

ORIGINALDecision No. 73224

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

Application of THOBURN S. HAWORTH,
 BRYAN W. HAWORTH, RUTH S. HAWORTH,
 and MARGARET HAWORTH, partners,
 doing business as ORANGE BELT
 STAGES, for an order authorizing
 an increase in intrastate passenger
 fares.

Application No. 49267
 (Filed April 7, 1967)

O P I N I O N

Thoburn S. Haworth, Bryan W. Haworth, Ruth S. Haworth and Margaret Haworth, partners, doing business as Orange Belt Stages, operate as a passenger stage corporation. They operate generally in the southern part of the San Joaquin Valley, and between such valley points and Paso Robles; also between Bakersfield and Barstow.

Applicants seek authority to increase fares in order to obtain additional revenues to offset increases in their intrastate passenger stage operating expenses incurred since the last general upward adjustment in fares, authorized by Decision No. 55939, dated December 10, 1957, in Application No. 38766. The present and proposed fares are set forth in the application, together with supporting financial statements, in exhibit form, attached thereto.

Applicants have served the application in accordance with the Commission rules, and have posted notices of the sought fare increase in their buses and terminals on or before May 2, 1967. No protests have been received from applicants' patrons.

The present fare structure established pursuant to Decision No. 55939 for all routes, except between Bakersfield and Arvin, is as follows:

ONE-WAY DISTANCE FARES

<u>Over</u>	<u>Miles</u> But Not <u>Over</u>	<u>Rate Per Mile</u> (in cents)
0	6	20 cents (1)
6	25	2.8
25	50	2.6
50	--	2.5

(1) Minimum Fare 20 cents.

Applicants' fares between Bakersfield and Arvin are lower per passenger mile than those established by Decision No. 55939 and are subject to a minimum fare of only 15 cents.^{1/} Ten-ride commute and round-trip discount fares are also available over all routes of Orange Belt Stages.^{2/} The round-trip fares are 90 percent and the ten-ride fares are 80 percent of the otherwise applicable one-way fares between the same points.

Applicants propose to establish over each of their routes a mileage fare structure substantially the same as authorized Greyhound Lines, Inc., in Decision No. 71787, dated December 29, 1966, in Application No. 48962. The proposed mileage scale for intrastate passenger fares is as follows:

PROPOSED ONE-WAY DISTANCE FARES

<u>Over</u>	<u>Miles</u> But Not <u>Over</u>	<u>Rate Per</u> <u>Mile</u> (in cents)	<u>No Fare Less</u> <u>Than Fare for:</u>	<u>Amount of</u> <u>Increase</u> (in cents)
0	25	3.54	Minimum Fare	0.74
25	50	3.31	25-miles	0.71
50	--	3.12	50-miles	0.62

Minimum Fare 30 cents (10 cent increase).
Round-trip Fare 180% of one-way fare.

Applicants propose to apply the above mileage scale to each of their routes, subject to the rules stated in their Local Passenger

- 1/ Bakersfield-Arvin fares are published in Orange Belt Stages' Local Passenger Tariff No. 12-B, Cal. P.U.C. No. 22.
2/ Local Passenger Tariff No. 6-B, Cal. P.U.C. No. 7, provides ten-ride fares over all of applicants' routes except between Bakersfield and Arvin.

Tariff No. 10-B, Cal. P.U.C. No. 23, and to include the Bakersfield-Arvin fares in a single tariff with their other passenger fares. Applicants further propose to cancel all of their existing ten-ride fares for which there is no demand.

Applicants contend that, due to the general insufficiency of their present fare structure, Orange Belt Stages' intrastate passenger operations are conducted at a substantial loss and that such operating losses will continue even under the proposed increase. Orange Belt Stages contends that its ability to continue intrastate passenger service is due solely to the carrier's profitable interstate operations. Therefore, it is alleged that applicants' intrastate operations constitute an undue burden upon Orange Belt Stages' interstate traffic. In further justification of the proposed fare increase applicants point out that the Commission authorized their principal connecting carrier (Greyhound Lines, Inc.) to establish essentially the same intrastate fare structure as herein proposed on behalf of Orange Belt Stages, based on a showing of substantially similar cost increases (Decision No. 71787).

