

ORIGINAL

Decision No. 41516

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
RAY WITHERS and ANDREW FYRD, a co-)
partnership doing business under the)
firm name and style of San Mateo)
Transit, for an order authorizing an)
increase in rates.)

Application No. 29188

BEROL & HANDLER by Edward M. Berol, for applicant

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 is being conducted on a sixty-day trial basis at an increased fare.⁽¹⁾

This application is for authority to increase fares on the San Mateo and Burlingame operation. No change in fare structure is proposed on the Belmont or San Bruno-South San Francisco operation, nor on the Hillsborough extension of "C" route. Applicant alleges that notwithstanding the fact that it has practiced all possible economies, the revenue from the operations under consideration is

(1) Suspension of this service was authorized by Decision No. 40799 and, following a public hearing, a curtailed service was reestablished.

not sufficient to return the full cost of providing the service.

A public hearing was held before Examiner Cannon at Furlingame on April 9, 1948, and the matter is now ready for decision.⁽²⁾

Applicant's present fare structure is based on a zone system with a 10-cent cash fare, or a 7-1/7¢ token⁽³⁾ sold in lots of seven for 50 cents for a single zone; 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, with a 20-cent one-way adult fare between the two zones on the "C" route (Hillsborough Extension).

The fare changes proposed in this proceeding consist of:

1. Increasing the present two-zone ride between Hillside and Alvarado on the one hand, and Furlingame Avenue on the other, from 10 cents to 12 cents; but retaining the present two-zone 10-cent fare between Broadway in Furlingame and Third Avenue in San Mateo.

2. Increasing the present three-zone ride from 12¢ to 15¢.

3. Increasing present single zone 7-1/7¢ token⁽³⁾ sold in lots of seven for 50 cents, to 8-1/3¢ to be sold in lots of 24 for \$2.00.

(2) Concurrently with the rendering of this decision the Commission is issuing its order denying the petition for rehearing in Application No. 28442.

(3) Operator uses a punch card in lieu of tokens.

Applicant introduced testimony pointing to the very serious financial position of the operation. Exhibit No. 1 showed current liabilities exceeding current assets by \$1,781. It was pointed out that it was necessary through Application No. 29228 to obtain permission from the Commission to secure a loan of \$7,000 in order to maintain the credit position of the applicants by reducing delinquent accounts payable and past due equipment payments. Applicant testified that the bank had indicated its intention to repossess the equipment, that suppliers were threatening to withhold further delivery of necessary supplies and that it was faced with the cancellation of insurance coverage.

Estimates of results of operation under present and proposed fares 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. Testimony of the Commission's staff embraced the operation as a whole and also set out the operations exclusive of the San Bruno-South San Francisco service.

Testimony developed the fact that because of its very serious financial position and the need for economy of operation, service had been cut to a minimum in the San Bruno and Belmont operations, neither of which was earning out-of-pocket cost. The estimates submitted by both applicant and Commission's staff were based on the curtailed operation.

The estimated results of the system-wide operation under

present and proposed fare structure is shown in the following table:

I T E M	(a)		(b)	
	Applicant's Estimate		Comm. Staff Estimate	
	Under Present Fares	Under Proposed* Fares	Under Present Fares	Under Proposed Fares
<u>Revenue</u>				
Passenger	\$104,096	\$113,414	\$102,710	\$108,350
School Contracts	20,078	20,078	20,790	20,790
Other Operating Revenue	3,952	3,952	4,210	4,210
Total Revenue	<u>\$128,126</u>	<u>\$137,444</u>	<u>\$127,710</u>	<u>\$133,350</u>
<u>Expenses</u>				
Operating Expense	\$107,701	\$107,701	\$102,280	\$102,280
Depreciation	17,919	17,919	13,642	13,642
Taxes (Operating)	8,757	8,757	8,599	8,599
Total Expense	<u>\$134,377</u>	<u>\$134,377</u>	<u>\$124,521</u>	<u>\$124,521</u>
Operating Ratio	104.88%	97.77%	97.50%	93.38%
Net Operating Income	<u>\$ (6,251)</u>	\$ 3,067	\$ 3,189	\$ 8,829
Estimated Rate Base	\$77,900	\$77,900	\$84,600	\$84,600
Rate of Return	-	3.94%	3.77%	10.44%

(a) From Exhibit No. 11

(b) From Exhibit No. 13

* Estimate provides for no diminution because of fare increase. The Commission's staff estimated 3.6% diminution which would reduce applicant's estimated revenue to \$133,361 as compared to Commission's staff estimate of \$133,350.

