

ORIGINAL

Decision No. 78432

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SOUTH COAST TRANSIT CORP.,  
a corporation, for authority  
to adjust rates and abandon  
certain service.

Application No. 52317  
(Filed November 20, 1970;  
amended January 11, 1971)

James H. Lyons, Attorney at Law, for  
South Coast Transit Corp., applicant.  
Sergius M. Boikan, Attorney at Law, and  
Edward C. Crawford, for the Commis-  
sion's staff.

O P I N I O N

Applicant is engaged in the business of transporting persons, as a passenger stage corporation, over regular routes within Orange County between El Modeno, Santa Ana, Huntington Beach, Newport Beach and Laguna Beach. It also is engaged in the transportation of persons pursuant to charter arrangements.

By this application it seeks authority (a) to increase its fares over its routes between Santa Ana, Newport Beach and Laguna Beach, and (b) to discontinue service over its routes between Santa Ana and El Modeno and between Santa Ana and Huntington Beach.

Public hearing on the application was held before Examiner C. S. Abernathy at Santa Ana on February 5, 1971. Evidence was submitted by applicant through its budget and rates director and through its manager. A transportation engineer of

the Commission's staff reported on an analysis which he had made of applicant's operations and records. One of applicant's patrons testified in opposition to the sought discontinuance of service between Santa Ana and Huntington Beach.

Applicant's present fares per adult one-way ride range, by 5-cent increments according to length of trip, from a minimum of 25 cents to a maximum of 70 cents.

Commute fares which are about 10 percent less than the cash fares, and which are based on the purchase of 30-ride commutation tickets are also provided. Applicant seeks authority to increase its minimum fare to 35 cents and to increase the 5-cent increments to 10 cents. Corresponding increases would be made in the commute fares; said fares, however, would be based upon the purchase of 10-ride tickets instead of the present 30-ride tickets.<sup>1/</sup> In addition applicant would change the location of some of its fare-break points. Examples of applicant's present and proposed cash fares per adult one-way ride are as follows:

Between Santa Ana and:	<u>Present</u>	<u>Proposed</u>
Costa Mesa	\$.35	\$.55
Newport Beach	.50	.65
Laguna Beach	.55	.95

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<sup>1/</sup> Applicant also provides reduced cash and ticket fares for children, which fares are about one-half of the applicable adult fares. The childrens' fares would be continued on this basis.

As justification for the increased fares and reductions in service which it seeks, applicant alleges that it is incurring losses of such magnitude that it will have to cease operating unless it is afforded prompt relief therefrom. According to financial data which were presented by applicant's witnesses, applicant incurred a loss of \$45,382 during 1970. Total assets as of the close of 1970 were reported as valued at approximately \$90,000. The company's capital account shows an operating deficit of \$127,122 as of December 31, 1970. That applicant has been able to continue operating in the circumstances was attributed to support which it has received from its parent company, American Transit Corporation. Assertedly, however, American Transit Corporation cannot continue to underwrite applicant's losses. Hence, unless applicant is able to overcome its losses, it will have no alternative other than to terminate its operations.

Applicant's manager stated that the company's operations over its Santa Ana/El Modena and Santa Ana/Huntington Beach routes are particularly unprofitable. He said that during the past several years he has tried to correct this situation by effecting various service changes, but that said operations have continued to be unprofitable. Out-of-pocket costs incurred during 1970 from the services over said routes reportedly were almost three times revenues received, and total costs were more than five times revenues received.