Applicants estimate (Exhibit J) that the proposed fares will produce \$19,278 in additional intrastate revenues per year. On the other hand, the carrier's intrastate operating expenses are calculated to increase \$36,350 for the twelve month period ending December 31, 1967. The increase in operating expenses reflect (1) a 5 percent increase in wages, effective July 1, 1966; (2) upward adjustments in Federal Social Security Taxes; and (3) increased depreciation charges for 4 new buses purchased subsequent to April 30, 1966.

Orange Belt Stages' results of operations for the twelve month period ending December 31, 1967, under present and proposed fares, are set forth in Exhibits E and F, respectively, of the

application. The statements show that, while applicants' interstate passenger service is conducted at a profit, the like intrastate passenger operations, under both present and proposed fares, do not generate sufficient revenues to cover applicants' total allocated intrastate operating expenses. It should be noted, however, that applicants' Bakersfield-Barstow line continues to be a profitable and sustaining segment of applicants' overall operations.^{3/}

The Finance and Accounts Division and the Transportation Division of the Commission conducted a rather extensive investigation into the operations of Orange Belt Stages. The results of the staff study was presented to the Commission on September 6, 1967 and the report is incorporated in the record herein as Exhibit 1. The accounting records, reports and other pertinent data of applicants were examined by the staff for the fiscal years ended April 30, 1966 and 1967.

The consolidated results of Orange Belt Stages' operations for the historical rate year ended April 30, 1967, as developed by the staff, are summarized in the following table:

TABLE I

Operating Results - Orange Belt Stages
Adjusted Historical Rate Year
Ended April 30, 1967

Operating Revenues	\$753,000
Operating Expenses	<u>625,400</u>
Operating Income	\$127,600
Less Income Taxes	<u>54,000</u>
Net Operating Income	\$ 73,600
Operating Ratio	90.2%
Rate of Return	19.3%
Rate Base	\$382,200

It will be noted from Table 1 above that, after staff adjustments in applicants' book records, Orange Belt Stages realized

^{3/} Decision No. 55939 contains a detailed description of the Bakersfield-Barstow line.

a net operating income (after income taxes) of \$73,600 from all services. Exhibit E of the application shows a slightly higher estimated net operating income (before income taxes) of \$79,268 from Orange Belt Stages' combined operations for the 12-month period ending December 31, 1967. Exhibit E also shows that applicants anticipate an overall net operating loss of some \$64,000 from its intrastate operations and existing local fare structure. The staff study did not include a like segregation of the Orange Belt Stages' results of intrastate operations for the fiscal period ended April 30, 1967.

An estimate of Orange Belt Stages' results of operations for a future rate year, ending April 30, 1968, is set forth in Table 5 of the staff's Exhibit 1, separately allocated as between the interstate, charter and intrastate common carrier operations of applicants. The staff's revenue and expense projections are summarized in the following table:

TABLE 2

Estimated Results of Operations - Orange Belt Stages
For Projected Rate Year Ending April 30, 1968

