

ORIGINAL

Decision No. 39456

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of	)	
Evelyn M. Knapp and John P. Demeter,	)	
co-partners doing business as Palo	)	Application No. 27807
Alto City Lines, for authority to	)	
increase rates.	)	

Appearances

Lorenz Costello, John P. Demeter and W. B. Prine  
for applicants.  
E. S. Erwin for Stanford University, interested  
party.

O P I N I O N

Evelyn M. Knapp and John P. Demeter, co-partners doing business as Palo Alto City Lines, operate passenger stage service in Palo Alto and vicinity. By this application, they seek authority to increase a presently published 20-ride student commutation ticket, valid for 30 days, from \$1.00 to \$1.40.<sup>1</sup> A public hearing was held before Examiner Bradshaw at San Francisco on September 13, 1946.

According to the testimony of applicants' manager, the proposed increase is designed to provide a suitable commutation fare for students attending Stanford University, principally veterans who will reside at the Dibble General Hospital in Menlo Park, which was recently acquired by the University for housing purposes, and will be known as Stanford Village. In order to meet the

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<sup>1</sup> Other fares published by applicants consist of a 1-way adult fare of 10 cents; a 30-ride ticket, valid for 60 days, of \$2.50; and a 60-ride ticket, valid for 60 days, of \$4.50.

transportation requirements of these students -- estimated at between 2,700 and 3,000 -- applicants contemplate inaugurating a special service between Stanford Village and the University Campus on five days per week from 7:00 a.m. to 9:00 a.m. and from 11:00 a.m. to 2:00 p.m. Six busses are to be used exclusively in this service. Students traveling during other hours, the record indicates, will use scheduled trips now in operation over a longer route. The round-trip distance via the more direct route to be used in performing the special service is approximately 5.6 miles.

The present \$1.00 fare, which is equivalent to five cents per ride, it is claimed, is too low to meet the cost of operating the type of service required in transporting within short periods the large number of passengers which are expected to utilize applicants' facilities. Using applicants' average operating expenses for the first 7 months of 1946 of 29.8 cents per mile, the cost of rendering the proposed special service was indicated as \$180.29 per day. To produce revenues equal to this amount, it would be necessary that 3,606 passengers at the present fare, or 2,575 passengers at the proposed fare, be transported daily. As compared with these figures it was anticipated that the number of daily passengers would be between 1,900 and 2,000. Applicants estimate that the additional cost of operating this service, exclusive of so-called regular overhead costs, will be \$142.75 per day, or the equivalent of 2,855 passengers at the present fare and 2,039 passengers at the proposed fare.

Basing their forecast of revenues and expenses upon a patronage of 1,900 passengers per day at the inception of the contemplated service, applicants allocate to the proposed operation an expected daily revenue of \$95.00 at the present fare or \$133.00 at the proposed fare. These computations, however, are predicated on

the movement of approximately 700 passengers to the University to attend morning classes, the same number returning to Stanford Village for lunch, and the transportation of 500 students to the University to attend afternoon classes. The latter 500 students, in the opinion of applicants' witness, will return to the Village later during the day by using applicants' existing service. The revenue derived from such transportation has not been credited to the proposed operation, nor did applicants indicate to what extent the cost of operating the regular service will be increased by moving this added traffic. If these passengers had been included in the showing, the anticipated daily revenue under the present and proposed fares would be \$120.00 and \$168.00, respectively.

No evidence was offered in justification of the proposed fare except as applied to the movement of students between Stanford Village and the University. Indeed, applicants state that they would be satisfied with the present \$1.00 fare if restricted to use by school children attending the primary and elementary schools. Their manager testified that this fare was never intended to apply for transportation of the nature applicants now propose to render, that it was originally published to accommodate school children and has never been used for adult transportation except in a few instances in 1945 for members of the armed forces traveling between the University and Palo Alto proper. Although it was claimed that the present fare, when used by school children, is less than the average operating expense per passenger carried, applicants take the position that they are able to absorb the deficiency, because the children ride for very short distances on busses with other passengers paying higher fares, and the volume of school children carried at the \$1.00 fare is not substantial.