Applicant's budget and rates director estimated that under the sought fares applicant would realize an increase of about 45 percent in revenues from its regular route services. He further estimated that under the sought fares and with service over the Santa Ana/El Modeno and Santa Ana/Huntington Beach routes discontinued applicant's financial results of operations for the coming year would be as follows:

Operating Revenues	
Regular Route	\$ 97,865
Special Bus (Charter)	133,095
Other	<u>1,825</u>
Total Operating Revenues	\$232,785
Operating Expenses	<u>228,421</u>
Net Operating Revenues	\$ 4,364
Other Deductions (Net)	\$ 2,942
Net Income before Income Taxes	\$ 1,422

That applicant is experiencing, and will continue to experience substantial losses under its present level of fares and services was confirmed by the Commission engineer. The engineer reported that for the year which ended with August 31, 1970, applicant experienced a loss of \$30,772. With respect to future operations the engineer submitted estimates of applicant's operating results for the year through March, 1972, assuming, among other things, that the present levels of fares and services are continued, on the one hand, and that the sought fare increases and service reductions are effected, on the other hand. The engineer developed his estimates so as to show expected operating results of applicant's regular route and charter operations separately in addition to the

results of applicant's operations as a whole. Said estimates are summarized in Tables No. 1 and 2 below:

Table No. 1

Estimated Operating Results Under Present  
Fares and Present Level of Service  
Year Ending March 31, 1972

	<u>Regular Routes</u>	<u>Charter</u>	<u>Total</u>
<u>Revenue</u>			
Passenger	\$ 68,400	-	\$ 68,400
Special Bus (Charter)	-	\$111,400	111,400
Advertising	<u>1,800</u>	-	<u>1,800</u>
Total Revenue	\$ 70,200	\$111,400	\$181,600
<u>Expenses</u>			
Equipment Maintenance	\$ 23,910	\$ 14,530	\$ 38,440
Transportation	62,040	48,470	110,510
Station	1,000	1,400	2,400
Traffic	1,270	1,750	3,020
Insurance	7,350	8,110	15,460
Administration	9,680	6,920	16,600
Operating Taxes and Licenses	12,120	10,470	22,590
Depreciation	570	14,360	14,930
Operating Rents	4,160	3,260	7,420
Income Taxes	-	100	100
Total Expenses	\$122,100	\$109,370	\$231,470
Net Income	\$ (51,900)	\$ 2,030	\$ (49,870)
Rate Base	\$ 10,460	\$ 53,340	\$ 63,800
Operating Ratio	173.9%	98.2%	127.5%
Rate of Return	-	3.8%	-

           Indicates loss

Table No. 2

**Estimated Operating Results Under Proposed  
Fares and Proposed Level of Service  
Year Ending March 31, 1972**

	<u>Regular Routes</u>	<u>Charter</u>	<u>Total</u>
<u>Revenue</u>			
Passenger	\$ 83,400	-	\$ 83,400
Special Bus (Charter)	-	\$111,400	111,400
Advertising	1,800	-	1,800
Total Revenue	\$ 85,200	\$111,400	\$196,600
<u>Expenses</u>			
Equipment Maintenance	\$ 21,490	\$ 14,710	\$ 36,200
Transportation	56,660	48,610	105,270
Station	1,000	1,400	2,400
Traffic	1,470	1,750	3,220
Insurance	7,880	8,110	15,990
Administration	9,370	7,230	16,600
Operating Taxes and Licenses	11,260	10,590	21,850
Depreciation	550	14,380	14,930
Operating Rents	4,000	3,420	7,420
Income Taxes	-	100	100
Total Expenses	\$113,680	\$110,300	\$223,980
Net Income	\$ (28,480)	\$ 1,100	\$ (27,380)
Rate Base	\$ 10,460	\$ 53,340	\$ 63,800
Operating Ratio	133.4%	99.0%	113.9%
Rate of Return	-	2.1%	-



Indicates loss

With respect to the operations over the Santa Ana/El Modeno and Santa Ana/Huntington Beach routes the engineer submitted figures indicating present out-of-pocket losses from said operations substantially as reported by applicant's manager. He estimated that should the operations be continued but that increased fares as otherwise sought herein be assessed the increased revenues would not be sufficient to cover the out-of-pocket costs, and that the costs would exceed the revenues by about 100 percent. He declared that since it appears (as shown in Table No. 2 above) that even under the sought fares applicant's operations over its other routes will continue to be unprofitable applicant is in no position to continue its services over the Santa Ana/El Modeno and Santa Ana/Huntington Beach routes and to assume the losses therefrom.

