

ORIGINAL

Decision No. 62731

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of M. & W. Bus Lines, Inc., a
California corporation, for
authority to increase passenger
fares.

Application No. 43520

(Filed June 20, 1961;
amended August 2, 1961.)

Dudley K. Wright and Duane D. Smith,
for M. & W. Bus Lines, Inc., applicant.

Glenn E. Newton, for the Commission's staff.

O P I N I O N

M. & W. Bus Lines, Inc., operates a common carrier, passenger stage service for the transportation of persons and their baggage between Santa Ana, the El Toro Marine Base, and intermediate points. By this application it seeks authority to increase its fares and to make certain changes in its fare zones on less than statutory notice.

Public hearings on the application were held before Examiner C. S. Abernathy at Santa Ana on July 25 and August 10, 1961. Evidence was presented by applicant's treasurer, by an accountant for applicant, and by an engineer of the Commission's staff. The matter was taken under submission on August 15, 1961, with the receipt of a late-filed exhibit.

Applicant's present fares are constructed on a 6-zone basis. A fare of 10 cents per adult one-way ride applies for transportation within a single zone. Fares for multiple zone rides are

assessed at the rate of the single zone fare plus 5 cents for each additional zone or fraction thereof which is traversed. Fares for children are approximately one-half of the adult fares.

Except in connection with its fares to, from, and within its 6th fare zone, applicant seeks to increase its basic, or single-zone adult fare to 20 cents. No change would be made in the present increment of 5 cents per zone in the interzone fares. With respect to the fares to, from, and within the 6th fare zone applicant seeks to increase the intrazone adult fare to 25 cents and the interzone increment to 10 cents. The changes in fare zones which are sought are, for the most part, changes which would be made in applicant's tariff to reflect zone revisions which have been effected since the present tariff provisions were first established.

Applicant alleges that its present fares have been in effect for more than eight years; that during such time its expenses have been increasing steadily; that the point has now been reached where its revenues from present fares are no longer sufficient to maintain its services, and that unless the sought fare increases are authorized it will suffer severe financial losses and its ability to serve the public will be seriously impaired.

According to financial data which were submitted by applicant's accountant, applicant's operations for the year which ended with June, 1961, produced gross operating revenues of \$63,822. The applicable expenses were \$64,191. The net results of operations were a loss of \$369. The accountant submitted estimates for the coming year as follows:

Estimated Operating Results
Under Present and Proposed Fares
Year Ending July 31, 1962

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
Revenues	\$ 63,823	\$ 77,466
Expenses	<u>75,190</u>	<u>75,190</u>
Net Operating Revenues	<u>\$ 11,367</u>	\$ 2,276
Income Taxes	100 *	<u>683 *</u>
Net Income	<u>\$ 11,467</u> *	\$ 1,593 *
Rate Base	\$ 22,300	\$ 22,300
Operating Ratio	117.8% *	97.9% *
Rate of Return	-	7.1% *

() Indicates Loss

* Calculated by Commission's staff

Estimates of applicant's financial operating results under present and proposed fares for the coming year were submitted also by the Commission engineer. These estimates were developed from an analysis which the engineer had made of applicant's operations and records to develop, amongst other things, the trend of applicant's traffic, the volume of traffic that may be reasonably expected during the coming year, and the expenses that will apply under present cost levels. The engineer's estimates are set forth below:

Estimated Operating Results
Under Present and Proposed Fares
Year Ending July 31, 1962

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
Revenues	\$ 61,800	\$ 75,900
Expenses	<u>70,910</u>	<u>70,910</u>
Net Operating Revenues	(<u>\$ 9,110</u>)	\$ 4,990
Income Taxes	<u>100</u>	<u>1,660</u>
Net Income	(<u>\$ 9,210</u>)	\$ 3,330
Rate Base	\$ 22,620	\$ 22,620
Operating Ratio	114.9%	95.6%
Rate of Return	-	14.7%

The foregoing estimates of the accountant and of the engineer were both developed on the basis of applicant's total operations, which include so-called chartered transportation services that applicant provides in addition to its public utility services involved herein. In 1960 the charter services accounted for more than 25 percent of applicant's total miles of bus operation for the year. Although figures to show the operating results of the two types of services separately were not presented, the engineer stated that in 1960 applicant's gross revenues from the public utility services amounted to approximately 23 cents per bus mile of operation, whereas the gross revenues from the charter services amounted to about 40 cents per bus mile of operation. From this comparison the engineer concluded that the public utility services are the less profitable of the two, and that, in fact, said services are being supported in part by the charter services.

Notices of the hearing in this matter were posted in applicant's vehicles and were published in a newspaper of general circulation in the area which applicant serves. No one appeared in protest to the granting of the application.

