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ORIGINAL

Decision No. 68170

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of JOSEPH M. and
NEOLA F. CHAPPELL, dba VALLEJO
INTER-URBAN TRANSIT COMPANY,
for authority to increase fares.)

Application No. 46905
(Filed August 19, 1964)

OPINION AND ORDER

Joseph M. and Neola F. Chappell, copartners, doing business as Vallejo Inter-Urban Transit Company (Inter-Urban) seek authority to increase passenger fares.

Pursuant to authority granted by Decision No. 67764, dated August 25, 1964, in Application No. 46783, applicants repurchased the operating rights and physical property of Inter-Urban, consisting of one 1954 8-passenger DeSoto sedan and one 14-passenger Chevrolet stageway, from Raye S. and Betty F. Rogers, for a consideration of \$2,500.^{1/}

The Commission staff has made accounting and engineering economic studies of the operations of Vallejo Inter-Urban Transit Company, which studies are hereby made a part of this record and identified as Exhibits Nos. 1 and 2, respectively.

^{1/} By Decision No. 53087, dated May 15, 1956, in Application No. 37840, a certificate of public convenience and necessity was granted to Mr. J. M. Chappell authorizing the establishment and operation of service as a passenger stage corporation in parts of the City of Vallejo and in Bay Terrance, located in Solano County. Transportation within the city was abandoned August 12, 1955.

By Decision No. 59305, dated November 24, 1959, in Application No. 41561, Raye S. and Betty F. Rogers acquired Vallejo Inter-Urban Transit Company from William S. and Lila B. Piper who previously had purchased the operating rights and existing physical property of Inter-Urban from applicants (Decision No. 56426, dated April 1, 1958, in Application No. 39771) for the amount of \$2,500.

The present basic fare structure has remained generally unchanged since the inception of this passenger stage service. The basic fare consists of a single adult cash fare of 20 cents. Reduced student (over 12 years of age) cash fare of 15 cents and children (over 5 but not over 12 years of age) cash fare of 10 cents are also provided. In addition, adult 6-ride and 30-ride reduced commutation tickets are available for \$1 and \$5, respectively. The adult ticket fares are also acceptable as children fares when stamped "children." All student fares are 10 cents when using adult commute tickets appropriately stamped.

Applicants request authority to increase the adult cash fare from 20 cents to 25 cents. It also proposes that the student and children cash fares be increased to 20 cents and 15 cents, respectively. Also applicants seek to increase the price of commute tickets by reducing the 6-ride adult ticket to five rides and the 30-ride ticket to a 24-ride ticket.

Applicants allege that operating revenues have decreased substantially since June 1963, while operating expenses have increased, due largely to high maintenance and repair costs to existing vehicular equipment, which is nearly fully depreciated. Applicants are of the opinion that the sought increase in fares will make it possible to purchase newer equipment, thereby increasing the dependability of service in an effort to recapture former traffic.

Applicants do not indicate what the estimated operating results would be under the proposed fares. In Exhibit A, to the application, the annual income statement of the previous owners is set forth for the year 1963, adjusted to reflect owner-driver wages of \$6,500 not previously contained therein as an operating

expense. Such driver wages were computed at a straight \$125 per week. On this adjusted basis applicants indicate that their predecessor's results of operations for the year 1963 would reflect an operating loss in the amount of \$2,719.65 before reported depreciation of \$200.

The staff historical accounting study of operations for the period July 13, 1964 through August 31, 1964 indicates a net operating loss of \$168, with no allowance for drivers' wages. A comparison of the operating results for the years 1960 through 1963, as filed by Raye S. and Betty F. Rogers in their annual reports is summarized in Table I below:

TABLE I

Comparison of the Operating Results, Raye S. and Betty F. Rogers, doing business as Vallejo Inter-Urban Transit Company, for the years 1960 through 1963

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Passenger Revenue	\$7,940	\$7,747	\$8,562	\$7,388
<u>Expenses</u>				
Repairs, Servicing, Tires and Tubes	902	1,258	1,763	1,361
Gasoline and Oil	1,119	1,090	994	955
Insurance	590	620	949	881
Depreciation	150	350	300	200
Taxes and Licenses	<u>158</u>	<u>199</u>	<u>457</u>	<u>411</u>
Total Operating Expenses	\$2,919	\$3,517	\$4,463	\$3,808
Net Operating Income	\$5,021	\$4,230	\$4,099	\$3,580
Vehicle Miles Operated	45,000	45,000	45,000	45,000
Revenue Passengers Carried	41,058	40,538	44,120	38,117

