

ORIGINAL

Decision No. 70329

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PETE DRAKE conducting as sole owner certain automobile passenger stage lines under the name of TERMINAL ISLAND TRANSIT CO., to increase rates and fares for the transportation of passengers between Long Beach, Terminal Island, and San Pedro, California

Application No. 47848

(Filed August 26, 1965; amended December 13, 1965)

- William C. Price, for Pete Drake, doing business as Terminal Island Transit Co., applicant.
- Henry E. Jordan and Louis Possner, for the Bureau of Franchises and Public Utilities, City of Long Beach, interested party.
- R. W. Russell (by K. D. Walpert and Manuel Kroman), for the Department of Public Utilities and Transportation, City of Los Angeles, interested party.
- Eric Mohr, Glenn Newton, Raymond E. Heytens and William Kendall, for the Commission's staff.

O P I N I O N

Applicant provides a common carrier passenger stage service within the Los Angeles and Long Beach harbor areas under a certificate of public convenience and necessity authorizing operations between points over the following routes:

- Between San Pedro and East San Pedro (western portion of Terminal Island);
- Between San Pedro and Long Beach via Terminal Island;
- Between East San Pedro and Wilmington.

By this application he seeks authority to establish increased fares on less than statutory notice.

Public hearing on the application was held before Examiner Abernathy at Long Beach on October 19, 1965. Subsequently, on December 14, 1965, submission of the matter was set aside for further hearing in response to petition by applicant.¹ The further hearing was held on December 27, 1965, and the matter was resubmitted for decision.

Evidence was presented by applicant and his accountant, and by an accountant and by a transportation engineer of the Commission's staff.

Applicant's present fares are set forth in his Local Passenger Tariff Cal. P.U.C. No. 8. Examples of his fares for the transportation of adults (also, children of 12 years of age or older) are as follows:

<u>Between</u>	<u>Fare (in cents)</u>
Terminal Island and Long Beach	20
San Pedro and East San Pedro	25
San Pedro and Long Beach	35
East San Pedro and Long Beach	20
East San Pedro and Wilmington	20
Long Beach and Wilmington	20
East San Pedro points	20

A fare of 10 cents a ride applies for the transportation of children of less than 12 years of age but not less than 5 years. Children of less than 5 years of age are transported without charge. A student fare of 8-1/3 cents per ride, based upon the purchase of tokens or tickets, also applies for transportation subject to an adult fare of 20 cents a ride.

¹ On December 13, 1965, applicant amended his application to broaden the scope thereof. The matter was reopened for the receipt of evidence on the additional proposals.

In this proceeding applicant seeks authority to increase his 20-cent fares to 25 cents. In all other respects his present fares would continue to apply.

Applicant's fares were established at their present level on December 20, 1964. Applicant alleges that since that time his revenues have decreased as a result of decreasing passenger patronage; that his operating costs have increased, mainly because of increased costs of labor, and that he is no longer able to operate at a profit under his present fares.

Figures were presented by applicant and his accountant to show expected financial results of operation under present and proposed fares.

The Commission accountant submitted and explained financial data pertaining to applicant's operations for the years 1963 and 1964 and for the first six months of 1965. He reported net operating revenues as follows:

1963	\$ 11,552
1964	1,942
1965 (first 6 months)	(10,304)

○ Indicates loss.

He also reported on certain adjustments which applicant had made in his records to make them conform to requirements of the Commission concerning depreciation expense and accruals.

The Commission engineer also submitted estimates of applicant's financial results of operation under present and

proposed fares. Applicant's estimates, and those of the Commission engineer, are summarized in Tables Nos. 1 and 2 below:

Table No. 1
Estimates of Revenues, Expenses and Operating Results
Under Present Fares

	<u>Applicant (a)</u>	<u>Commission (b) Engineer</u>
Revenues		
Passenger	\$306,590	\$296,100
Charter	2,343	2,300
Other	3,620	2,300
Total revenues	<u>\$312,553</u>	<u>\$300,700</u>
Expenses		
Maintenance	\$ 59,523	\$ 55,570
Transportation	147,799	154,480
Advertising	-	260
Insurance	21,458	25,790
Administrative	47,440	34,340
Operating rents	10,116	9,300
Depreciation	17,296 (c)	16,800
Operating taxes	30,224	29,000
Other	376 (d)	-
Total expenses	<u>\$334,232</u>	<u>\$325,540</u>
Net income	\$ <u>(21,679)</u>	\$ <u>(24,840)</u>
Rate base	(e)	\$138,040
Operating ratio	106.9%	108.3%
Rate of return	-	-

() Indicates loss.

