

Decision No. 83756

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
ORANGE BELT STAGES for an order  
authorizing an increase in its fares  
for intrastate passenger stage  
service to offset higher fuel, labor  
and labor-related costs.

Application No. 55074  
(Filed July 29, 1974)

O P I N I O N

Orange Belt Stages, a passenger stage corporation, is engaged in the business of transporting passengers, baggage, and express between points in California. Applicant operates three divisions of service on intrastate routes in the vicinity of Bakersfield: (1) the Bakersfield-Barstow portion of Greyhound-Orange Belt joint through service, (2) local operations, and (3) intrastate charters. By this application it seeks authority for a 7 percent fuel and labor cost offset increase in passenger fares.

Applicant's present fares were established pursuant to Decision No. 82818 dated April 30, 1974 in Application No. 54212. Effective July 1, 1974 a 7.7 percent wage increase was granted to applicant's drivers, shop personnel, and office employees. Pension costs have increased by 10 percent and social security taxes have increased due to the related adjustments in wages and a rise in the maximum taxable earnings to \$12,600 effective January 1, 1974. Applicant's fuel costs per gallon have increased from 21.2 cents per gallon (reflected in Decision No. 82818) to 30.8 cents per gallon, including sales tax. To offset these added costs applicant requires \$13,779 in additional annual revenues from its California intrastate operations. To accomplish this objective applicant requests authority to increase its intrastate passenger fares by 7 percent as follows:

TABLE 1

	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Amount of Increase</u>
Minimum fare	\$.55	\$.55	\$ -
0 - 25 Miles	.05439	.05820	.00381
26 - 50 Miles	.05082	.05438	.00356
51 - 100 Miles	.047985	.051343	.003358
Over 100 Miles	.04368	.04673	.00305
Route-Trip Fares			
Percent of one-way fares	190%	190%	

In support of the sought relief applicant employed the basic financial data underlying the Commission's Decision No. 82818 reflecting applicant's results of intrastate operations for a 12-month period ending June 30, 1974. Such data were adjusted to reflect present and proposed changes in applicant's intrastate operating revenues and expenses. Applicant's adjusted income statement for the test period is:

TABLE 2

Summary of Orange Belt Stages Adjusted  
California Intrastate Earnings for 12-  
Month Period Ended June 30, 1974

	<u>Regular Routes</u>			<u>Charter Operations</u>
	<u>Total Regular Route</u>	<u>Bakersfield Barstow Thru Operations</u>	<u>Local Operations</u>	
<u>Operating Revenues</u>				
Adjusted Oper. Rev.	\$246,051	\$69,469	\$176,582	\$329,327
Prop. Incr. in Passenger Revenue - 7%	17,224	4,863	12,361	23,052 (1)
Diminution 1/5	<u>(3,445)</u>	<u>(973)</u>	<u>(2,472)</u>	<u>(4,610) (1)</u>
Total Oper. Revenues	\$259,830	\$73,359	\$186,471	\$347,769
<u>Operating Expenses</u>				
Adjusted Oper. Exp.	\$250,109	\$46,167	\$203,942	\$291,233
Additional Exp.				
Incr. in Salaries & Wages	6,974	1,680	5,294	16,305
Incr. in Fuel	4,677	901	3,776	7,184
Incr. in Employees Pension Costs	697	168	529	1,631
Incr. in Social Security Taxes	749	174	575	1,284
Commissions	1,378	389	989	922
Insurance Premiums	<u>900</u>	<u>254</u>	<u>646</u>	<u>1,204</u>
Total Oper. Expenses	\$265,484	\$49,733	\$215,751	\$319,763
Net Operating Income	\$ (5,654)	\$23,626	\$(29,280)	\$ 28,006
Franchise Tax	(469)	1,961	(2,430)	2,324
Federal Income Tax	<u>(1,583)</u>	<u>6,615</u>	<u>(8,198)</u>	<u>7,842</u>
Total Taxes	\$ (2,052)	\$ 8,516	\$(10,628)	\$ 10,166
Net Income After Taxes	\$ (3,327)	\$15,050	\$(18,377)	\$ 17,840
Rate Base	\$137,886			\$210,694
Rate of Return	(2.41)%			8.47%
<u>Operating Ratio</u>				
Before Taxes	102.01%			91.95%
After Taxes	101.39%			94.86%

(Red figure)

(1) Charter Rates have been increased approximately 7% since  
March 20, 1974.

Table 2 shows that even with the proposed increase in fares applicant's regular route intrastate passenger service will experience a net operating loss. Applicant directs attention to the fact that since its charter rates were also increased 7 percent as of March 20, 1974 it cannot be argued that the proposed fare increase is in any way designed to offset the higher costs of charter operations. In April 1974 applicant reduced its regular route service by one round trip between Porterville, Visalia, and Goshen, and added one round trip between Visalia and Goshen. The bases for the adjustments in applicant's intrastate regular route revenues and expenses reflected in Table 2, are set forth in Exhibits D and E attached to the application.

The Commission's Transportation Division staff has conducted an economic study of the results of applicant's intrastate operations for the 12-month test period ended June 30, 1974. The results of the staff study are set forth in a report which is received in evidence as Exhibit 1. The results of the staff study are similar to those of applicant. The staff's conclusions and recommendations set forth in Exhibit 1 are:

"The adjusted rate year operation for Decision No. 82818 excluding discontinued schedules shows that the company loses money on its regular routes and its combined operations at present fares.

"Under requested fares and using a diminution factor of 20% of the 7.0% increase for the passenger fares, the applicant would experience additional revenue of \$13,533 from the total regular route operations.

"The staff analysis shows that \$13,414 additional revenue would be necessary to offset additional fuel and labor costs incurred by Orange Belt Stages' California intrastate passenger operations.

"Even with the proposed fare increase the company will experience an operating loss before taxes on its regular (excluding charter) intrastate operations.

"The above results indicate the applicant's request for a 7.0% fare increase is reasonable. The staff recommends that the application be granted."

Service of the application is in compliance with Rule 24 of the Commission's Rules of Practice and Procedure. No protests or requests for a public hearing have been received.

Findings

1. Applicant's present level of intrastate passenger fares for its regular route service was established pursuant to Decision No. 82818 dated April 30, 1974 in Application No. 54212.

2. Since applicant's fares were last adjusted it has experienced increased fuel and labor costs which are not reflected in the current level of fares.

3. The proposed 7 percent increase in fares will provide applicant with additional revenues sufficient only to approximately offset increases in fuel, labor, and insurance costs incurred by Orange Belt Stages' California intrastate operation.

4. Applicant and the Commission's staff have both demonstrated that should the proposed fare increase be authorized applicant will still experience an operating loss, before taxes, on its regular (excluding charter service) intrastate operations.

5. Applicant's proposed fare increase has been shown to be justified.

The Commission concludes that Application No. 55074 should be granted. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Orange Belt Stages is authorized to establish the increased fares proposed in Application No. 55074. Tariff publications authorized to be made as a result of this order may be made effective not earlier than five days after the effective date of this order on not less than five 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 26<sup>th</sup>  
day of NOVEMBER, 1974.

Veronica L. Stevenson  
President  
William J. ...  
...  
Robert E. ...  
Commissioners