The engineer recommended that the sought fare increases and that applicant's request to terminate service over the Santa Ana/El Modeno and Santa Ana/Huntington Beach routes be granted.

The patron of applicant's services who appeared in opposition to the proposed discontinuance of the Santa Ana/Huntington Beach route asserted that there is public need for the service. He attributed the company's inadequate revenues from the route to a lack of advertising, distribution of schedules, designation of bus stops, and benches at bus stops. He declared that in lieu of discontinuing service the company should be required to retain the service and to embark on promotional programs to augment its traffic.

At the close of the hearing it was stated on behalf of the Commission's Finance and Accounts Division that applicant's principal records are kept outside of California, and that as a consequence representatives of the Division have not had opportunity to review said records in connection with this matter. A motion was made that such rate increase authority as may be granted herein be limited to an interim basis in order that the Division representatives might make their review and submit their recommendations thereon.

Discussion, Findings and Conclusions

The evidence which has been presented in this matter both by applicant's witnesses and by the Commission engineer undeniably shows that applicant is experiencing very substantial losses from its operations. The evidence also shows that the losses stem from applicant's regular route services. The losses obviously constitute a serious threat to applicant's ability to provide said services. Applicant's need for relief is most urgent. In view of the financial exigencies with which it is confronted, applicant apparently has no alternative to the course which it has here elected to follow, namely, to increase its fares and to discontinue service over its most unprofitable routes.

Regarding the effect that the sought fare increases and service reductions would have upon applicant's financial operating results, we note that applicant's budget and rates director and the Commission engineer differed materially in



their respective estimates of applicant's operating results for the coming year if fares are increased and service is reduced as sought. On the one hand the budget and rates director predicted net operating revenues of \$4,364 from the total regular route and charter operations whereas, on the other hand, the engineer predicted a loss of \$27,380. It appears that the budget and rates director may have underestimated the diminution in traffic that will result from the fare increases. It appears, also, that he may have overestimated applicant's revenues otherwise. We are of the opinion that the engineer's estimates reasonably represent applicant's probable operating results under the proposed fares and reduced level of service.

With respect to the proposed fare increases we find that:

1. Applicant is incurring heavy losses from its services over its regular routes under present fares;
2. The establishment of the increased fares which are sought will reduce said losses;
3. The sought fare increases have been shown to be justified.

We conclude that the sought fare increases should be authorized.

Regarding the proposed discontinuances of service over the Santa Ana/El Modeno and Santa Ana/Huntington Beach routes, we are of the opinion that said discontinuances of service should also be authorized. Although some segments of the public undoubtedly will be inconvenienced by such discontinuances, the fact that the out-of-pocket costs of service over said routes are about three times the revenues received leaves little room for any

conclusion other than that the needs and convenience of the public in general are not sufficient to require the continued operation of the routes. We find that said discontinuances have been shown to be justified.

We reach these conclusions notwithstanding the contentions of the witness opposing the discontinuance of service over the Santa Ana/Huntington Beach route that an insufficiency of promotional activities has brought about, or has contributed, to applicant's plight. Whether the witness is correct in his contentions need not be decided. Even though it were to be concluded that he is correct, the indicated remedy comes too late to be efficacious insofar as retention of service over the Santa Ana/El Modeno and Santa Ana/Huntington Beach routes is concerned. In view of the fact, however, that applicant's other regular-route operations will continue to be unprofitable, even under the sought rates, applicant should consider whether the losses can be lessened or eliminated as a result of increased promotion of the remaining regular-route operations.

The motion of the Commission's Finance and Accounts Division for an interim order in this matter should be denied. If it develops as a result of the Division's review of applicant's records that further consideration should be given to applicant's proposals, appropriate action can then be taken to that end.

