

ORIGINALDecision No. 61356

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SANTA BARBARA TRANSIT COMPANY, a)
 corporation, to increase rates and)
 fares for the transportation of) Application No. 42917
 passengers within Santa Barbara and)
 between Santa Barbara and Montecito,)
 Carpinteria, and Goleta, California.)

Gaylord J. Spreitz and Edward J. Leven, for
 applicant.

Stanley T. Tomlison, for City of Santa
 Barbara; Donald Moodhard, for Summerland
 Citizens' Association; Edwin C. Welch,
 for Montecito Protective & Improvement
 Association; Colonel Kenneth D. Lamb, for
 Retired Government Personnel; Herbert S.
 Thomson, for University of California,
 Santa Barbara; Mrs. Peetie Ross, for self
 and fellow passengers; M. Hoeffler, for
 self, interested parties.
Sheldon Rosenthal, for the Commission staff.

INTERIM OPINION

By application filed November 29, 1960, Santa Barbara
 Transit Company seeks authority to increase passenger fares. Appli-
 cant proposes to increase cash fares by 5 cents¹ and to discontinue
 tokens, which presently are sold for three tokens for 40 cents.

Public hearing was held January 5, 1961, before Examiner
 J. E. Thompson, at Santa Barbara, where evidence was presented by
 applicant, by the Commission staff and by interested parties and
 users of the bus line.

Applicant provides passenger stage service with 14 buses
 in the area extending generally from Goleta to Carpinteria. The

¹ The basic cash fare for transportation in one zone is 15 cents
 which applicant proposes to increase to 20 cents.

principal operations are within the City of Santa Barbara. It also provides extensive charter service and, under contract with school authorities, transports children to and from school. The latter operation is conducted with some 37 buses.

Financial statements attached to the application show for the calendar year 1959, applicant had a loss of \$17,000 from all of its operations and enterprises. In January 1960, following acquisition and transfer of the corporate stock, the company came under new management. The former secretary-manager remained with the company. He testified that in January 1960, because of the 1959 operating losses, he commenced assembling data for a fare increase application. He had prepared the instant application in April 1960. It was not filed because the new manager and the principal stockholder thought that through advertising and promotion, additional traffic might be generated to provide sufficient additional revenues to offset expenses. The anticipated results were not realized.

Following the filing of the instant application, the management publicly announced its intention to cease passenger stage operations. On December 20, 1960, the Commission instituted an investigation into the service, operations, fares and practices of applicant and ordered it to continue operations without curtailment of service pending further order therein.

Counsel for the Commission staff stated that the staff has not yet completed its survey and studies of applicant's operations and moved the Commission to authorize such interim fare relief as it might find justified on the instant record and to continue the application for hearing to be consolidated with hearings in the investigation proceeding which is Case No. 7039. The motion is granted.

Applicant presented statements showing the operating results for the year 1960 and estimates of the results under present fares and under proposed fares for a future rate year. In presenting the results, applicant showed revenues and expenses for its entire operation and also revenues and expenses for the common carrier operation which it "separated" from the total results. In certain respects the separation methods and the allocations of expenses to the "common carrier operation" are not reasonable. For instance, applicant used the theory that if an asset or facility is necessary to the operation and maintenance of the 14 pieces of equipment used in the passenger stage service, the expense thereof should be charged 100 per cent to the stage operation even though it is regularly used in the operation and maintenance of the 37 school buses. Applicant shows a loss of \$70,000 from all operations for the year 1960. For a future rate year applicant estimates a loss of \$9,653 under present fares² and a net profit of \$24,648 under proposed fares. It was estimated that the latter would provide a rate of return of 5.96 per cent and an operating ratio of 94.86 per cent.

An associate transportation engineer of the Commission staff testified that on December 20, 21 and 22 he examined the records maintained by applicant and, because of the nearness of the date of hearing herein, was able to prepare only a preliminary analysis of applicant's operating results. He estimated that applicant would, for a future rate year, suffer a loss of \$22,800 under present fares and, under proposed fares, would have an income before income taxes of \$15,400. He also estimated results under a fare

² Applicant reduced its maintenance crew by the equivalent of 2½ employees and reduced its clerical staff by one employee.

structure which would provide the same cash fares as proposed by applicant but would include a token fare at 16-2/3 cents sold 3 for 50 cents. Under the alternate fare structure, it was estimated that the income before taxes would be \$3,200.

The interested parties were principally concerned over the possibility that applicant may discontinue or curtail service. A representative of the University of California asserted that the service to the university campus near Goleta is necessary. The chairman of the Summerland Citizens' Association stated that service is necessary between Summerland and Santa Barbara. These and similar issues regarding extension or curtailment of service will be considered in proceedings in Case No. 7039.

Two residents of Santa Barbara appearing for themselves and neighbors testified that there is a need for a volume fare in Santa Barbara. Many families are completely dependent upon the transit system and the proposed increase in fares from a token fare of 13-1/3 to 20 cents amounts to a 50 per cent increase.

We have considered all of the evidence and are of the opinion and find that unless applicant receives immediate relief in the form of increased revenues, its ability to provide and maintain adequate service to the public may be seriously impaired. We are concerned that the proposed fare structure may result in the diversion of the regular or volume short-haul rider. Applicant has indicated that curtailment of service along some routes will be an issue in Case No. 7039. The fare boxes maintained by applicant are presently equipped to receive tokens. The maintenance of a token fare will not result in any additional expense. A token fare of 16-2/3 cents sold at 6 for \$1 will continue to attract the regular users but will not undercut the cash fare as much as if the tokens

are sold at 3 for 50 cents. We estimate that under the fare structure proposed by applicant including, however, a token fare of 6 tokens for \$1, applicant will earn \$5,000 before income taxes from passenger stage operations for a rate year. We find that the increases resulting from the establishment of said fare structure are justified and are necessary at this time, to assure the ability of applicant to provide reasonable and adequate service. Applicant will be authorized to establish the increased fares on five days' notice.

INTERIM ORDER

Based on the evidence of record and on the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED:

1. That applicant is authorized to establish, to become effective on not less than five days' notice to the Commission and to the public, the increased fares proposed in its application, provided, however, that applicant shall concurrently therewith make effective a token fare under which one token may be used in lieu of initial 20-cent fare and shall be sold 6 tokens for \$1.

2. That proceedings in this application shall be consolidated with proceedings in Case No. 7039 and are continued for hearing to a time and place to be determined.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 17th day of January, 1961.

[Signature]
President
[Signature]
[Signature]
Commissioners