

Decision No. 84294

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of ROESCH LINES, INC. for an Order
authorizing Applicant to increase
fares pursuant to Public Utilities
Code Section 454, and Rule 23 of
the Commission's Rules of Procedure.

Application No. 54883
(Filed May 15, 1974)

Murchison & Davis, by Fred H. Mackensen,
for applicant
Alexander E. Lutkus, for the Commission
staff.

O P I N I O N

Applicant Roesch Lines, Inc. seeks authority to increase passenger fares contained in its Local Passenger Tariff No. 9, Hemet Bus Lines Series, pursuant to Section 454 of the Public Utilities Code and in accordance with Rule 23 of the Commission's Rules of Practice and Procedure.

A hearing was held before Examiner Bernard A. Peeters in Hemet on December 12, 1974 and submitted on that date subject to the filing of a closing statement by applicant and the staff due January 9, 1975. Applicant's closing statement has been timely filed and the matter is ready for decision.

Discussion

Applicant started in the passenger business in 1921, primarily providing school bus and charter services. It also operates as a passenger stage corporation under the following certificates: Decision No. 75984 dated August 5, 1969 in Application No. 51202, San Bernardino to the Anaheim and Dodger Stadiums and various mountain resorts; Decision No. 81828 dated September 5, 1973 in Application No. 54128, Riverside-Hemet; and as a separate corporation, California Bus Lines, Inc., Decision No. 60186 dated May 24, 1960 in Application No. 42063 between Riverside and March Air Force Base.

Applicant currently has a fleet of 200 vehicles of which approximately 175 are school buses. The remaining buses are intercity diesel buses ranging in capacity from 39 to 53 passengers. All of its equipment is leased from an affiliated corporation, Western Bus Leasing, which is owned by Jack Roesch and his wife Mary, who also own Roesch Lines, Inc. and California Bus Lines, Inc. Mr. and Mrs. Roesch and their son Randy are the common officers of the various corporations. A common set of books is kept for all operations, except Western Bus Leasing. Applicant employs 175 regular drivers, 20 part-time drivers, 15 mechanics, 10 maintenance personnel, and 15 administrative personnel. All are nonunion. Headquarters for all operations is located at 944 East Ninth Street, San Bernardino.

The Riverside-Hemet operation, the subject of this application, is conducted with one, fully depreciated, 1955 GMC air-conditioned intercity bus. A school bus is used as a relief bus one day a week. A terminal is maintained in Hemet and staffed by one ticket clerk. Maintenance is performed at the San Bernardino shops. Roesch took over the Hemet operation on May 1, 1973 as an emergency measure to prevent cessation of the operation. The last fare increase for the Hemet line was granted September 30, 1969 by Decision No. 76250 in Application No. 51267.

Applicant's witness stated that it does not keep separate books for the Hemet or other certificated operations in accordance with the Uniform System of Accounts. It does, however, keep a general set of books for all operations which it is converting to the Uniform System of Accounts. For tax purposes Western Bus Leasing uses accelerated depreciation and investment tax credit. Separate income tax returns are filed for the leasing company and the operating company.

Applicant proposes to increase the fares for the Hemet operation as follows:

Between Index Numbers	F a r e s (In Cents)					
	Present		Proposed		% Increase	
	One Way	Round Trip	One Way	Round Trip	One Way	Round Trip
1-2 (Riverside)	25	50	35	65	40	30
1-5	45	75	60	115	33	53
1-8	90	155	115	220	28	42
1-9	100	170	130	245	30	44
1-10	105	180	135	255	29	42
1-11	110	185	140	265	27	43
1-12	130	220	170	325	31	48
1-13	145	245	185	350	28	43
1-14	155	265	200	380	29	43
1-15	165	280	215	410	30	46
1-17	170	290	220	420	29	45
1-18 (Hemet)	175	295	225	425	29	44

