

ORIGINALDecision No. 64418

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of STOCKTON CITY LINES, INC. for)
an exparte order to increase)
certain of its rates of fare.)

Application No. 44647
(Filed July 18, 1962)

Daniel S. Lane, for applicant.
Monroe N. Langdon, protestant.
Joan C. Lilly, for City of Stockton;
Charles P. Kenyon, for Board of Supervisors,
County of San Joaquin; interested parties.
Richard D. Gravelle and Harry Scheibe, for
the Commission staff.

O P I N I O N

Public hearing was held before Examiner J. E. Thompson at Stockton on August 13, 1962 and the matter was submitted.

Stockton City Lines, Inc., operates a local bus system in the City of Stockton and in adjacent unincorporated areas. The company is a wholly owned subsidiary of National City Lines and is managed and operated by Pacific City Lines, Inc., also a wholly owned subsidiary of National City Lines.

Applicant's present fares were made effective March 10, 1960 pursuant to Decision No. 59727 dated February 29, 1960 in Application No. 41704. It here seeks authority to increase fares as shown below.

	<u>Present</u>	<u>Proposed</u>
Adult Cash Fare	20c	25c
Adult Token Fare	6/\$1.00	Discontinue
School Cash Fare	10c	Discontinue
School Ticket Fare	12/\$1.00	20/\$2.00

The City Attorney of Stockton appeared only to present a petition of protest signed by 32 persons whom he is informed and believes are residents of Stockton. The petition was admitted as Exhibit 1.

The City of Stockton does not oppose the granting of the fare increase. It urged the Commission to authorize such fares as may be necessary to assure the ability of applicant to modernize its plant and to provide reliable service.

The Board of Supervisors of the County of San Joaquin contends that the operating results estimated by applicant may be too conservative, but does not oppose the granting of the fare increase provided any income over that estimated by applicant or in excess of that which the Commission finds reasonable, is restored to the Stockton Merchants Association which is now subsidizing the operation.

Evidence of the operations conducted was presented by applicant and by the Commission staff. A summary of statistics of operations conducted by applicant since 1956 is set forth in Table I.

TABLE I
Stockton City Lines, Inc.
Operations, 1956-1962

Year	Miles Operated	Revenue Passengers	Operating Ratio	Revenue Per Mile	Expenses Per Mile	Ratio of Wages To Revenue
1962 ^{1/}	1,000,500	2,645,000	102.60%	44.1¢	45.2¢	72.1%
1961	1,194,500	3,067,500	101.70	43.24	43.9	70.5
1960	1,217,400	3,219,500	98.10	44.31	43.47	62.0
1959	1,240,000	3,451,500	97.77	44.03	43.05	63.1
1958	1,235,200	3,441,300	98.48	41.82	41.19	62.1
1957	1,214,900	3,672,400	95.32	42.40	40.41	58.7
1956	1,186,700	3,935,200	93.62	41.96	39.28	57.4

^{1/} 12 months ended June 30, 1962.

As shown above, applicant's earnings and traffic have diminished steadily.

A two-year labor agreement between applicant and the union representing its employees expired October 31, 1961. Said contract was extended on a day-to-day basis thereafter during negotiations between the parties. On November 10, 1961, the union notified applicant that it intended to terminate the temporary agreement and a work stoppage was scheduled for November 30, 1961. The City of Stockton, in efforts to prevent the scheduled work stoppage, intervened and as a result it was agreed that pending further negotiations, and for a six-month period from November 1, 1961, applicant's employees would receive a 10 cents per hour wage increase for which applicant would be reimbursed by the City in the form of a grant in aid. By April 30, 1962 no agreement had been made by applicant and the union, the grant in aid terminated and a work stoppage resulted. Service was resumed June 11, 1962 as the result of an agreement entered into pursuant to which the employees would continue to receive the additional 10 cents per hour and the Stockton Merchants Association would subsidize applicant for that amount. The agreement is for a term of one year ending June 10, 1963.

Table II summarizes the results of operation for the year ended April 30, 1962 and the estimates made by applicant and by the staff of the results of operations for a future rate year under the present and under the proposed increased fares; the grant in aid and the subsidy are reflected in operating expenses.

TABLE II

Operating Results For
12-Month Period Ending As Shown

	Book Record 4-30-62 <u>Present</u>	Applicant 7-31-63		Staff 9-30-63	
		<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
Operating Revenue					
Passenger	\$495,958	\$431,740	\$526,887	\$436,130	\$545,460
Special Bus	10,255	10,250	10,250	10,250	10,250
Advertising	2,448	2,450	2,450	2,450	2,450
Total	\$508,661	\$444,440	\$539,587	\$448,830	\$558,160
Operating Expense					
Operations	\$461,435	\$435,100	\$435,100	\$429,630	\$429,630
Depreciation	2,859	10,295	10,295	11,560	11,560
Taxes & Licenses	48,107	52,230	52,470	51,370	51,640
Total	\$512,401	\$497,625	\$497,865	\$492,560	\$492,830
Operating Income	\$(3,740)	\$(53,185)	\$ 41,722	\$(43,730)	\$ 65,330
Other Income		100	100		-
Total		\$(53,085)	\$ 41,822		\$ 65,330
Income Taxes		100	17,351		30,200
Net Income		\$(53,185)	\$ 24,471		\$ 35,130
Operating Ratio	100.74	111.96%	95.47%	109.74	93.71%
Rate Base			\$155,536		\$160,010
Rate of Return			15.73%		22.0%

The difference between the estimates results principally from forecasts of the number of passengers for the rate year. Applicant alleges that because of the normal trend of decrease in patronage, together with the diversion of traffic resulting from the recent 41 day strike, it would have during its test year only 85.5 percent of the passengers which were transported during the year ended April 30, 1962. Applicant also estimated that because of the fare increase, there would be a further diminution of 9.13 percent. The staff forecast that the adult passenger

traffic would be 86.5 percent of that for the year ended April 30, 1962 and that diminution as a result of the proposed fare increase would be 7.53 percent.

