

Decision No. 38918

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
RAY WITHERS AND ANDREW BYRD, a co-)
partnership, doing business under) Application No. 27199
the firm name and style of San Mateo)
Transit, for an order authorizing an)
increase in rates.)

EDWARD M. BEROL and WARREN MARSDEN, for applicant.

I. KARMEI, City Attorney of the City of Burlingame,
for the City of Burlingame.

JOHN B. HARMAN, Regional Price Attorney, and C.O.
BURGIN, for the Office of Price Administration.

O P I N I O N

By this application, San Mateo Transit, a partnership, seeks authority to adjust its fare structure which would have the effect of increasing single zone fares and reducing certain others. This carrier provides local transportation service within and between the contiguous cities of San Mateo, Burlingame, and Hillsborough, as well as in and between the cities of San Bruno, South San Francisco, and the San Francisco Airport.

Applicant does not propose to disturb the present fares now in effect between Burlingame and Hillsborough or between San Bruno and South San Francisco, or those applicable to the seasonal operation between San Mateo and Bay Meadows.

Public hearings were held before Examiner Hunter at Burlingame on February 21, and March 14, 1946, and the matter is now ready for decision.

Applicant alleges that notwithstanding the fact that it has practiced all possible economies, the revenue from this

operation is not sufficient to return to it the full cost of providing the service. It also contends that it has recently suffered a loss of revenue due to the expiration of contracts to transport school children and that this school business has in the past accounted for a substantial portion of its gross revenue.

The service area wherein applicant seeks authority to change its fare structure lies within the cities of San Mateo and Burlingame. This area extends for a distance of approximately six miles and in general parallels the line of the Southern Pacific Railway and El Camino Real. ⁽¹⁾

The four routes involved constitute the major portion of applicant's public utility operation, the revenue from which amounted to 92 per cent of the total system passenger revenue for the year 1945.

Applicant's Exhibit No. 1, as supplemented by Exhibit No. 5 shows the operating ratio of this carrier on a system basis for the period 1941 to 1945, inclusive. ⁽²⁾ The Commission by its

(1) The four routes on which fare changes are requested are Routes A, B, C, and D which are delineated on the map included in applicant's Exhibit No. 1.

(2)

Period	Revenue	Expenses	Operating Ratio
1941-January to June, Incl.	\$34,819	\$31,499	90.5%
July to December, "	31,684	33,192	104.9
1942-January to June, Incl.	31,315	33,785	107.9
July to December, "	36,638	36,520	99.5*
1943-January to June, Incl.	41,745	37,132	89.0
July to December, "	42,898	35,014	81.7
1944-January to June, Incl.	49,540	39,581	79.9
July to December, Incl.	52,997	42,924	81.0
1945-January to June, Incl.	56,669	45,112	79.5
July to December, "	54,840	60,514	110.3

* Fare change effective April 22.

Decision No. 35607, effective July 22, 1942, authorized applicant to increase its base zone fare from 5 cents to 7 cents with a token fare of 8 rides for 50 cents. Increases were also authorized in the fare applicable to two or more zones.

A number of engineering studies were presented during the course of the hearing by representatives of both applicant and the Commission staff. These studies deal with the operating results that would obtain if the respective following fare structure were applied to the four routes involved herein.

1. Present fare structure, first zone 7¢ cash with 8 tokens for 50¢, 2 zones 10¢, 3 zones 12¢, 4 zones 15¢.
2. Applicant's proposed fare, 10¢ cash with a token fare of 12 rides for \$1.00 and the elimination of existing zones.
3. A single zone fare of 10¢ cash* with 6 rides for 50¢. Other existing zone fares to remain unchanged.
4. A single zone fare of 10¢ cash* with 7 rides for 50¢. Other existing zone fares to remain unchanged.

* 10-cent fare also applicable to a two-zone ride under present fare structure.

The Commission engineer recommended establishment of the last described fare structure.

Applicant's engineer based his study on the system operations, including the school and charter service, while the Commission engineer considered only the operating results from the public utility service, exclusive of the Hillsborough, San Bruno, and South San Francisco operation. Both engineers agreed that the 1945 maintenance costs were abnormally high due to the rehabilitation of second-hand buses recently purchased by the company and that future maintenance costs should be materially reduced. This reduction is reflected in both estimates. The

Commission's engineer pointed out that in his opinion the supervision and administrative expense of this company, amounting to 23.4 per cent of the total operating expense, was excessive. This opinion was supported by the fact that the average overhead expense for companies of comparable size on a state-wide basis is less than 10 per cent; accordingly he allowed 10 per cent to cover this item in his estimate.

