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ORIGINAL

Decision No. 72279

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of AMADOR STAGE LINES, INC. for
an order increasing passenger
fares and express rates.

Application No. 48995
(Filed December 5, 1966)

O P I N I O N

Applicant operates as a passenger stage corporation under a certificate of public convenience and necessity authorizing operations between Jackson, on the one hand, and Stockton and Sacramento, on the other hand, including intermediate points. Applicant also operates as a charter party carrier of passengers.

Applicant seeks authority to increase its passenger fares for its certificated operations by 25 percent, and to increase its express rates to a level equal to those currently maintained by Greyhound Lines, Inc. Present and proposed fares and express rates are set forth in exhibits attached to the application.

Applicant has served the application in accordance with Commission rules, and has posted notices of the sought fare and express rate increases in its buses and terminals. No protests have been received.

As justification for the sought increases, the application alleges as follows: Other than an increase in its minimum fare to 25 cents in 1960, applicant has not increased its adult one-way fares since 1939. Minor adjustments in express rates also were made in 1960. Attached to the application are profit and loss statements covering the years 1964 and 1965, and the nine-month period ending September 30, 1966. Said statements show that applicant incurred

losses in those periods of \$1,572, \$2,638, and \$3,031, respectively. Applicant asserts that an increase in rates and fares is essential if applicant is to continue to provide service to the public.

The application states that it is the intention, if the application is granted, to initiate a plan for the improvement of service offered to the public. At the present time, applicant operates a daily run from Jackson to Stockton and return in the morning and to Sacramento and return in the afternoon with one bus and driver. A study conducted by applicant indicates that the existing service does not adequately meet the needs of its patrons, as its existing schedule does not provide sufficient time for passengers traveling to Stockton or Sacramento to conduct their business before they must depart on the return trip. Applicant proposes to establish separate schedules for service between Jackson and Stockton and Jackson and Sacramento, with sufficient layover time in Sacramento and Stockton to permit passengers to transact business and return to Jackson the same day. The survey indicates to applicant that such change in schedule should encourage greater utilization of its services by the public.

Applicant estimates that it will receive a total annual increase in income from the sought increased fares and express rates of \$6,626. However, applicant states that it will incur additional operating expenses of more than \$7,300 as a result of its proposed schedule which will require two buses and drivers. Such increased expenses will be greater than the estimated increase in revenues sought herein. Applicant is willing to incur further operating losses in the immediate future in anticipation that the planned service improvement gradually will result in greater patronage, and that the revenues therefrom ultimately will offset the additional expenses incurred by the additional service.

A financial report covering applicant's operations prepared by a staff member of the Commission's Finance and Accounts Division is incorporated into the record herein as Exhibit 1. The report shows that applicant had a net loss from operations of \$3,607 for the twelve-month period ended June 30, 1966, and that operations for the three-month period ended September 30, 1966 showed a continuing loss. The report indicates that control of Amador Stage Lines, Inc. was acquired on July 1, 1966, by Suburban Transit Lines, Inc. through acquisition of the outstanding capital stock of Amador. Original source documents supporting entries to records prior to July 1, 1966 had not been transferred to the new owners at the time of the staff examination of accounting records. The report contains a recommendation that applicant adopt certain accounting procedures concerning intercompany transactions. Applicant will be directed by the order herein to accomplish the recommended accounting procedures.

A report of a study conducted by an engineer of the Commission's Transportation Division staff is incorporated in the record herein as Exhibit 2. The report includes a comparison of results of operation for the year ending June 30, 1966, and for a future rate year ending April 30, 1968. The historical year results show an operating loss. The rate year operating results, covering only applicant's common carrier service, show that under present fares and express rates applicant would operate at a profit if it did not increase its service; but if the additional service proposed by applicant is put into operation, applicant would operate at a loss. The report also shows that under the proposed increased fares and express rates and under the service conditions proposed in the application, applicant's operations would result in an operating ratio (after taxes) of 95.8 percent and a rate of return of 14.1 percent.

As developed in the staff study, the increased revenue per year from the proposed express rate increase will amount to \$6,300, and revenue from the proposed passenger fare increase will be \$1,500. The proposed change in service will provide an estimated \$700 more revenue per year from increased patronage, but the added expenses involved in providing the additional service will be \$7,600 per year.