The record shows that the San Bruno-South San Francisco operation 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 Commission's engineer testified that the San Bruno-South San Francisco operation has not earned the out-of-pocket cost of providing the service. He was of the opinion that even with the curtailed

service and attendant decrease in mileage the operating revenue derived therefrom would not pay out-of-pocket cost. Accordingly, he included in his exhibit the estimated results of operation of the integrated system excluding therefrom the operation in San Bruno and South San Francisco. The estimated results of operations thereof are summarized as follows:

I T E M	Present Fares 10¢ Cash 7/50¢ Commute	Proposed Fares 10¢ Cash 24/¢2 Commute
<u>Revenue</u>		
Passenger	\$101,810	\$107,450
School Contracts	20,790	20,790
Other Operating Revenue	4,210	4,210
Total Revenue	<u>\$126,810</u>	<u>\$132,450</u>
<u>Expenses</u>		
Operating Expense	\$100,545	\$100,545
Depreciation	13,193	13,193
Taxes (Operating)	8,351	8,351
Total Expenses	<u>\$122,089</u>	<u>\$122,089</u>
Operating Ratio	96.28%	92.18%
Net Operating Income	\$ 4,721	\$ 10,361
Estimated Rate Base	\$ 82,850	\$ 82,850
Rate of Return	5.70%	12.51%

The effect of excluding the San Bruno operation as reflected in the foregoing table is a decrease in revenue and operating expense of \$900 and \$2,432, respectively.

The estimates of operating results under present fares by both applicant and Commission's staff indicate the necessity of a higher fare structure in order to maintain the present standard of service and provide a reasonable return on the investment.

Applicant estimated revenue under the proposed fare

structure on three bases: one without any diminution in traffic, and the other two with estimated diminution of five and ten per cent, respectively. During the proceedings applicant's witness testified that he believed a diminution of 3.5% was reasonable. The average diminution in traffic estimated by the Commission's engineer was 3.6%. With the application of these diminutions both estimates of revenue are practically in accord.

The difference in operation expense lies largely in the items of administrative salaries and expenses. Applicant contended for an amount of \$15,000, while the Commission's engineer allowed only \$10,000, which amount he stated was more in line with comparable operations throughout the state. In the matter of depreciation expense the Commission engineer's estimate is based on a service 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. This has resulted in a lower depreciation charge and a correspondingly higher rate base than that of applicant.

The differences in estimated return results almost entirely from the different treatment of depreciation and the allowance for administrative salaries and expenses.

No one appeared to oppose this application.

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

1. The present fare structure does not provide sufficient revenue to maintain the present standard of service and provide a

reasonable return on the investment either in the case of the operation as a whole or for the integrated San Mateo-Burlingame operation.

2. It is evident that applicant has been suffering an out-of-pocket loss from the San Bruno-South San Francisco operation which is still continuing. It is not reasonable to require the other portion of applicant's operations to bear this loss.

Upon careful consideration of all the facts and circumstances of record we conclude that the fares as proposed in this proceeding are justified. The application will be granted.

O R D E R

Public hearing having been held in the above-entitled application and based on the evidence received and the findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that applicant be, and it hereby is authorized to establish, on not less than five (5) days' notice to the Commission and the public, increased fares as follows:

1. The present two-zone fare between Hillside and Alvarado on the one hand and Burlingame Avenue on the other hand, from 10 cents to 12 cents. The present 10-cent two-zone fare between Broadway in Burlingame and Third Avenue in San Mateo to remain unchanged.
2. Present three-zone fare from 12 cents to 15 cents.
3. Present token fare of 7-1/7 cents, sold 7 for 50 cents or 14 for \$1.00 to 8-1/3 cents sold in minimum lots of 24 for \$2.00.

IT IS HEREBY FURTHER ORDERED that the authority herein

granted shall expire except to the extent that the fares published pursuant to this authority are filed and made effective within ninety (90) days from the effective date of this order.

This order shall become effective ten (10) days from the date hereof.

Dated at San Francisco, California, this 27th day of April, 1948.

A. J. [Signature]
James F. [Signature]
Irving [Signature]
Harold P. [Signature]
Samuel [Signature]
COMMISSIONERS