

Decision No. 82818**ORIGINAL**

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
ORANGE BELT STAGES for authority,  
among other things, to increase its  
fares for intrastate passenger stage  
service and rates for intrastate  
express service.

Application No. 54212  
(Filed July 31, 1973;  
amended December 11, 1973)

Chickering & Gregory, by Frank S. Bayley, III,  
Attorney at Law, for applicant.

O P I N I O N

Applicant seeks an increase in fares and rates of approximately \$40,000 annually for its intrastate passenger stage service and its intrastate express service. Its interstate operations are not a part of this proceeding. Public hearing was held on December 13, 1973 at Visalia, California. The matter was submitted subject to the filing of late-filed exhibits, which have been received. The staff did not appear at the hearing. There was no testimony at the hearing in opposition to applicant's proposed increase and no letters of protest have been received.

Applicant operates three divisions of service on intrastate routes in the vicinity of Bakersfield: (1) the Bakersfield-Barstow portion of Greyhound-Orange Belt through service, (2) local operations, and (3) intrastate charters.

Applicant proposes to increase its passenger fares as follows:

	<u>Present Fares</u>	<u>Proposed</u>
Minimum Fare	\$ .40	\$ .55
0 - 25 Miles	.0435	.05439
26 - 50 Miles	.0407	.05082
51 - 100 Miles	.0384	.047985
Over 100 Miles	.0349	.043680
Round-trip Fares		
Percent of One-way Fares	180%	190%

Applicant originally proposed to increase its local express rates by approximately 71 percent. After review of applicant's financial statements by the Commission staff, applicant agreed to reduce its requested increase from 71 percent to 50 percent. Because of this agreement the staff felt that applicant's proposed fares and rates were reasonable and that there was no reason for the staff to participate further in the proceeding.

Applicant's pro forma intrastate income statement for 12 months ended June 30, 1974, with projections for increases in passenger fares and express rates, is:

	Regular Routes			
	Total Regular Routes Excl. Charters	Bakersfield Barstow Thru Operations	Local Operations	Charter Operations
<u>Operating Revenues</u>	\$207,172	\$57,379	\$151,793	\$329,327
Proposed Increase in				
Passenger Revenue - 27.2%	44,757	13,947	30,810	
Express Revenue -				
Local Express 50.0%	4,180	588	3,592	
Interline Express 5.0%	1,752	246	1,506	
Diminution Passenger (1/5)	(11,387)	(3,548)	(7,839)	
R.T. Fares - 180% to 190%	2,749	857	1,892	
	<u>\$251,223</u>	<u>\$69,469</u>	<u>\$181,754</u>	<u>\$329,327</u>
<u>Operating Expenses</u>	\$255,355	\$44,084	\$211,271	\$289,043
Additional Expenses				
Additional Fuel	1,524	-	1,524	2,190
Commissions on Incr. Rev.	4,799	1,293	3,506	-
Insurance Premium	2,747	790	1,957	-
	<u>\$264,425</u>	<u>\$46,167</u>	<u>\$218,258</u>	<u>\$291,233</u>
Net Operating Income	\$(13,202)	\$23,302	\$(36,504)	\$ 38,094
Franchise Tax	(1,096)	1,934	(3,030)	3,162
Federal Income Tax	(3,697)	6,525	(10,222)	10,666
Net Income After Taxes	<u>\$ (8,409)</u>	<u>\$14,843</u>	<u>\$(23,252)</u>	<u>\$ 24,266</u>
Rate Base	\$147,608			\$210,694
Rate of Return	(5.70)%			11.52%
<u>Operating Ratio</u>				
Before Taxes	105.26%			88.43%
After Taxes	103.35%			92.63%

Applicant's statement of combined intrastate regular route and charter service rate base, net income, rate of return, and operating ratio for the historical period July 1, 1972 - June 30, 1973 and the pro forma year July 1, 1973 - June 30, 1974 is:

	<u>Regular Route Operations</u>	<u>Charter Operations</u>	<u>Combined</u>
1. <u>Historical Period</u> <u>July 1, 1972 - June 30, 1973</u>			
Rate Base	\$ 88,520	\$125,796	\$214,316
Net Income After Taxes	\$(24,246)	\$ 33,786	\$ 9,540
Rate of Return	(27.39)%	26.86%	4.45%
Operating Ratio After Taxes	111.59%	89.74%	98.23%
2. <u>Rate Year - Present Fares</u> <u>July 1, 1973 - June 30, 1974</u>			
Rate Base	\$147,608	\$210,694	\$358,302
Net Income After Taxes	\$(29,393)	\$ 25,639	\$ (3,754)
Rate of Return	(19.91)%	12.17%	(1.05)%
Operating Ratio After Taxes	114.05%	92.21%	100.70%
3. <u>Rate Year - Proposed Fares</u> <u>July 1, 1973 - June 30, 1974</u>			
Rate Base	\$147,608	\$210,694	\$358,302
Net Income After Taxes	\$ (8,409)	\$ 24,266	\$ 15,857
Rate of Return	(5.70)%	11.52%	4.43%
Operating Ratio After Taxes	103.35%	92.63%	97.27%

It can readily be seen that in the year July 1972 - June 1973, applicant lost money on its regular route operations and barely showed a profit on its combined operations. The projection, at present fares and rates, for the year July 1973 - June 1974, shows that applicant will lose money on its regular route operations and will show a loss on its combined operations. Applicant is in need of rate relief. At proposed fares and rates applicant expects to have an operating ratio after taxes of 103.35 percent on its regular

route operations and 92.63 percent on its charter operations, for a combined operating ratio after taxes of 97.27 percent. In terms of rate of return applicant will earn a 4.43 percent rate of return on its combined intrastate operations. Applicant's proposed fares and rates are reasonable.

Findings

1. The historical information in the tables set forth above is accurate.
2. The projected revenues and expenses for the test year 1973-1974 are reasonable.
3. Applicant is in need of rate relief.
4. The increases in fares, rates, and charges authorized by this decision are just and are reasonable; the present fares, rates, and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

The Commission concludes that the application should be granted as set forth in the following order.

O R D E R

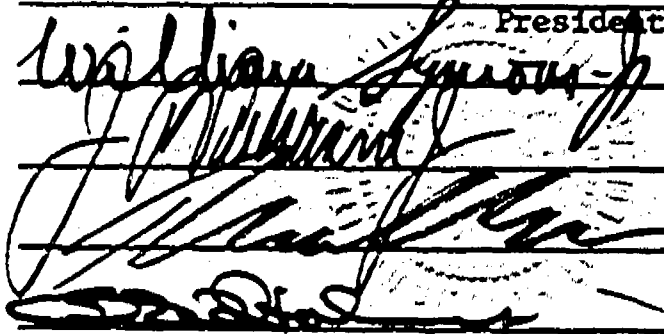
IT IS ORDERED that:

1. Orange Belt Stages is authorized to establish the increased fares and rates proposed in Application No. 54212, as amended. Tariff publications authorized 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 ten days after the effective date of this order on not less than ten days' notice to the Commission and to the public.
2. This authority 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 its buses and terminals a printed explanation of its fares and rates. Such notice shall be posted not less than five days before the effective date of the fare and rate changes and shall remain posted for a period of not less than thirty days.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th  
day of APRIL, 1974.

  
President  
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.