

Decision No. 41220**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Ray Withers and Andrew Byrd, a co-)
 partnership doing business under the)
 firm name and style of San Mateo Transit,) Application No. 28442
 for an order authorizing an increase in)
 rates.)

EDWARD M. BEROL and MARVIN HANDLER, for Applicant
 I. KARMEL, City Attorney of the City of Burlingame,
 for the City of Burlingame
 ARTHUR J. HAREFELD, City Attorney of the City of
 San Mateo, for the City of San Mateo

O P I N I O N

Applicant, San Mateo Transit, a partnership, is engaged in rendering motor bus service as a common carrier of passengers in San Mateo County. The major portion of applicant's operations are conducted within and between the contiguous municipalities of Burlingame, San Mateo, Hillsborough, and Belmont. A separate and smaller operation is conducted between San Bruno, South San Francisco and San Francisco Municipal Airport. Service on a portion of its Burlingame - Hillsborough operation was suspended under ex parte order of Decision No. 40799 in Application No. 28734. Upon protest by interested parties the decision was set aside and the matter now awaits decision upon the hearing held December 15, 1947. (1)

This application is for authority to increase fares on the San Mateo and Burlingame operation. No change is proposed on the Belmont or San Bruno - South San Francisco operation. Applicant alleges that notwithstanding the fact that it has practiced all possible economies, the revenue from the operations under consideration is not sufficient to return the full cost of providing the service.

(1)

The record in that proceeding shows that if the service was re-established the revenue would at least pay the out-of-pocket cost of providing the service thereby not adversely affecting the estimated financial results of operation to be considered in the instant application. It was stipulated in the instant proceedings that any portion of the record adduced in the hearing on Application No. 28734 would be considered as part of the record herein where applicable.

Public hearings were held before Commissioner Rowell at San Mateo on November 3, 1947, and at San Francisco on November 26, 1947, and the matter is now ready for decision.

Applicant's present fare structure is based on a zone system with a 10-cent cash fare, or a 7-1/7 cent token sold in lots of seven for 50 cents, for a single zone; a 10-cent fare for a two-zone ride, 12-cent fare for a three-zone ride, and a 15-cent fare for a four-zone ride.

The fare changes proposed in this proceeding consist of:

1. Consolidating the present Burlingame and San Mateo zones into a single zone with a 10-cent cash zone fare and a two-zone ride for a fare of 15 cents with a commute fare of 12-1/2 cents, sold in lots of sixteen for \$2.00. (2)
2. Eliminating the first zone commute now selling for 7-1/7 cents in lots of seven for 50 cents.
3. Increasing the present 12-cent cash fare to 15 cents.
4. Providing for a 12-1/2 cent commute to be sold in lots of 16 where the 15-cent fare applies.
5. Increasing certain 10-cent cash fares to 15 cents where no competition exists.

The proposed fares were not set forth in the application, but were submitted during the course of the hearing. In the hearing in Application No. 28734, pertaining to the reestablishment of service on the Hillsborough route, a straight 10-cent fare was proposed on the "C" line, between Burlingame Avenue and the intersection of West Santa Inez Avenue and El Portal, and a 20-cent cash fare with a commute fare of 16-2/3 cents sold in lots of 30, for traffic originating or terminating on the extended portion of the "C" line between

(2)

This proposal would eliminate the zone line at Burlingame Avenue, thus providing a single zone from Broadway on California Drive to Third Avenue in San Mateo. This portion of the route is competitive with Pacific Greyhound Lines. Under this plan the "A" line would have a competitive zone 2.8 miles in length and a non-competitive zone 1.4 miles in length.

West Santa Inez Avenue and El Portal, on one hand, and Black Mountain Road and Marlborough Road on the other. (3)

During the course of the hearing November 26, 1947, applicant introduced a new wage agreement (Exhibit No. 13) which was entered into November 25, 1947, and provided for an increase in wages for bus operators and certain other employees effective November 25, 1947.

