

Decision No. 35607

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Ray )  
 Withers and Andrew Byrd, a copartnership, )  
 doing business under the firm name and ) Application No. 25075  
 style of San Mateo Transit for an order )  
 authorizing an increase in rates. )

D. BROOKMAN, for Applicant San Mateo Transit Company.

B. KARMEI, City Attorney of Burlingame.

B. G. WILSEY, City Manager of Hillsborough.

BY THE COMMISSION:

**ORIGINAL**

O P I N I O N

In this application San Mateo Transit, a passenger stage corporation, providing local transportation in and between the cities of Burlingame and San Mateo, seeks an order authorizing an increase in fares. Applicant alleges that present fares were based upon labor and other costs of operation which have materially increased during the past year and that every reasonable economy in operation has been effected in the hope that it would not be necessary to ask for an increase in fares. Applicant further alleges that the proposed increases will be barely sufficient to cover out-of-pocket costs and provide a small margin of profit.

The application was submitted at a public hearing before Examiner Grant at Burlingame on July 8, 1942.

Applicant is now providing service and charging fares as authorized by the Commission's Decision No. 34269.

Before discussing applicant's fare proposals and financial condition, the physical operations of the company, as shown by the record, will be summarized. At present four regular bus routes, designated as routes "A," "B," "C," and "D" are now operated. These

(1)

routes and present headways are described briefly below:

Route "A" extends from the intersection of Alvarado Street and Hillside Drive in Burlingame to the San Mateo Depot. Base headways of 20 minutes and peak headways of 15 minutes are operated on this route.

Route "B" extends from Hobart Avenue and Edinburgh Street to the San Mateo Depot, and thence to the Burlingame Post Office via North Delaware Street. On this route buses operate on 30-minute base, 15-minute peak headways.

Route "C" extends from Clark Drive and Occidental Avenue to the San Mateo Depot via the Burlingame Depot, Park Road, and El Camino Real. Sixty-minute headways are maintained throughout the day.

Route "D" extends from Hospital and 39th Avenue in San Mateo to South Humboldt Street and 10th Avenue via the San Mateo Depot. One trip is operated at 9:00 a.m. with 60-minute service throughout the afternoon.

A large proportion of the patrons of San Mateo Transit consist of commuters to San Francisco who must be transported in relatively large groups over a short period of time on both the morning and evening peaks.

In carrying commuter traffic it is therefore often necessary to operate three or four buses on each schedule. The record shows that third and fourth section buses are frequently operated at a loss because in some instances it is necessary to run as many as nine dead-head miles from end to the coach yard in order to carry one mile of payload. On the other hand, use of school buses for carrying peak traffic obviously promotes the overall efficiency of the system.

School buses are available because of the relatively large volume of school service rendered by the company. The record shows that seven contracts are at present in effect with certain schools in Palo Alto, Daly City, Brisbane, Burlingame, and San Mateo to transport students at an agreed contract price. As a rule these contracts are

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(1) A detailed description of routes will be found in Decision No. 34269 (Application No. 23615).

negotiated at a rate of 24 cents per mile unless an operation is such as to warrant higher prices. During the first five months of 1942 school contract revenue amounted to \$8,840.32, or 33 per cent of total revenues.

Turning now to consideration of fares and financial matters the record shows that present and proposed fares of applicant are based on a zone system as follows:

<u>(2)</u> <u>Zone</u>	<u>Present</u> <u>Fares</u>	<u>Proposed</u> <u>Fares</u>	<u>Proposed</u> <u>Percentage</u> <u>Increase</u>	<u>Estimated</u> <u>Percentage</u> <u>of Passengers</u> <u>by Zones</u>
First Zone	5¢	7¢	40	68.0
Second Zone	8¢	10¢	25	20.0
Third Zone	10¢	12¢	20	11.0
Fourth Zone	13¢	15¢	15	0.6
Fifth Zone	15¢	15¢	0	0.3
Sixth Zone	18¢	15¢	-17	0.1
				<u>100.0</u>

Applicant thus requests increases of 40 per cent on the first zone, 25 per cent on the second zone, 20 per cent on the third zone, and 15 per cent on the fourth zone, with no increase for the fifth zone, and a decrease of 17 per cent for the sixth zone. School fares are not included in applicant's proposal. As indicated in the table the record shows that the estimated percentage of patrons riding under each zone fare as estimated by the company is as follows: First zone, 68 per cent; second zone, 20 per cent; third zone, 11 per cent; fourth zone, 0.6 per cent; fifth zone, 0.3 per cent; and sixth zone, 0.1 per cent.

In support of the request for increased fares exhibits were presented by applicant showing the company's financial condition, supported by the testimony of a certified public accountant who has regularly supervised the accounts since 1938.

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(2) Zones are cumulative; for example, the ten-cent Third Zone fare includes a ride through First Zone, Second Zone, and into Third Zone.

On May 31, 1942, as shown by the record, the company had an investment as follows: (3)

Land	\$ 2,205.83	
Buildings	5,642.04	
Automotive Equipment	41,652.92	
Shop Tools and Equipment	1,871.30	
Office Furniture and Equipment	1,068.36	
	<u>52,440.45</u>	
Less Reserve for Depreciation	25,094.03	
Net		\$27,346.42
Spare Parts and Supplies		<u>1,921.22</u>
Total		<u>\$29,267.64</u>

The record shows applicant's revenue for the year 1941 amounted to \$65,068.64, of which \$33,944.80 was regular passenger revenue, the remainder being derived principally from school, charter, and bus rental services. After payment of operating expenses, including salaries of \$308 per month to each of the two partners, taxes and depreciation, the remaining revenue was insufficient to produce a fair or reasonable return on the depreciated book cost of property, plus parts and supplies as of May 31, 1942.