The conclusions reached in the staff report are as follows:

1. Results of operation at present fares and rates are inadequate.
2. The proposed service will be an improvement over present service.
3. The study of the rate year indicates:
 - a. Results of operation at increased express rates are reasonable for this carrier.
 - b. The proposed service will result in a decrease in net income.
 - c. Results of operation at the requested passenger fares are reasonable provided the increase in fares is accompanied by the service change proposed in the application.

Based on the study and the above conclusions, the staff recommends the following:

1. The applicant be granted authority to increase express rates as requested.
2. The applicant be granted authority to increase passenger fares and to increase the common carrier service as proposed in the application, provided the changes are made effective concurrently.
3. The new passenger service at the requested fares be tried for a six-month period to ascertain if sufficient passengers are attracted to justify the service.

4. The carrier be required to report to the Commission within 30 days of the end of this trial period on the volume of traffic, revenues and expenses and that the results of operation be reviewed to see if the new service and fares should be continued.

The staff report indicates that the above recommendations have been discussed with applicant and are acceptable to it.

We find as follows:

1. Applicant has incurred losses from its common carrier passenger and express operations for the calendar years 1964 and 1965, and for the fiscal year ending June 30, 1966.

2. The estimates of operating results set forth in the staff's Exhibit 2 for an historical year ending June 30, 1966 and for a future rate year ending April 30, 1968, reasonably represent the results of applicant's operations for the purposes of this proceeding.

3. Applicant is in urgent need of additional revenues in order to operate at a reasonable profit.

4. The increases from the proposed express rates will provide sufficient additional revenues for applicant to operate at a reasonable profit if applicant continues to provide its current level of common carrier services.

5. The additional service proposed in the application will provide better service to applicant's patrons.

6. If applicant institutes the service changes proposed in the application, the additional expenses of providing such service will be greater than the additional revenues from increased patronage.

7. If the additional service proposed is instituted, additional revenues will be required if applicant is to operate at a reasonable profit; and the revenues from the proposed increase in passenger fares will provide sufficient additional revenues to provide applicant with a reasonable operating profit.

8. The increased express rates are reasonable and are justified.

9. The increased passenger fares are reasonable and justified only if the levels of service proposed in the application are conducted by applicant; but such increase in fares is not justified under present levels of service provided by applicant.

10. A public hearing is not necessary.

The Commission concludes as follows:

1. Applicant should be authorized to increase its express rates as proposed in the application herein.

2. Applicant should be authorized to increase its passenger fares concurrently with a change in its filed timetables establishing separate schedules, as proposed in the application, between Jackson and Stockton and Jackson and Sacramento.

3. If applicant elects to increase its passenger fares and institute the proposed level of service, as described in conclusion 2 above, applicant should continue to provide that level of service for at least a six-month trial period. If, after the conclusion of said period, it is determined by applicant that the increased level of service has not generated a sufficient number of passengers to continue that level of service, applicant may reduce said service, provided that it either:

(a) Concurrently reduces passenger fares to the levels now maintained by it, or

(b) Seeks further authority from this Commission, by the filing of a supplemental application herein, or a new application, to maintain the higher level of passenger fares conditionally authorized herein.

4. The application should be granted to the extent provided in the order which follows.

5. Applicant should inaugurate the accounting procedures recommended in the staff report.

O R D E R

IT IS ORDERED that:

1. Amador Stage Lines, Inc. is authorized to establish the increased express rates proposed in the application herein.

2. Applicant is authorized to establish the increased passenger fares proposed in the application, provided that it concurrently amends its timetables to establish separate schedules for operations between Jackson and Stockton and Jackson and Sacramento, as proposed in the application, and provided that applicant shall maintain said level of service in effect for at least a six-month period. Applicant, thereafter, may reduce said level of service subject to one of the following conditions:

- (a) Applicant concurrently reduces passenger fares to levels in effect prior to the increase authorized herein, or
- (b) Applicant is granted further authority to modify its passenger fares.

3. 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.

4. The authority to increase fares and express rates herein granted shall expire unless exercised within ninety days after the effective date of this order.

5. Accounting records covering intercompany transactions involving operating expenses of applicant which will be paid by applicant's parent company, Suburban Transit Lines, Inc., and

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subsequently billed back to applicant, shall be substantiated through intercompany invoices which detail fully the nature of the charges.

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

Dated at San Francisco, California, this 11th day of APRIL, 1967.

Carl E. Mitchell
President
J. William B. ...
August ...
William ...
Thos P. Monissey
Commissioners