- (a) Year ending with June 30, 1966.
- (b) Year ending with September 30, 1966.
- (c) Based on 12-year service life for buses.
- (d) Interest expense, \$2,474, excluded.
- (e) Rate base figure conforming to 12-year service life of buses not supplied.

Table No. 2
 Estimates of Revenues, Expenses and Operating Results
 Under Proposed Fares

	<u>Applicant (a)</u>	<u>Commission (b)</u> <u>Engineer</u>
Revenues		
Passenger	\$355,875	\$336,000
Charter	2,343	2,300
Other	3,620	2,300
Total revenues	<u>\$361,838</u>	<u>\$340,600</u>
Expenses		
Maintenance	\$ 59,523	\$ 55,570
Transportation	147,799	154,480
Advertising	-	260
Insurance	21,458	25,580
Administrative	47,440	34,340
Operating rents	10,116	9,300
Depreciation	17,296(c)	16,800
Operating taxes	31,210	29,820
Other	376(d)	-
Total expenses	<u>\$335,218</u>	<u>\$326,150</u>
Net operating revenues	\$ 26,620	\$ 14,450
Income taxes	\$ 7,096(f)	\$ 1,760
Net income	\$ 19,524	\$ 12,690
Rate base	(e)	\$138,040
Operating ratio	94.6%	96.3%
Rate of return	(e)	9.2%

- (a) Year ending with June 30, 1966.
 (b) Year ending with September 30, 1966.
 (c) Based on 12-year service life for buses.
 (d) Interest expense, \$2,474, excluded.
 (e) Rate base figure conforming to 12-year service life of buses not supplied.
 (f) Calculated figure.

No one appeared at the hearings on this application in opposition to the sought fare increases.

Discussion

The evidence in this matter is convincing that applicant is experiencing substantial losses from his operations under present fares, and that increases in his fares should be permitted in order that he may earn the revenues needed to sustain his operations.

With respect to the earnings which would accrue to applicant if the sought fares are authorized, the record indicates that a lower level of earnings will be realized than is reflected in the estimates either of applicant or of the Commission engineer in Table No. 2 above. Applicant, in his estimate of revenues, did not sufficiently take into account a downward trend in traffic which the record shows that he has been, and is, experiencing. Also, he did not include provision for any diminution in traffic resulting from the establishment of increased fares. The engineer's estimate of revenues, on the other hand, contains allowances for trend and diminution which appear consonant with applicant's actual experience. However, the engineer's estimate of expenses is less than the expenses which the record shows will apply to applicant's operations. The engineer's estimate of administrative and general expense, in particular, appears low. As shown in Table No. 2 applicant's estimate of administrative and general expense is \$47,440. That of the engineer is \$34,340. In Decision No. 68300, dated November 30, 1964, when applicant's fares were previously considered, an amount of \$39,595 was found to be a

reasonable allowance for administrative and general expense. The record does not show that applicant has been able to effect a substantial reduction in his administrative and general expenses since November, 1964. Neither is it persuasive that an amount as great as that estimated by applicant is now reasonable. It appears that the amount of \$39,595 which was found to be reasonable in Decision No. 68300 should be considered as reasonable for the purposes of this proceeding also.

Discussion of other of the engineer's expense estimates, or reconciliation of differences between said estimates and those of applicant, is not necessary. In general, it appears that the principal differences are mainly differences in method followed in classifying the expenses incurred.

Although the engineer's estimate of applicant's financial operating results under the proposed fares is subject to modification with respect to administrative and general expense, it may be regarded as representative of applicant's maximum earnings under the sought fares. Upon this basis we find the probable operating results to be reasonable and the sought fare increases to be justified. Authority to effect said fare increases will be granted.

In order that applicant may undertake to overcome his losses as soon as possible, he will be authorized to establish the increased fares on five days' notice to the Commission and to the public. The order herein will be made effective one day after the date hereof.

During the hearings in this matter it was developed that applicant had terminated without prior authorization his scheduled

service between Long Beach and Wilmington and between East San Pedro and Wilmington because of lack of demand for said service. He is hereby placed on notice that he should take steps forthwith either to restore the service or to obtain the authority necessary to support the discontinuance.

O R D E R

IT IS ORDERED that:

1. Pete Drake, doing business as Terminal Island Transit Co., is authorized to amend his Local Passenger Tariff Cal. P.U.C. No. 8 so as to establish a fare of 25 cents as the minimum fare per one-way ride for the transportation of adults and for the transportation of children of 12 years of age or older between any two points on his lines. Tariff publications authorized to be made as a result of this order 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, applicant shall give notice to the public by posting in his buses and terminals a printed explanation of his 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.

This order shall become effective one day after the date hereof.

Dated at San Francisco, California, this 3rd day of FEBRUARY, 1966.

Fredrick B. Halbach
President

Augustus

William W. Bennett

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.