O R D E R

IT IS ORDERED that:

1. Applicant, South Coast Transit Corp., is authorized to increase its fares and otherwise to revise its fare structure in accordance with its proposals as set forth in the amendment to this application which was filed on January 11, 1971, which amendment, by this reference, is made a part hereof.

2. Applicant is authorized to discontinue service over its routes (a) between Santa Ana and El Modeno and (b) between Santa Ana and Huntington Beach.

3. Appendix A to Decision No. 72973, which sets forth applicant's present authority to operate as a passenger stage corporation, is amended by incorporating therein First Revised Page 2 (Cancels Original Page 2) and First Revised Page 3 (Cancels Original Page 3), which pages are attached hereto and are made a part hereof by this reference.

4. Amendments to applicant's tariff to be made as a result of this order shall be filed not earlier than the effective date of this order, and 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.

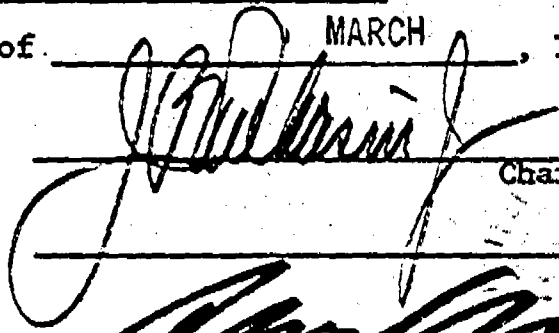
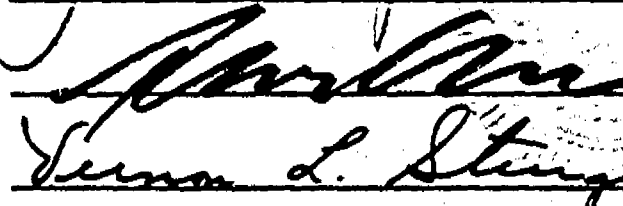

5. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

6. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals an explanation of its fares and service changes. Such notice shall be posted not less than five days before the effective date of the fare and service changes, and shall remain posted for a period of not less than five days.

7. The motion of the Commission's Finance and Accounts Division for an interim order in this matter is denied.

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

Dated at San Francisco, California,  
this 16<sup>th</sup> day of MARCH, 1971.

  
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Chairman  
  
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Vernon L. Sturgeon  
  
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Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

SW

Appendix A  
(D. 72973)

SOUTH COAST TRANSIT CORP.

First Revised Page 2  
Cancels  
Original Page 2

SECTION 1. GENERAL AUTHORIZATIONS, RESTRICTIONS,  
LIMITATIONS, AND SPECIFICATIONS

The certificate hereinafter noted supersedes all operative authority heretofore granted to South Coast Transit Corp. or its predecessors.

\*South Coast Transit Corp. is authorized to transport passengers along the routes hereinafter described, subject, however, to the authority of this Commission to change or modify said routes at any time and subject to the following provisions:

- a. When route descriptions are given in one direction, they apply to operation in either direction, unless otherwise indicated.
- b. Motor vehicles may be turned at termini or intermediate points, in either direction, at intersections of streets or by operating around a block contiguous to such intersections, in accordance with local traffic regulations.

Issued by California Public Utilities Commission.

\*Amended by Decision No. 78432, Application No. 52317.

SW

Appendix A  
(D. 72973)

SOUTH COAST TRANSIT CORP.

First Revised Page 3  
Cancels  
Original Page 3

SECTION 2. ROUTE DESCRIPTIONS

Subject to the authority of this Commission to change or modify such at any time, South Coast Transit Corp. shall conduct its passenger stage operations between the following points and over and along the following-described routes:

\*SANTA ANA-HUNTINGTON BEACH (Canceled)

\*SANTA ANA-EL MODENA (Canceled)

Issued by California Public Utilities Commission.

\*Amended by Decision No. 78432. Application No. 52317.