In support of the sought increases, applicant presented two witnesses and four exhibits. Exhibit 1 consists of an operating summary of the Hemet Division for the 12-month period, November 1, 1973 through October 31, 1974. It shows a purported operating loss of \$10,429.39. However, other operating income of \$3,498.37 was not applied to the loss. Exhibit 2 consists of notes to Exhibit 1; Exhibit 3 shows equipment replacement information; and Exhibit 4 consists of operating statistics for the Hemet operation. Although applicant states it filed its application in compliance with Rule 23 of the Commission's Rules of Practice and Procedure, it did not provide any information with respect to subparagraph (c) which requires a summary of earnings showing the amount of additional gross revenue estimated to result from the increase; and subparagraph (f) which requires that where there is more than one department in the utility, earnings results should be prepared for the total utility operations as well as for the part of the operations for which the increase is being sought. Although this deficiency was pointed out to the applicant, it elected to stand on its showing.

The staff presented one witness and three exhibits. Exhibit 5 is a results of operations report for the total company, the Hemet operation for an 8-month period (May 1, 1973 to December 31, 1973), and the baseball stadiums operation for a historical year 1973 and for the proposed rate year 1975. Exhibit 6 is a results of operations report for the Hemet and stadiums operations at staff proposed fares. Exhibit 7 contains the staff's recommended increase in fares.

The baseball stadiums operation was included in the staff's studies in accordance with Decision No. 83590 dated October 16, 1974 in Application No. 54793 wherein the Commission stated:

"Based upon the showing made, Roesch has not proved that the sought increase will reasonably cover expenses and will not be a burden upon the other bus operations it conducts. We do recognize, however, that Roesch's operating expenses have increased over the years and that a rate increase is justified. Because Roesch has filed Application No. 54883, increased fares for its Hemet-Riverside operation, we shall consider these matters with that application."

Roesch was authorized to increase the stadiums fares from \$3.25 to \$4.50 by ex parte Decision No. 83590.

Exhibit 5 shows that for the first eight months Roesch operated the Hemet Division it had an operating ratio of 94.5, and the stadiums operation for the full year 1973 produced a 107.2 operating ratio. At applicant's proposed fares, for the year 1975, the Hemet operation would develop an operating ratio of 88.1, and the stadiums operation would produce an operating ratio of 82.0.

The staff included "Other Operating Income" shown in Exhibit 5 which consists of commissions for selling Greyhound tickets, in its revenue estimates, whereas applicant did not. Other ratemaking adjustments consisted of substituting ownership costs for lease costs on the theory that where there are affiliated companies, it is proper to make such substitution because of the possibility of other than an arm's length transaction. Thus, the staff excluded the lease costs and set up a depreciation expense instead. Basically, the staff used pages 3-5 of Exhibit A to the application (Roesch Lines, Inc. Income Statement which includes charter and school bus operations) as its starting point and apportioned the revenues and expenses set forth to the Hemet and stadiums operations. This was done on a bus/mile basis. Where direct costs were available, such as fuel, tire and tube lease, and wages and related taxes, no apportionment was made. School bus and charter operations were excluded from the staff study, as were certain expenses, such as organization expense and rental of radio equipment.

The staff's rationale for proposing a lesser increase than sought is based on the fact that the proposed increase will produce a very low operating ratio and that in past decisions the Commission has approved an operating ratio of 90. The staff proposes an increase of 22.661 percent in one-way fares, with round-trip fares at 190 percent of the one-way fare. It is estimated such an increase will produce an operating ratio of 90.03. The staff estimated that the present rates, on an annual basis, produce \$19,720 in gross revenues. At its proposed rates, the annual gross revenue from passenger fares will be \$22,900, an increase of \$3,130 or 16 percent. There is no comparable figure from the applicant's showing.

With respect to the stadiums operation, applicant made no showing. The staff shows that under the \$4.50 proposed fare, an operating ratio of 82.0 would result. Staff's proposed fare of \$3.95 per round trip will produce an operating ratio of 90.02. Under present fares, the stadiums operation produces an annual gross revenue of \$10,693. At the staff's proposed fare, the annual gross revenue will be \$14,680, an increase of \$3,987 or 37 percent.

