

**ORIGINAL**Decision No. 68662

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 WALTER E. MENDENEALL and WILBUR N. )  
 MENDENHALL, partners, doing business )  
 as Mendenhall Transportation Co., )  
 for authority to increase certain )  
 passenger fares and express rates. )

Application No. 47123  
 Filed November 18, 1964

O P I N I O N .

In considering this application the Commission takes official notice of the recent disastrous floods in the area in and around Eureka and generally in the northwestern portion of the State. The highways over which applicants operate suffered heavy damage, especially between Scotia and Eureka. Official notice will also be taken of Decision No. 68138, in Application No. 46755, dated October 27, 1964, wherein it was stated:

"Applicants introduced evidence tending to show that they were losing money on the operations sought to be abandoned. There was also a showing on behalf of the public that this service was greatly needed. The staff took the position that by operating only one bus and otherwise curtailing certain less needed services, applicants would be able to reduce costs substantially and still render the most vitally needed portion of the service...."

"On October 21, 1964, applicants filed a petition requesting that the submission be set aside and that an interim order issue authorizing the operation of reduced service in substantially the manner as proposed by the staff, for a ninety-day trial period."

In addition, the Commission found that, "Without a reduction in costs and an increase in revenues, it is doubtful if this operation can be made profitable." Applicants, by this decision, were given a reasonable trial period to operate in this manner. Because of the flood this trial period has become ineffective and any results of operations meaningless.

Applicants operate a freight and passenger transportation system in northwestern California between Scotia, Fortuna, Eureka, Arcata, and intermediate points, with on-call, freight and mail service northeasterly to Forks of Salmon and southeasterly to Bridgeville and Ruth. Applicants also provide airport limousine service between Eureka and Arcata and the Eureka-Arcata Airport located near McKinleyville. The passenger transportation equipment consists of one 37-passenger GMC Silverside bus and one 29-passenger Flexible bus on the scheduled line service between Scotia and Arcata. A Checker Stretchout and a Chevrolet Station Wagon are used in the airport service. Applicants' revenue from passenger operations was approximately 40 percent of their total operating revenue in 1963.

The present fare structure is based on a point-to-point system and includes one-way, round-trip, and commutation fares. There is no transfer or joint fare arrangement with connecting carriers.

In this proceeding applicants request authority to increase one-way and round-trip fares by 25 percent; to increase monthly commutation fares by 50 percent; to increase airport fares from \$1.50 to \$1.75 between Eureka and the airport, and from \$0.75 to \$1.00 between Arcata and the airport; and to increase express rates by 50 percent.

Applicants' Showing ✓

The monthly trends of revenue passengers carried from 1961 through November 1964 for both the scheduled service and the airport service are shown on the charts, pages 4 and 5, respectively. The forecasts of traffic for the year ending December 31, 1965 were developed from analyses of the trends. Distribution of fares is based on company records for the month of November 1964, which

period was subsequent to the change in scheduled service which occurred on November 1, 1964 (Decision No. 68138 of October 27, 1964). The estimates of revenue under proposed fares do not reflect loss in traffic from increased fares because of the dependence on local transportation in the sparsely settled territory. Estimated revenue is set forth in Table I, page 6.

The estimate of bus miles to be operated during the year ending December 31, 1965 represents the bus miles necessary to provide regular service under schedules which became effective on November 1, 1964. Applicants do not conduct charter or special bus service at the present time because the available equipment is fully utilized in the scheduled service.

Operating expense estimates are based on the experience of the company and reflect current labor and material cost levels. Accounts that vary with mileage reflect expenses accordingly. The book record did not include any salaries for the partners in the operating expense accounts. The owner-operators' compensation for services performed, which consist of driving the bus at times and keeping records in addition to supervision, is estimated at \$3,600 for the passenger portion of the business.

#### Staff Report

The Commission's Transportation Division, Engineering Economics Branch prepared a report in this matter dated January 7, 1965, concerning applicants' fares and operations. This report is hereby incorporated in the record as Exhibit 1. The staff concludes that the proposed fares are justified and should be authorized promptly on an ex parte basis, subject to later review.

The estimates of revenues and expenses developed in the compilation of this report are summarized in the estimated results

of operation under present and proposed fares for the year ending December 31, 1965, as shown in the following table:

## MENDENHALL TRANSPORTATION CO.

Estimated Results of Operation  
Under Present and Proposed Fares  
Year Ending 12-31-65

<u>Item</u>	<u>Book Record</u> <u>Year Ended</u> <u>12-31-63</u> <u>Total</u> <u>Operations</u>	<u>Present</u> <u>Fares</u> <u>Passenger</u> <u>Operations</u>	<u>Proposed</u> <u>Fares</u> <u>Passenger</u> <u>Operations</u>
<u>Vehicle Miles Operated</u>			
Freight	159,593	-	-
Passenger	198,965	-	-
Scheduled	-	67,320	67,320
Airport	-	71,780	71,780
	358,558	139,100	139,100
<u>Revenue</u>			
Freight	\$ 84,349	\$ -	\$ -
Passenger			
Scheduled	23,634*	14,900	20,830
Airport	9,948	10,350	12,140
Other	11,576	13,700	13,700
Express	5,709	5,440	8,170
	135,216	44,390	54,840
<u>Expense</u>			
Repairs, Servicing Tires	13,192	6,390	6,390
Drivers' Wages	51,915	20,870	20,870
Fuel and Oil	8,693	3,610	3,610
Other Transportation Expense	1,572	790	790
Station and Terminal Expense	2,956	1,600	1,600
Traffic and Advertising	538	270	270
Insurance	8,242	3,890	3,890
Office Salaries and Expense	23,877**	7,090	7,090
Depreciation	10,646	2,190	2,190
Operating Taxes	16,110	5,640	5,650
	137,741	52,340	52,350
Net Income before Taxes	(2,525)	(7,950)	2,490
Income Taxes	-	-	430
Net Income	(2,525)	(7,950)	2,060
Operating Ratio	101.9%	117.9%	96.2%

(Red Figure)

\* Includes \$7,300 charter and miscellaneous revenue

\*\* Includes partners' drawing accounts of \$700 per month each.

An operating deficit of \$7,950 annually is indicated under present fares with an operating ratio of 117.9 percent. Under

proposed fares, the net yearly income is estimated as \$2,060 with an operating ratio of 96.2 percent.

Protest

The public has been adequately informed of applicants' proposal to increase fares. A copy of the application has been sent to the Board of Supervisors of Humboldt County and to the City Clerks of the cities of Arcata, Eureka and Fortuna. Public notice was given by announcements posted in the buses and terminals of applicants. A protest has been received from the City of Arcata suggesting a period of time to test the effect of the service changes which became effective on November 1, 1964, as authorized by Decision No. 68138, before any change is made in fares. In the circumstances this delay is not justified.

It is found that the increases in fares and the revisions in rules and conditions proposed in Exhibit A attached to Application No. 47123 are justified and that the staff's estimates of revenues and expenses in Exhibit 1 are reasonable for the purpose of prescribing the fares authorized herein. The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to establish the increased fares proposed in Application No. 47123. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.
2. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

3. In addition to the required posting and filing of tariffs, applicants shall give notice to the public by posting in their buses and terminals a printed explanation of their 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 ten days after the date hereof.

Dated at San Francisco, California, this 25<sup>th</sup> day of FEBRUARY, 1965.

Frederick B. Holcroft  
President

John P. Fitchell

George W. Trover

August

William C. Sevens  
Commissioners