

ORIGINAL

Decision No. 79882

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SAN DIEGO ECONOMY LINE, INC., )  
for authority to increase certain )  
passenger fares. )

Application No. 52675  
(Filed June 9, 1971)

OPINION AND ORDER

Applicant, San Diego Economy Line, Inc., is engaged in the business of transporting persons as a passenger stage corporation in and about the eastern portion of the City of San Diego between the College Grove area on the north and the San Ysidro area on the south. It also holds authority to operate between downtown San Diego and the Homeland area in San Diego County south of El Cajon. However, operations over this route have been suspended until April 1, 1972, pursuant to authority granted by Decision No. 78684 dated May 18, 1971.<sup>1/</sup>

By this application applicant seeks authority to effect increases in its fares. It alleges that fare increases are necessary to provide revenues to meet increased repair costs and for a part-time employee to provide relief for its principal driver.

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<sup>1/</sup> It appears that service over the San Diego-Homeland route has not been provided since the latter part of January, 1971, when the service was interrupted by equipment failures.

Applicant's fares are maintained on a zone basis.  
Examples of present adult fares per one-way ride are as follows:

Between And	Z O N E S					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
Zone 1	-					
Zone 2	\$.30	\$.30				
Zone 3	.35	.35	\$.30			
Zone 4	.40	.40	.30	\$.30		
Zone 5	.45	.45	.35	.30	\$.30	
Zone 6	.50	.50	.40	.35	.40	\$.30

Applicant proposes to establish a fare of 40 cents as its minimum fare per adult one-way ride within and between its fare zones Nos. 1 to 9 inclusive.

A report based on an analysis of applicant's operations and books of account was submitted by an accountant of the Commission's staff. Said report is incorporated in the record in this matter as Exhibit No. 1. The report shows that, according to applicant's records, the financial results of applicant's operations for the year 1971 were as follows:

Operating Revenues	
Passenger Revenue	\$29,449
Other Operating Revenue	<u>654</u>
Total Revenues	\$30,103
Operating Expenses	
Maintenance & Garage Expense	\$ 3,214
Drivers' Wages	8,115
Fuel & Oil	2,693
Station Expense	190
Other Traffic Expense	75
Insurance & Safety Expense	5,004
Legal & Accounting	300
General Office Expense	299
Other General Expense	621
Depreciation	1,945
Taxes & Licenses	1,978
Operating Rents	1,380
Income Taxes	<u>941</u>
Total Expenses	\$26,755
Net Operating Revenues	\$ 3,348
Operating Ratio	85.8%

In setting forth the foregoing data as showing the recorded results of applicant's operations for 1971, the accountant's report notes that various adjustments should be made in the data if said data are to be deemed as a fair representation of applicant's actual level of earnings for the year. These adjustments are as follows:

An increase of \$485 in insurance expense to offset the effect of an insurance refund in 1971 applicable to a prior period;

A reduction of \$416 in depreciation expense to adjust said expense to an appropriate figure for 1971, based on the straight line method of depreciation;

An increase of \$4,710 in drivers' wages in order to provide more equitable compensation for drivers' time required for the operations. Said compensation, as thus adjusted, is computed at the rate of \$3.00 per hour;

A reduction of \$1,200 in operating rents to eliminate excessive charges for storage of fully depreciated inventory;

Miscellaneous and minor conforming adjustments in tax expense.

Applicant's operating results for 1971 as thus adjusted are shown in the report as follows:

Operating Revenues	
Passenger Revenue	\$29,449
Other Operating Revenue	<u>654</u>
Total Revenues	\$30,103
Operating Expenses	
Maintenance & Garage Expense	\$ 3,214
Drivers' Wages	12,825
Fuel & Oil	2,693
Station Expense	190
Other Traffic Expense	75
Insurance & Safety Expense	5,489
Legal & Accounting	300
General Office Expense	299
Other General Expense	621
Depreciation	1,529
Taxes & Licenses	1,721
Operating Rents	180
Income Taxes	<u>210</u>
Total Expenses	\$29,346
Net Operating Revenues	\$ 757
Operating Ratio	96.8%

The accountant further notes in his report that applicant's adjusted operating results for the nine months through December 1971 were as follows:

Revenues	\$22,119
Expenses	<u>22,984</u>
Loss	\$ 865
Operating Ratio	103.9%

The accountant concludes from these figures, as compared to those for the full year, that during the last nine months of 1971 applicant has been experiencing a declining trend in the financial results of its operations.

