusted. The staff estimate of passengers carried reflects a downtrend of about 7 percent annually under present fares plus deflection due to increased fares of one-fourth of the percent increase under proposed fares. Consequently, the staff estimate of passenger revenue is lower than that of applicant because applicant did not provide for further downtrend in traffic after 1959. The staff estimated express revenue at the level of 1959 and applied proposed rates to obtain proposed revenue, without deflection. It is believed that in communities or cities of less than 5,000 inhabitants (Hemet), and in view of the fact that practically all shipments come under the minimum of 40 pounds that such express shipments are of necessity nature, and would not be affected by a change in rates. The proposed express rates are less than those charged by the major bus operators.

Applicant based his expense estimates on book records of expenses for the year 1959, with adjustments made in accounts involving labor to conform to committed wage increases.

The staff estimate of operating expenses also includes the committed increases in labor. Other items are based on current price levels. Certain dues and donations not directly affecting the transportation business were deleted from station and terminal expenses. Applicant did not consider gross revenue variance in his estimates or in the increase in social security taxes applicable in 1960. There are other minor variations in the individual expense accounts, but there is no material difference in the total. It appears that the staff estimates of the operating results are more realistic than applicant's. They will be adopted for the purpose

of this proceeding. According to the staff estimates an operating deficit is indicated under both the present and proposed fares and rates.

The public has been informed of applicant's proposal to increase passenger fares. Local authorities were notified by being served copies of the application. Public notice was given by announcements posted in the buses and terminals. No protests have been received. The cities of Hemet and San Jacinto have informed the Commission that they do not oppose the granting of the fare increases.

It is clear that immediate relief is necessary and that granting of the sought increase will not enable applicant to operate at a profit but will just reduce the loss to some extent. In the circumstances, the Commission is of the opinion and finds that the proposed fare and express rate increases are justified. The application will be granted. A public hearing is not necessary.

In view of the probably operating loss, applicant will be authorized to establish the increased fares on five days' notice and the order which follows will be made effective in ten days.

Therefore, good cause appearing,

IT IS ORDERED:

1. That P. C. Cross be and he is hereby authorized on not less than five days' notice to the Commission and to the public, to establish the increased passenger fares and express rates proposed in Application No. 42517.

2. That, in addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in his buses and terminals a printed explanation of the fare increase. Such notice shall be posted not less than five days before the effective date of the fare change and shall remain posted until not less than twenty days after said effective date.

3. That the authority granted in paragraph 1 above shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 23rd day of NOVEMBER, 1960.

Everett R. Bagley
President
John E. Miller
John J. Linton
Matthew J. Keady
Commissioners