As a means of continuing in effect the present fare for use by school children, without conflicting with that proposed for University students, it was suggested that the \$1.00 fare be restricted to apply for the transportation of school children under 18 years of age, and that another fare be authorized of \$1.40 for bona fide University students 18 years of age and over. Both fares would be for 20 rides and valid for 30 days.

The Assistant Business Manager of Stanford University stated at the hearing that the University supported the application (including the suggested proposal for different fares for students under and over 18 years of age) and urged that the authority sought be granted. He also asserted that the University is not in a position to undertake to perform the required service itself and is dependent upon applicants doing so.

No protests against the granting of the application have been received.

In establishing a just and reasonable fare for future use, the difficulties inherent in forecasting the volume of traffic which will be transported in a contemplated service, such as proposed, should be given due recognition. The ultimate effect of applicants' undertaking will naturally depend upon the use which the students may make of the facilities, as against such other means of transportation as may be available. As indicated herein, applicants' estimates are predicated upon the minimum number of passengers it is anticipated will utilize the service between Stanford Village and the University. As compared with the 1,900 daily fares used in their calculations, but actually representing the transportation

of somewhere between 700 and 1,200 students, the total number of students who will have occasion to travel between these points has been estimated at between 2,700 and 3,000. The influx into the community of these additional students will also undoubtedly prove to be another source of added revenue to applicants. The extent to which revenues will thereby be augmented cannot be determined at this time, although the record indicates that these students will at times travel to and from Palo Alto for social and other reasons.

Based upon the information now available, however, it would appear that the proposed fare of \$1.40 would not be unreasonably high for the class of service applicants propose, when considered independently of their existing operations. It may well be, however, that it might result in a higher over-all revenue return than would ordinarily be justified. The establishment of the proposed fare, restricted to University students of 18 years of age and over, will be authorized to assure the establishment of the contemplated service between Stanford Village and the University. However, consideration will be given at an early date to determine whether proceedings should be instituted for the purpose of ascertaining what, if any, revision of applicants' fares may be reasonable and proper.

Upon consideration of all the facts and circumstances of record in this proceeding, the Commission is of the opinion and finds that the proposed increase in the present 20-ride student commutation ticket from \$1.00 to \$1.40 has not been justified.

We further find that the establishment of the following fares is justified:

- (a) 20-Ride ticket for transportation of bona fide University students of 18 years of age and over, good for 30 days, valid only between the hours of 5 a.m. and 6 p.m., not good for transportation on Sundays and legal holidays.....\$1.40
- (b) 20-Ride ticket for transportation of school children of less than 18 years of age, good for 30 days, valid only between the hours of 5 a.m. and 6 p.m., not good for transportation on Saturdays, Sundays or legal holidays.....\$1.00

To this extent the application will be granted.

O. R. D. E R

A public hearing having been had in the above entitled application and based upon the evidence received at the hearing and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED: that Evelyn M. Knapp and John P. Demeter, co-partners doing business as Palo Alto City Lines, be and they are hereby authorized to establish on not less than two (2) days' notice to the Commission and to the public, the following fares, in lieu of their presently published 20-ride student ticket, good for 30 days, of \$1.00: :

- (a) 20-Ride ticket for transportation of bona fide University students of 18 years of age and over, good for 30 days, valid only between the hours of 5 a.m. and 6 p.m., not good for transportation on Sundays and legal holidays.....\$1.40
- (b) 20-Ride ticket for transportation of school children of less than 18 years of age, good for 30 days, valid only between the hours of 5 a.m. and 6 p.m., not good for transportation on Saturdays, Sundays or legal holidays.....\$1.00

IT IS HEREBY FURTHER ORDERED that, in all other respects, the application in this proceeding be and it is hereby denied.

The authority herein granted shall be void unless exercised within sixty (60) days from the effective date hereof.

This order shall become effective upon the date hereof:

Dated at Los Angeles, California, this 1<sup>st</sup> day of October, 1946.

Harold Kule  
Justus F. Casper  
Wm. W. Dwyer

A. E. Anderson  
 Commissioners