Findings

1. Applicant has only partially complied with the Commission's Rules of Practice and Procedure relating to the showing necessary for a fare increase.

2. No showing was made with respect to the baseball stadiums operation, although applicant was put on notice in Decision No. 83590 that this matter would be considered in this application.

3. The staff exhibits provide a reasonable basis for authorizing increases in the Hemet-Riverside and baseball stadiums fares.

4. Applicant's proposed Hemet-Riverside fares result in individual fare increases ranging from 23 to 53 percent, which are excessive.

5. Applicant's proposed baseball stadiums fare results in an increase of 38 percent, which is excessive.

6. The staff's proposed fares result in an increase of 22.661 percent for all of the individual one-way fares for the Hemet-Riverside operation (190 percent of the one-way fare for a round-trip fare) and a 21.5 percent increase in the baseball stadiums operation.

7. The estimated annual increase in gross revenues for the two operations is \$3,130 or 16 percent for the Hemet-Riverside operation, and \$3,987 or 37 percent for the baseball stadiums operation.

8. The round-trip fare of \$3.95 for the baseball stadiums operation proposed by the staff is reasonable and will be adopted.

9. The increases in rates and charges authorized by this decision are justified and are reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

O R D E R

IT IS ORDERED that:

1. Roesch Lines, Inc. is authorized to establish the increased rates set forth in Appendix A of this decision. 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 five days after the effective date of this order on not less than five days' notice to the Commission and to the public.

2. The 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. Such notice shall

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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 twenty days after the date hereof.

Dated at San Francisco, California, this 8th day of APRIL, 1975.

Vernon L. Litherman
President
William J. Litherman
Madeline
Leonard P. Litherman
Commissioners

Commissioner ROBERT BATINOVICH

Present but not participating.

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APPENDIX A
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ROESCH LINES, INC.
AUTHORIZED FARES

Routes 2, 3, and 4.

BASEBALL STADIUM SERVICE ADULT ROUND-TRIP FARES Fares shown in cents.		
Between And	ANAHEIM STADIUM	DODGER STADIUM
RIVERSIDE	395	395
SAN BERNARDINO	395	395
ONTARIO	-	395

Route 6RIVERSIDE/HEMET SERVICE
ADULT ONE-WAY AND ROUND-TRIP FARES*Upper Figures One-Way Fares; Lower Figures Round-Trip Fares.
Fares shown in cents.

Between And	RIVERSIDE	IOWA & EIGHTH	SUNNYMEAD	ALESSANDRO AVENUE	AQUIRRE RANCH	EDEN SPRINGS ROAD	BRIDGE STREET	VONS RANCH	GILMAN HOT SPRINGS	RECORD ROAD	SAN JACINTO	MENLO AVENUE
IOWA & EIGHTH	30 55											
SUNNYMEAD	55 105	50 95										
ALESSANDRO AVENUE	110 210	100 190	60 115									
AQUIRRE RANCH	125 240	110 210	80 150	30 55								
EDEN SPRINGS ROAD	130 245	125 240	85 160	45 85	30 55							
BRIDGE STREET	135 255	130 245	100 190	50 95	45 85	30 55						
VONS RANCH	160 305	140 265	110 210	55 105	50 95	45 85	30 55					
GILMAN HOT SPRINGS	180 340	160 305	125 240	75 145	55 105	50 95	45 85	30 55				
RECORD ROAD	190 360	180 340	130 245	80 150	75 145	55 105	50 95	45 85	30 55			
SAN JACINTO	200 380	185 350	135 255	85 160	80 150	75 145	55 105	50 95	45 85	30 55		
MENLO AVENUE	210 400	200 380	160 305	100 190	85 160	80 150	75 145	55 105	50 95	45 85	30 55	
HEMET	215 410	210 400	180 340	110 210	100 190	85 160	80 150	75 145	55 105	50 95	45 85	30 55

*Adult Twenty-Ride Fare: \$38.70