The accountant's conclusions in this respect are in consonance with statements of applicant that San Diego Transit Corporation is now providing passenger stage service over a portion of applicant's route, and that, as a consequence, the patronage of applicant's own services has decreased.

Based on an analysis of its traffic over a 75-day period, applicant estimates that the establishment of the sought fares would increase its annual revenues by about \$3,045, providing there is no further decrease in present patronage. We believe, however, that this expectation will not be realized, inasmuch as experience in similar matters over the years has demonstrated that passenger resistance to increases in a carrier's fares almost invariably results in some diminution in the carrier's traffic. It appears, moreover, that the usual resistance would be augmented in this instance by the availability of the alternative service of San Diego Transit Corporation.

Taking into account the diminution in applicant's traffic that would result from establishment of the sought fares, we are of the opinion that the sought fare increases would not produce more than an increase of \$2,700 in applicant's annual revenues or an increase of not more than \$2,025 in applicant's revenues over a nine-months' period. Applying an increase of the latter amount to the adjusted figures which the accountant submitted to show applicant's financial operating results for the nine months through December, 1971, and including also provision for applicable income taxes, produces the following data:

Revenues	\$24,144
Expenses	<u>23,254</u>
Net Operating Revenues	\$ 890
Operating Ratio	96.3%

Findings

In consideration of the allegations and data contained in the application, and in consideration also of the information set forth in the accountant's report (Exhibit No. 1), we find that:

1. The foregoing figures setting forth estimated financial results of applicant's operations for the nine months through December, 1971, assuming the sought fares had been in effect and assessed throughout the period, reasonably represent the level of earnings which applicant would achieve under the sought fares.
2. The additional revenues which would accrue under the sought fares are necessary to the maintenance of applicant's services for the public.
3. The sought fare increases have been shown to be justified.

Conclusions

We conclude that:

1. Applicant's request for authority to establish the sought fares should be granted, and that
2. In view of applicant's need for additional revenues, applicant should be authorized to establish the increased fares on five days' notice to the Commission and to the public.

The application shows that on or about June 8, 1971, a copy thereof was served upon the Board of Supervisors of the County of San Diego. Notice of the filing of the application was also published in the Commission's calendar of June 10, 1971. No protests to granting of the application have been received. Public hearing on the matter is not necessary.

IT IS ORDERED that:

1. Applicant, San Diego Economy Line, Inc., is authorized:

- a. To establish a minimum fare of 40 cents per adult one-way ride within or between its fare zones Nos. 1 to 9 inclusive;
- b. To establish a minimum fare of 20 cents per child, five through eleven years of age, per ride within or between its fare zones Nos. 1 to 9 inclusive.

2. 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.

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, applicant shall give notice to the public by posting in its buses and terminals an explanation of its 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 five days after the date hereof.

Dated at San Francisco, California,  
this 4th day of APRIL, 1972.

William J. Harrison Chairman  
James J. [unclear]  
Thomas L. [unclear]  
[unclear] Commissioners

APPENDIX A

Certificate of the Public Utilities Commission  
of the State of California Re Increases in Fares for  
Passenger Stage Transportation Services Performed by  
San Diego Economy Line, Inc.

Pursuant to provisions of Section 300.16 of the Economic Stabilization Act Amendments of 1971, the Public Utilities Commission of the State of California (Cal. P.U.C.) does hereby certify to the Federal Price Commission as follows:

1. That the increases in fares which are ordered by the Cal. P.U.C. by its Decision No.                      dated 1972, copy attached, range from about 14 to 33 percent.
2. That the dollar amount of increased annual revenues for San Diego Economy Line, Inc., which the increases in fares are expected to produce is about \$2,700.
3. That said fare increases are cost based and do not reflect future inflationary expectations.
4. That said fare increases will increase the carrier's return on capital over that earned in 1971 by about \$160.
5. That the increased revenues which would result from the fare increases are the minimum required to assure continued, adequate and safe service.
6. That sufficient investigation was made by the Cal. P.U.C. in connection with said fare increases to support the certification herein made.