During the first five months of 1942 the financial position of the company continued to deteriorate rapidly. Operating income for this period amounted to only \$1,291.82, exclusive of any allowance in the way of salary for the two owners of the property, who devote all their time to the service. Without a return on the investment the partners' wages for this five-month period would therefore amount to approximately \$130 per month each. According to witnesses for applicant this condition has arisen largely because of increased costs of operation. For example, the cost of parts has increased over 30 per cent and the cost of tires has risen from 4½ mills per coach mile to 6 mills per coach mile since last year at this time. In addition the company faces the loss of its charter revenue, amounting to seven per

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(3) Attached to the application are Exhibit "A," showing the company's balance sheet as of May 31, 1942, and Exhibit "B," showing the income statement for the year 1941 and the five-month period ended May 31, 1942.

cent of total revenues owing to Office of Defense Transportation directives abolishing this type of service without special permit. No estimate of the corresponding cost of charter operations is available.

Recent changes in the labor situation are not taken into account in the foregoing statements. The company operates under a yearly agreement with the labor union, which, according to the record, expires in September. However, the record shows that the company has agreed to an interim wage increase of approximately 17 per cent, effective June 1, 1942. As a result of this interim agreement wages are increased for drivers from 60 cents to 70 cents per hour, for service men from 75 cents to 85 cents per hour, and for greasers from 80 cents to 90 cents per hour. The record also shows that negotiations are under way for an additional increase to be effective at the expiration of the present contract in September, 1942.

A witness for applicant testified that considerable study had been given to (a) the possibility of establishing a 6-cent fare and (b) to expanding the zone limits of the first zone under the proposed fare. However, neither of these methods were believed to offer promise of sufficient revenue to meet the cost of providing the service. With regard to the possibility of establishing a token fare, applicant's witness further testified that the cost of converting fare boxes for token use would be approximately \$60 for each of 17 fare boxes.

Exhibits were introduced by a Commission engineer showing (a) revenues by months and by routes and (b) an operating statement showing the required revenue to meet the expense of providing the service before and after the 17 per cent wage increase was granted.

The Commission engineer testified that an increase of 26.9 per cent in passenger revenue would be necessary to provide for

operating expenses of the company, including an allowance of \$300 per month for both of the owners and employing the new wage scale granted June 1, 1942, and to allow for a return on depreciated investment plus parts and supplies. (4)

According to the engineer's estimates applicant's proposal should result in a weighted average fare increase to the patrons of 34.3 per cent, whereas if a 6 $\frac{1}{2}$ -cent token and a 7-cent cash fare were employed in lieu of the first zone fare of 5 cents now in effect, the weighted average increase would be 26.7 per cent.

Public resolutions were introduced by applicant from the City Council of the City of Burlingame, the City Council of the City of San Mateo, and the San Mateo Chamber of Commerce to the effect that an adequate local transportation service in the area was essential and that these bodies either approved or would not oppose applicant's request for increased rates upon proper showing of need before the Railroad Commission.

The record shows that an attempt has been made to make each type of service, that is, school, charter, rental, and regular passenger service, self-sustaining from a cost viewpoint. It appears from this record that school service operations are being conducted without placing a financial burden on the rest of the service since contracts for this type of service are usually negotiated on the basis of 24 cents or more per coach mile, whereas the average passenger revenue per mile from all sources was 17.46 cents for the five months ended May 31, 1942. During the same period an average revenue of 24.9 cents per coach mile would have been necessary to

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(4) Six per cent rate of return was employed in the estimate.

provide for all expenses, including an allowance of \$300 per month each to the owners, and a return of 6 per cent on depreciated book cost of property plus parts and supplies.

No opposition developed to the granting of this application.

From the record it is clear that San Mateo Transit is reasonably entitled to an increase in revenue if it is to continue to provide a satisfactory local transportation service on a remunerative basis.

In the operation of mass transportation systems it is frequently true that financial position cannot be improved by a simple increase in fares. In the present instance, however, patrons lost to the system by reason of increased fares would probably be at least balanced by increased patronage owing to the rubber shortage. It is desirable to prevent further curtailment of service and it appears that an immediate increase in fares will effectively preserve the local service without working an undue hardship on the traveling public.

Upon consideration of all the facts and circumstances of record, we are of the opinion and find that the fares proposed in the application, with the addition of a 6 $\frac{1}{2}$ -cent token, or ticket, first zone fare, are justified, and that applicant should be authorized to establish them upon five days' notice to the Commission and to the public. The following order will so provide.

This decision is based upon prevailing conditions and makes no allowance for increased labor rates over and above those now in effect which include an increase of 17 per cent, effective June 1, 1942.

O R D E R

Public hearing having been held in this matter, the matter having been submitted, and the Commission being fully apprised,

IT IS HEREBY ORDERED that Ray Withers and Andrew Byrd, a copartnership, doing business as San Mateo Transit, be and they are hereby authorized to establish, with present zone boundaries, on not less than five (5) days' notice to the Commission and to the public, a First Zone fare of seven cents, supplemented by a ticket fare of  $6\frac{1}{2}$  cents per ride, to be available on a minimum basis of fifty cents for eight rides; a Second Zone fare of ten cents; a Third Zone fare of twelve cents; a Fourth Zone fare of fifteen cents; a Fifth Zone fare of fifteen cents; and a Sixth Zone fare of fifteen cents.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become null and void if not exercised within sixty (60) days from the date hereof.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 27<sup>th</sup> day of July, 1942.

Ray L. Riley

Frank D. Haberman  
Richard L. Jackson

Commissioners