The increases which applicant seeks to effect in its fares should be authorized. It is evident from the record in this matter that applicant's operations are being conducted at an accelerating rate of loss. Clearly, this trend must be reversed if applicant's services are to be maintained. The establishment of the increased fares would afford applicant substantial relief from its present situation. Even so, it appears that at best the earnings which applicant would realize from its public utility operations would not exceed reasonable limits.¹

The rate increase authority to be granted herein should include the full amount of the increases which applicant would make in its fares for transportation to, from and within the area embraced by its present fare zone No. 6. Although such increases are greater than those which are otherwise sought, it appears that they are warranted by higher costs of service within that area.

¹ This conclusion stems from the estimates of applicant's accountant and of the Commission engineer of applicant's earnings from its total operations in the event the sought fares are established. As shown in the tables hereinabove, the accountant estimated that applicant's rate of return would be 7.1 percent and the operating ratio would be 97.9 percent. The engineer estimated a rate of return of 14.7 percent and an operating ratio of 95.6 percent. Since, however, these figures in both instances take into account earnings from applicant's charter services as well as the public utility services, and since it appears that the former are the more profitable, it is evident that in terms of rate of return and operating ratio applicant's earnings from its public utility services will be at a lower rate than that for the combined services.

The zone changes which are proposed have for their main purpose the clarification of applicant's tariff and the elimination therefrom of obvious inequities. The zone changes should likewise be authorized.

The Commission is of the opinion and finds as a fact that the sought increases in fares and the changes in fare zones have been shown to be justified. The application will be granted. In view of applicant's need for prompt relief from its losses, the establishment of the increased fares and revised zones on five days' notice to the Commission and to the public will be authorized.

O R D E R

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

IT IS HEREBY ORDERED that:

1. M. & W. Bus Lines, Inc., be, and it hereby is, authorized to amend its Local Passenger Tariff No. 8, Cal. P.U.C. No. 8, on not less than five days' notice to the Commission and to the public, to establish the increased fares set forth below and the revised fare zones set forth in Appendix "A" attached hereto and by this reference made a part hereof.

Authorized adult fares, in cents per one-way ride:

And Points in Zone Nos.	Between Points in Zones Nos.						
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
1	20						
2	25	20					
3	30	25	20				
4	30	25	20	20			
5	35	30	25	25	20		
6	40	35	30	30	25	20	
7	50	45	40	40	35	30	25

Note: The authority herein granted to establish the increased adult fares specified in this paragraph also includes authority to effect such increases in children's fares as necessary to maintain such fares at a level of approximately one-half of the applicable adult fares in accordance with the provisions of Rule 2 of the aforesaid Local Passenger Tariff No. 8, Cal. P.U.C. No. 8.

2. In addition to making the tariff filings required in connection with the establishment of the increased fares herein authorized, M. & W. Bus Lines, Inc., shall notify the public of said fare changes by posting a statement of said changes in its terminals and in each of its buses which are operated over the routes over which the increased fares apply. Said notice shall be posted not less than five days before the date on which the changes are made effective, and shall remain posted until not less than ten days after said date.

3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

This order shall become effective twenty days after the date hereof.

Dated at Los Angeles, California,
this 24th day of October, 1961.

[Signature] President
[Signature]
[Signature]
[Signature] Commissioners

Everett C. McKeage
Commissioner....., being
necessarily absent, did not participate
in the disposition of this proceeding.

Appendix "A" to Decision No. _____

Authorized Fare Zones

- Zone 1 - That portion of carrier's route within the area bounded on the North by Fourth Street, on the East by Mayberry Street, on the South by First Street, and on the West by Main Street, all within the City of Santa Ana.
- Zone 2 - That portion of carrier's route between the intersection of Mayberry Street and First Street and the intersection of Laguna Road and Red Hill Avenue in Tustin.
- Zone 3 - That portion of carrier's route between the intersection of Laguna Road and Red Hill Avenue in Tustin and the Marine Corps Air Facility along Red Hill Avenue.
- Zone 4 - That portion of carrier's route in the area bounded on the North by Irvine Boulevard, the East by Browning Avenue, and the extension thereof to the Santa Ana Freeway, the South by the Santa Ana Freeway, and the West by Red Hill Avenue.
- Zone 5 - That portion of carrier's route in the area bounded on the North by Irvine Boulevard, the East by the westerly boundary of Central Avenue, the South by the Santa Ana Freeway, and the West by Browning Avenue and the extension thereof to the Santa Ana Freeway.
- Zone 6 - That portion of the carrier's route along Central Avenue and between the intersection of Trabuco Road and Central Avenue and the Base Chapel Marine Corps Air Station (El Toro).
- Zone 7 - That portion of carrier's route between the Base Chapel Marine Corps Air Station (El Toro) and Wherry Park.

(End)