

Decision No. 65826

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTH COAST
TRANSIT CORP., a corporation,
for authority to increase
rates.

Application No. 45495
(Filed June 4, 1963)

OPINION AND ORDER

South Coast Transit Corp., a corporation, operates an intercity passenger bus and express service in Orange County between Santa Ana and Laguna Beach, a distance of about 23 miles, through the intermediate cities or communities of Costa Mesa, Newport Beach, Balboa Island, and Corona del Mar, and also furnishes service between Santa Ana and Balboa. In addition to its common carrier business, applicant performs charter service representing about 47% of its total revenue. Applicant is a wholly owned subsidiary of American Transit Corp., a Missouri corporation, which is engaged in public transit operations in a number of states throughout the United States. By this application, authority is sought to increase the passenger fares.

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.

The present fare structure is based on a five-zone system. The minimum adult cash fare is 15 cents with a 5-cent increment for each added zone of travel. Thirty-ride reduced fare commutation books are available for both adults and children. There is no transfer or joint fare arrangement with connecting carriers. In

this proceeding, applicant requests authority to increase the minimum adult cash fare from 15 cents to 25 cents, and the increment for multiple zone travel from five cents to ten cents for each added zone traveled. It is also proposed to discontinue the 30-ride reduced fare commutation books, and eliminate the free fare for children under five years of age.

In its study, the staff proposes an alternate fare structure, which provides for a minimum adult cash fare of 25 cents with 10-cent increments for added zone travel, except to Zones 4 and 5 where an increment of five cents each has been assigned, and retains reduced fare commutation books for both adults and children (primarily students) and free fare for children under five years of age.

Applicant's estimates of revenues and expenses under present and proposed fares for a test year ending February 29, 1964, are summarized in Table I, below:

Table I

Estimated Operating Results, Year Ended Feb. 29, 1964
(Total Operations Including Charter Service)

	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$156,899	\$197,958
Operating Expenses	<u>188,003</u>	<u>189,395</u>
Net before Taxes*	\$(30,818)	\$ 8,849
Income Taxes	<u>-</u>	<u>2,946</u>
Net Income	\$(30,818)	\$ 5,903
Operating Ratio (after taxes)	110.9%	95.6%

* Includes \$286 other income.

() Red Figure

In its study, the staff separated the common carrier and the charter operations, and developed estimated operating results for the year ending December 31, 1964. According to the staff study, applicant's traffic has remained relatively constant except for seasonal fluctuations and a slight downtrend in 1962 and the first six months of 1963. The forecast of traffic for the rate year ending December 31, 1964, was developed from analysis of trend. Distribution of fares is based on company records. The estimates of revenue under proposed fares reflect diminution or loss in traffic because of increased fares at one-fourth of the percent increase with a maximum diminution allowance of 15 percent.

Operating expense estimates in the staff study are based primarily on the most recent operating experience of the company, reflecting current labor and material cost levels. Accounts that vary with mileage reflect expenses accordingly. Expense for management has been included on a direct basis in lieu of the management fee basis as recorded. The estimated investment, depreciation and rate base, reflect applicant's cost. South Coast Transit Corp. leases five buses from the parent company, American Transit Corp. For the purpose of the staff study, the buses were treated as if owned instead of leased, and depreciation expense has been included in the operating expense accounts.

A summary of the estimated operating results, for the year ending December 31, 1964, for applicant's common carrier operations, as developed in the staff study is set forth in Table II, below:

Table IIEstimated Operating Results, Year Ended Dec. 31, 1964
(Common Carrier Service Only)

	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Alternate Fares</u>
Revenues	\$ 82,380	\$122,990	\$118,060
Expenses	<u>113,430</u>	<u>113,220</u>	<u>113,220</u>
Net before Income Taxes	\$ (31,050)	\$ 9,770	\$ 4,840
Income Taxes	<u>(7,060)</u>	<u>1,100</u>	<u>(230)</u>
Net Income	\$ (23,990)	\$ 8,670	\$ 5,070
Operating Ratio	129.1%	93.0%	95.7%
Rate Base	\$ 76,280	\$ 76,280	\$ 76,280
Rate of Return	-	11.4%	6.6%

() Red Figure

It appears that the staff estimates of the operating results more accurately reflect applicant's common carrier operations than do applicant's, and they will be adopted as reasonable for the purpose of this proceeding. ✓

The public has been adequately informed of applicant's proposal to increase fares. Copies of the application have been sent to the City Councils of Santa Ana, Costa Mesa, Newport Beach, Laguna Beach, and the Board of Supervisors of Orange County. Public notice was given by announcements posted in the buses and terminals of applicant. No protests have been received.

It is clear that under present fares applicant's operations will be conducted at a loss. It also appears that the slightly lower alternate fare structure suggested by the staff would result in reasonable operating results. Applicant has informed the Commission that it is willing to accept the staff's

proposed fares. We find that increases in fares to the levels proposed in the staff exhibit are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable. The application should be granted to that extent. A public hearing is not necessary.

IT IS ORDERED that:

1. South Coast Transit Corp. is hereby authorized to establish the following increased passenger fares:

<u>Zones</u>	<u>Adult Cash</u>	<u>Adult 30-Ride</u>	<u>Child 30-Ride</u>
1	\$.25	\$ 6.75	\$3.40
2	.35	9.45	4.75
3	.45	12.15	6.10
4	.50	13.50	6.75
5	.55	14.85	7.50

2. 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 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. Except to the extent hereinabove granted, Application No. 45495 is hereby denied.

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

Dated at San Francisco, California, this 18th day of February, 1964.

Holloman W. Bennett
President

John E. Hinkle

Walter H. Page

George H. Grover

Frederick B. Hallock
Commissioners