A comparison of the estimated operating results as developed by these studies is shown in the following tabulation:

I t e m	F A R E				
	Applicant*	Commission's Engineer#			
	Entire System	(Public Utility Operations for Lines Involved)			
	Fare	Fare	Fare	Fare	Fare
	Structure	Structure	Structure	Structure	Structure
	2	1	2	3	4
Revenue	\$124,460	\$ 90,356	\$ 94,159	\$ 96,441	\$ 94,204
Expenses	110,732	86,888	86,888	86,888	86,888
Net Before Income Taxes	13,728	3,468	7,271	9,553	7,316
Income Taxes	-	688	1,413	1,927	1,452
Net Income	13,728	2,780	5,828	7,626	5,864
Rate Base	71,544	57,200	57,200	57,200	57,200
Return on Rate Base	19.15%	4.86%	10.19%	13.33%	10.25%
Operating Ratio					
Before Inc. Taxes	99.97	96.16	92.28	90.09	92.23
After Inc. Taxes	88.97	96.92	93.81	92.09	93.78

* From Exhibit No. 15

From Exhibit No. 29

Applicant owns 23 buses of varying seating capacity, 20 of which were purchased second hand. The 3 buses purchased new are designed for school service. The Commission engineer pointed out that the depreciation allowance shown in his exhibits

was greater than would have been the case if new equipment had been in operation. He stated that in his estimate the allowance for the item of annual depreciation for the buses now in use amounted to \$37.40 per seat as compared to \$30.11 per seat per year if based upon modern new equipment of similar seating capacity. This high rate of depreciation was allowed due to the fact that new equipment was not available to this carrier during the war period.

One of the applicant partners testified that if this application to increase fares were granted, the company would proceed to purchase new equipment as soon as it was available. (3)

The record shows that the bus drivers are now demanding an increase in wages and that the matter had been set for arbitration April 13, 1946. The increased wages asked for amount to approximately ten cents an hour above the present wage scale. The foregoing estimates of expense do not provide any allowance for increased drivers' wages.

The Office of Price Administration participated in the cross-examination but presented no evidence or argument.

The City Attorney of Burlingame stated that the city was not averse to the granting of an increased fare provided such increase was contingent upon providing a better service and

(3) "Mr. Karmel: Q. 'If this increase in rate were granted what policy have you adopted, if any, with reference to the improvement of the service on your A and B routes?'"

"Mr. Byrd: A. 'The service will be maintained at the same schedule and headways as it is now operated. The additional revenue would be spent for newer equipment. We intend to purchase new equipment if this goes through.'"

(Tr.. page 173)

(4)

the operation of modern equipment.

Although Exhibit No. 29 shows the estimated return to the company would be approximately the same under their proposed rate structure as under that recommended by the Commission engineer, we must consider the resultant effect on the general public. The record shows that more than three-fourths of the passengers ride within the limits of the first zone, the average length of ride being approximately one mile. Under the fare structure proposed by the company these single zone riders would be required to pay an average fare one cent higher under applicant's plan than that recommended by the Commission engineer. The additional revenue resulting from this one-cent differential would be compensated in part by the proposed reduction to the comparatively small volume of the third and fourth zone riders, amounting to only 5 per cent of the total traffic. The only justification offered in support of the reduced fare was that it would simplify the fare collection which does not appear to justify the higher fare for the majority of applicant's patrons. Furthermore, under the company's proposed fare structure the estimated annual decrease in patronage resulting from increased fares would be 34,000 more than under the fares recommended by the Commission engineer.

(4) "Mr. Karmol: 'Well, if I may be permitted to make a statement, so far as the City of Burlingame is concerned, I would like to have the record show, Mr. Examiner, that the citizens of Burlingame need the service of the utility and that they are, I believe, sympathetic with an increase of fares, but at the same time they will require an improvement in the service, and that improvement consists probably not only in schedules, but in equipment as well, and it would seem that our position in the matter should be this: That if the increases in the fares are granted by the Commission that it ought to be contingent upon two propositions; one is that there is to be an improvement probably in the schedule and also improvement of the equipment, and there ought to be a limit of time when that improvement in the equipment should be furnished. In other words, it should not be indefinite.'"

(Tr. pages 256-7)

While it has been shown that acquisition of new equipment was not possible by this company during the war, all the evidence points to the necessity of the replacement of the second-hand buses with modern equipment at an early date. In our opinion at least six new buses should be purchased and put into operation within a reasonable period in order to provide an improved service.

Based on the testimony adduced in this record we find as facts:

1. That the revenue received under the present fare structure is inadequate to defray reasonable operating expense and provide a fair return on invested capital.
2. That applicant should be authorized to establish the following fare structure; a single zone fare of 10¢ cash with 7 tickets or tokens for 50¢ with other zone fares remaining unchanged.
3. That public convenience and necessity require an improvement in the service, particularly through the purchase of new and modern equipment.

O R D E R

Public hearings having been held, the matter submitted, and the Commission now being fully advised;

I. IT IS HEREBY ORDERED that Ray Withers and Andrew Byrd, a partnership, doing business as San Mateo Transit be and they are hereby authorized to increase the first zone adult fare from 7 cents to 10 cents cash and tickets from 8 for 50 cents to 7 for 50 cents on Routes A, B, C, and D as described in footnote (1) of the foregoing opinion. All other fares are to remain in effect without change.

II. IT IS HEREBY FURTHER ORDERED that the authority herein granted under Section I shall become null and void if not exercised.

within sixty (60) days from the date hereof.

III. IT IS HEREBY FURTHER ORDERED that applicant shall within sixty (60) days from the date of this order present to this Commission certified copies of agreements to purchase six (6) new buses of modern type within a reasonable period of time.

Applicant shall file in triplicate and concurrently make effective within thirty (30) days from the date of this order and on not less than five (5) days' notice to the Commission and the public, a revised tariff constructed in accordance with the Commission's General Order No. 79, giving effect to the fares herein authorized.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 2nd day of May, 1946.

David Rubin
Justus J. Calver
Francis E. ...
Isaac H. Lowell

Commissioners