By Decision No. 62750 dated October 31, 1961, in Application No. 43493, applicant was directed to place four new buses into service and submit on or before April 30, 1962 a plan for replacing its older equipment with new buses. Because of the unsettled labor situation, the Commission extended the time within which to submit the aforesaid plan until September 11, 1962.^{2/} The four new buses were acquired and were placed into service on or about August 10, 1962. The estimates shown above reflect the expenses of operating those buses.

At the hearing, officials of the City of Stockton and of the County of San Joaquin were heard, as well as individuals who use the bus line.

The position of the City of Stockton is that applicant should be granted the fare increase; that an analysis should be made for the possible justification of fares higher than 25 cents so that the applicant could accrue sufficient revenues to maintain operations for an indefinite period; that the Commission should refrain from issuing any order which will in any way reduce the speed with which applicant can modernize its equipment and that it take action to enable and require applicant to modernize its plant as rapidly as possible.

The County of San Joaquin does not take exception to the proposed fares. It is of the opinion that applicant's estimates

^{2/} On September 11, 1962, applicant filed a request for a further extension of time to December 31, 1962, for submission of the plan for replacement of buses. That request is not before the Commission in the instant application.

are unduly pessimistic. It suggests that the Commission authorize the proposed fares and that, to the extent said fares provide applicant with income over and above that which the Commission finds to be reasonable, giving due consideration to the replacement of applicant's equipment, applicant be required to refund said excess income to the Stockton Merchants Association.

Exhibit 1 is a petition protesting the proposed 25-cent fare. One witness suggested that the elimination of the school cash fare and the proposed school ticket fare of twenty tickets for \$2.00 would cause a hardship upon the parents of school children.

Implicit in the proposal of the City of Stockton is the suggestion that the rate payers should provide the capital for new operating equipment. Applicant is a wholly owned subsidiary of National City Lines, which is financially able to provide the bus equipment necessary and useful to the operation. It is entitled to an opportunity to earn sufficient revenues to maintain the operation and to earn a reasonable return upon the investment which it has in the operation and no more. We recognize, however, that the return on the investment should be enough so that further investment is not unfavorable in what appears to be an enterprise of declining opportunity and high risk.

The County's proposal to provide for refund to the Stockton Merchants Association should not be authorized in this proceeding. There is no evidence in this record that the contract between applicant and the Association contemplates that refund of the subsidy might be ordered by the Commission. For all that appears, the Association may well have executed the contract solely in contemplation of the benefits to the business community which

accrue from continued bus service. Under such circumstances the Commission will not interfere with these private arrangements at the request of a third party.

We will determine the just and reasonable fares to be assessed by applicant based upon a reasonable projection of operations that will be conducted in the future with the facilities that the evidence shows will be furnished. It is noted that while the four new buses will be used, applicant has not formulated any plan, nor has it committed itself to any future investment, for replacement of buses.

The forecast of applicant is that, under the proposed fares, applicant will have 1,840,803 adult passengers and 666,859 school passengers for the rate year. The staff forecasts 1,895,079 adult passengers and 666,859 school passengers. Considering the trend of diminishing patronage as shown in Table I as well as the effects of the work stoppage, we find that the staff's estimates more reasonably reflect the results of operations that can be expected for a future rate year. Based upon those estimates, we find that the proposed increased fares are not justified.

The staff presented a forecast of the results of operations for a future rate year under the following substitute fare structure:

Adult Fare	
Cash	25 cents
Token	22½ cents (2/45 cents)
School Fare	
Cash	10 cents
Ticket	10 cents (20/\$2.00)

The estimated results are set forth in Table III, below.

TABLE III

Operating Revenue	
Passenger	\$519,300
Special Bus	10,250
Advertising	<u>2,450</u>
Total	\$532,000
Operating Expense	
Operations	\$429,630
Depreciation	11,560
Operating Taxes	<u>51,580</u>
Total	\$492,770
Operating Income	\$ 39,230
Income Taxes	<u>17,060</u>
Net Income	\$ 22,170
Operating Ratio	95.8%
Rate Base	\$160,010
Rate of Return	13.9%

We find that the results shown in Table III reasonably reflect the operations of applicant for a future rate year under the fare structure indicated. After full consideration of all of the facts and circumstances, we find that the fares upon which Table III is based are reasonable and that the increases which would result from the establishment of said fares are justified.

Applicant requests authority to establish increased fares immediately and on less than statutory notice. In view of the losses being incurred, applicant will be authorized to establish the fares on not less than ten days' notice to the Commission and to the public.

ORDER

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

IT IS ORDERED that:

1. Stockton City Lines, Inc., is authorized to establish the following increased fares:

Adult Cash Fare	25 cents
Adult Token Fare	2 tokens for 45 cents
School Cash Fare	10 cents
School Ticket Fare	20 tickets for \$2.00

2. The tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date hereof and on not less than ten days' notice to the Commission and to the public.

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

4. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

5. In all other respects the application herein is denied.

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

Dated at San Francisco, California, this 16th day of OCTOBER, 1962.

George G. Grover
President

[Signature]

[Signature]

[Signature]

Frederick B. Holcomb
Commissioners