It will be noted that the above expenses do not include a provision for drivers' wages. The net operating income represents

compensation for driving, as well as all other duties and services performed by the owner in conducting the operation.^{2/}

In the staff engineering economic study, adjustments in the proposed fare structure are suggested in order to clarify and supplement the basic proposed fare structure set forth in the application. Under this basis a 25-ride reduced commute fare of \$5, in lieu of the originally proposed 24-ride fare would be provided. In addition, a 6-ride reduced student and children commute fare of 90 cents (15 cents each) would be established.

The staff study also contains an estimate of revenues and expenses under present and proposed fares for a rate year ending October 31, 1965. The estimated revenues and expenses under the proposed fares reflect current labor and material cost levels. The results of the staff analysis are summarized in Table II below:

TABLE II

Estimated Operating Results under Present and Proposed Fares, Year Ending October 31, 1965

	Adjusted Book Record Year Ending 12-31-63(1)	Year Ending October 31, 1965	
		Present Fares	Proposed Fares
Operating Revenues	\$7,388	\$ 6,530	\$ 7,570
Operating Expenses	<u>6,788</u>	<u>10,870</u>	<u>10,880</u>
Net before Income Taxes	600	(4,340)	(3,310)
Income Taxes	<u>170</u>	<u>-</u>	<u>-</u>
Net Income	\$ 430	\$(4,340)	\$(3,310)
Operating Ratio (Red Figure)	94.2%	166.5%	143.7%

(1) The expenses have been adjusted to include the charges to the owner's drawing account (\$2,980) in lieu of drivers' wages.

^{2/} An allowance of \$125 per week for drivers' wages, as utilized by applicants' showing, would produce the following net operating losses for the periods shown:

	1960	1961	1962	1963
Net Operating Loss	\$1,479	\$2,270	\$2,401	\$2,920

The staff analysis and estimates of the operating results of Vallejo Inter-Urban Transit Company are more accurately and thoroughly presented than the rather meager showing set forth in the instant application and will, therefore, be adopted as reasonable for the purposes of this proceeding.

The general public has been adequately informed of applicants' sought increase in fares. A copy of the application was sent to the city clerk of the City of Vallejo and public notice was given by posting of announcements of applicants' filing with the Commission for authority to increase passenger fares. No protests have been received.

It is clear that under the present fares applicants' operations will be conducted at a loss. Unless the present monthly trend of revenue passengers improves substantially, applicants' results of operations under the proposed increased fares will continue to be unfavorable. It is noted also that the staff, as a result of its recent investigation of the operations of Inter-Urban, recommends that the increase in fares be granted ex parte.

Upon consideration of all the facts and circumstances of record, we find that:

1. The Vallejo Inter-Urban Transit Company is currently experiencing insufficient operating revenues.
2. Additional revenues are required if applicants are to maintain the integrity of said passenger stage operations.
3. The increases in fares to the levels proposed in Exhibit No. 2 are justified.

Applicants requested authority for an increase in fares should be granted to the extent found herein. In view of the unfavorable financial circumstances resulting from present operations

and fares, applicants should be authorized to establish the increased fares on less than statutory notice. A public hearing is not necessary.

IT IS ORDERED that:

1. Joseph M. and Neola F. Chappell, doing business as the Vallejo Inter-Urban Transit Company, are hereby authorized to establish the following increased passenger fares:

	<u>Cash</u> <u>Fares</u>		<u>Ticket</u> <u>Fares</u>
Adult	\$0.25	Adult, 25-ride	\$5.00
Student	.20	Adult, 5-ride	1.00
Children	.15	Students, 6-ride	.90
		(1) Children, 6-ride	.90

(1) Children commute tickets issued to patrons as a convenience only.

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 applicants 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.

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

Dated at San Francisco, California, this 2nd day of NOVEMBER, 1964.

Fredrick B. Hallock
President
John E. Hallock
Walter H. Long
George A. Traver
William M. Bennett
Commissioners