Account	Present Fares				Requested Fares:
	Total : : Operation	: Interstate	: Charter	: Intrastate : Common Carrier	: Intrastate : Common Carrier
Revenues					
Passenger	\$487,300	\$356,100	-	\$131,200	\$151,200
Special Bus	226,100	-	\$226,100	-	-
Other	44,600	3,600	-	41,000	41,000
Total	\$758,000	\$359,700	\$226,100	\$172,200	\$192,200
Expenses					
Maintenance	\$ 69,900	\$ 9,600	\$ 34,300	\$ 26,000	
Transportation	202,400	67,500	72,600	62,300	
Station	61,700	38,300	-	23,400	
Traffic	17,700	8,300	5,400	4,000	
Insurance	21,600	8,700	7,100	5,800	
Administration	58,300	20,700	18,600	19,000	
Depreciation	40,000	5,500	19,600	14,900	
Taxes	51,300	7,000	25,200	19,100	
Rents	68,900	58,600	700	9,600	
Total	\$591,800	\$224,200	\$183,500	\$184,100	\$184,100
Bonus	32,700	9,500	12,600	10,600	12,200
Total	\$624,500	\$233,700	\$196,100	\$194,700	\$196,300
Operating Income	\$133,500	\$126,000	\$ 30,000	<u>\$(22,500)</u>	<u>\$ (4,100)</u>
Income Taxes	57,200	54,000	12,800	(9,600)	(1,800)
Net Income	\$ 76,300	\$ 72,000	17,200	<u>\$(12,900)</u>	<u>\$ (2,300)</u>
Operating Ratio - %	89.9	80.0	92.4	107.5	101.2
Rate of Return - %	20.5	-	9.4	-	-
Rate Base	\$372,000	-	\$182,500	\$189,500	\$189,500

(Red Figure)

From Table 2 above it will be observed that the staff study confirms applicants' original assertion that their common carrier intrastate operations are not profitable under existing and proposed fares. The staff study also shows that the charter operations (mainly intrastate) and the interstate operations are conducted profitably and largely support Orange Belt Stages' intrastate common carrier operations.

Based upon its investigation and study of the operations of Orange Belt Stages, the staff makes the following general recommendations:

1. Applicants should establish ticket analysis procedures to enable development of interstate and intrastate passenger and passenger mile experience for the purpose of segregating operating revenues and expenses.

2. Operating expenses for drivers and other incidental expenses pertaining to charter bus services should be recorded separately in applicants' accounting records by the employment of sub-account columnar analysis.

3. Applicants should be required to amend their tariff mileage table for the Bakersfield-Arvin route so as to reflect the actual distance of 21 miles.

4. In the absence of protests, the fares and tariff changes requested in Application No. 49267 be authorized ex parte.

The Commission finds that:

1. The operating results set forth in Commission staff Exhibit 1 for the historical fiscal year ended April 30, 1967 and for a future rate year ending April 30, 1968, reasonably represent the results of applicants' intrastate common carrier passenger operations.

2. The intrastate common carrier passenger operations of applicants are not now profitable under the existing fare structure and will continue to operate at a loss during the rate year ending April 30, 1968 under the requested increase in fares.

3. The proposed mileage fare structure is essentially the same as previously found reasonable for Greyhound Lines, Inc., a major interline connecting carrier of applicants, in Decision No. 71787, dated December 29, 1966, in Application No. 48962.

4. The present intrastate common carrier fares of applicants are not compensatory.

5. Applicants are in need of additional revenues from their intrastate common carrier operations.

6. Applicants proposed increased fares are reasonable and justified.

7. Applicants tariff mileage table for their Bakersfield-Arvin route should be based on the actual distance of 21 miles.

8. A public hearing is not necessary.

The Commission concludes that:

1. Applicants should be authorized to establish the increased fares and tariff changes proposed in the application herein.

2. Applicants should file an amended tariff mileage table for their Bakersfield-Arvin route based on the actual distance of 21 miles as recommended in the staff's Exhibit 1.

It is also expected that applicants will inaugurate and maintain accounting and statistical reporting procedures, such as recommended by the staff, which will enable appropriate segregation and allocation of interstate, charter and intrastate common carrier operating revenues and expenses.

O R D E R

IT IS ORDERED that:

1. Thoburn S. Haworth, Bryan W. Haworth, Ruth S. Haworth and Margaret Haworth, partners, doing business as Orange Belt Stages, are authorized to establish the increased fares and tariff changes proposed in Application No. 49267.

2. 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.

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 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.

5. Applicants shall file an amended tariff mileage table for their Bakersfield-Arvin route based on the total actual distance of 21 miles.

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

Dated at San Francisco, California, this 24th day of OCTOBER, 1967.

[Signature]
President
[Signature]
Secretary
[Signature]
William [Signature]
[Signature]
Commissioners