Engineering studies were presented during the course of the hearing by representatives of applicant and by the Commission's staff.

The evidence submitted by applicant pertained to the total operations of the company, inclusive of its San Bruno service. The testimony of the Commission's staff was directed to the operations exclusive of the San Bruno service.

Therefore, in order to show the difference in estimated operating results the following table has been compiled from the exhibits presented. Under the heading "Commission's Staff" there has been included the expense of the San Bruno operation as developed from company records and an estimate of the effect of the wage increase granted November 25, 1947.

(3)

The reestablishment of service and an appropriate fare structure in this extended section of Route "C" is involved in Application No. 29734 now under consideration.

Item	Applicant *		Commission's Staff #	
	Present	Fares	Present	Proposed
	Fares	Fares	Fares	Fares
Revenues				
Passenger	\$112,201	\$108,000	\$116,920	
School Contracts	13,256	23,590	23,590	
Other	4,665	4,910	4,910	
Subtotal	\$130,122	\$136,500	\$145,430	
San Bruno Operation	3,477	2,200 (a)	2,200 (a)	
Total	\$133,599	\$138,700	\$147,630	
Expenses				
Equipment Maint. & Garage	\$ 17,436	\$ 22,355	\$ 22,355	
Transportation	59,269	52,460	52,460	
Station	2,075	2,000	2,000	
Traffic	2,694	2,000	2,000	
Insurance	6,745	6,860	6,860	
Admin. and General	20,986	15,175	15,175	
Oper. Taxes	8,502	8,488	8,874	
Depreciation	15,849	13,925	13,925	
Operating Rents	- (b)	420	420	
Wage Increase (d)	4,000	4,176	4,176	
Total	\$138,456	\$127,859	\$128,245	
Contingent Retroactive Wages (c)	1,548	-	-	
Subtotal	\$140,004	\$127,859	\$128,245	
San Bruno Operation	Included above	3,554	3,567	
Total	\$140,004	\$131,413	\$131,812	
Bus Miles Operated	374,565	376,022	376,022	
Rate Base	\$ 90,726 (e)	\$ 91,850	\$ 91,850	

- (a) Based on average of May to September 1947, inclusive.
- (b) Taken as deduction from revenue.
- (c) Wage contract dated April 7, 1947, provided for 5 cents an hour increased pay retroactive to December 2, 1946, if and when the Commission grants applicant an increase in its rates. The wage agreement of November 25, 1947 stopped the accumulation of contingent retroactive pay beyond that date.
- (d) Effect of wage agreement dated November 25, 1947.
- (e) Investment less depreciation as of September 30, 1947 (Exhibit #3).
- * Compiled from Exhibits Nos. 1, 2, and 12 - represents operations of 12-month period ending September 30, 1947, adjusted to conform to current wages and costs of materials.
- # Compiled from Exhibits Nos. 9 and 14 and represents estimates for prospective year ending October 31, 1948.

The difference in the testimony and evidence introduced by applicant and the Commission's staff may be summarized as follows:

Applicant adopted the unadjusted revenue for the year ending September 30, 1947, amounting to \$133,599 as an estimate for the rate year under present fares. No estimate of revenue that would obtain under proposed fares is shown, but a revenue figure of \$155,560 was developed by employing an operating ratio of 90 per cent. The Commission's engineer estimated the revenue at \$136,500. under present fares and \$145,430 under the one proposed by applicant. In the matter of revenue from school contracts, the staff's estimate was based on contracts currently in effect.

Applicant estimated the operating expense to be \$140,004. This amount includes maintenance, depreciation accruals and administrative costs as reflected on the books of the applicant adjusted to current levels of wages and materials. It also includes an amount of \$1,548 of retroactive pay contingent on the authorization of increased fares by this Commission, as provided for in a wage agreement between applicant and certain employees. The cost of maintaining the service in San Bruno and South San Francisco is also included. The Commission's engineer estimated the operating expense to be \$131,413.

The difference is due largely to maintenance and administrative expense and depreciation charges. Applicant related maintenance cost to a period when older equipment, not now in service, was being used, while the Commission's staff considered only the equipment presently in service. The Commission's engineer testified that in his opinion the amount being charged to supervision and administrative expense, amounting to approximately 34 per cent of the total operating expense, was excessive. In support of this opinion he stated that corresponding expenses for companies of comparable

size in other portions of the state are, on an average, less than 16 per cent, and accordingly, employed 16.76 per cent in his study. In the matter of depreciation the Commission engineer's estimate is based on a life of seven years for new buses and five years for used buses, as compared to a life of five years employed by applicant on both new and used buses.

Applicant made no showing as to investment or rate base. However, Exhibit No. 3 shows the original cost of these properties, including materials and supplies on hand less accrued depreciation as of September 30, 1947, to be \$90,726.

With respect to the San Bruno - South San Francisco operation the Commission's engineer testified that since its inception it has not earned the out-of-pocket cost of providing the service. The record shows it is not a part of the integrated system of San Mateo Transit, being physically separated by several miles. A 10-cent fare is presently being charged on this operation which is the same as the cash fare now being requested for the San Mateo - Burlingame operation, and applicant has made no proposal to increase fares in the San Bruno area. The estimates of applicant cover the overall operation and, on the record, it is not possible to segregate the operating costs applicable to the San Bruno portion. In the foregoing tabulation revenues and expenses for the San Bruno operation are set out separately under the Commission staff's estimates which show the expenses greatly exceed revenues.

The following tabulation shows the estimated results of operation for the San Mateo - Burlingame integrated service as reflected by the foregoing table and exhibits presented.

I t e m	Commission's Staff	
	Present Fares	Proposed Fares
Revenue	\$136,500	\$145,430
Expense	<u>127,859</u>	<u>128,245</u>
Net Income	\$ 8,641	\$ 17,185
Operating Ratio	93.67%	88.18%
Rate Base	\$ 90,600	\$ 90,600
Rate of Return	9.54%	18.97%

At the hearing on applicant's request to resume service on the Hillsborough extension ("C" route), testimony was introduced showing that if operation was resumed over this route with the establishment of fares agreed upon it would result in an increase in revenue of \$589 and a corresponding increase in expense of \$450 or an additional net income of \$139.⁽⁴⁾ The estimate of additional expense includes only allowances for direct operating expenses and does not include any allowance for depreciation. No additional equipment will be required to perform this service.

The cities of San Mateo and Burlingame were represented by their respective city attorneys who appeared as interested parties but presented no testimony.

Based on the testimony adduced in this record, we find as a fact that applicant has not justified an increase in its fare structure for the following reasons:

1. It is evident that applicant is suffering a loss from its San Bruno - South San Francisco operation, but requests no increase in fares in that area. It is not reasonable to require the other portion of applicant's operations to sustain this loss.

(4) Applicant's Exhibit No. 3 of Application No. 28734.

2. The Hillsborough extension now under consideration for resumption of service should not impose a financial burden on the remainder of the system under the fares and service agreed upon.

3. Applicant made no showing as to the necessity of financial need on the integrated San Mateo - Burlingame operation.

4. The fare structure proposed is inequitable in that it discriminates between the competitive and non-competitive portions of the system and would place an undue burden on the single zone rider.

5. Under present fares the results of the integrated operation of San Mateo Transit show a high return on the basis of the estimates presented by the Commission's staff. After giving due consideration to the higher estimates of cost submitted by applicant, the present fare structure will provide adequate revenue to defray reasonable operating costs of conducting the operation and allow a fair return on invested capital.

O R D E R

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

IT IS HEREBY ORDERED that the application of Ray Withers and Andrew Byrd, Application No. 28442, be, and it hereby is, denied.

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

Dated at San Francisco, California, February 10, 1948.

[Handwritten signatures and names of Commissioners]
Justice J. Quinn
Robert H. Quinn
Harold P. Kula
Samuel S. Potter
 COMMISSIONERS