

ORIGINAL

Decision No. 45314

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Ray Withers and Andrew Byrd,)
a copartnership doing business as) Application No. 31853
San Mateo Transit for an order)
authorizing an increase in rates.)

Appearances

Edward M. Berol, for applicants.
Helen Negrin, interested party.
T. A. Hopkins, for the
Transportation Department,
Public Utilities Commission.

O P I N I O N

Ray Withers and Andrew Byrd, copartners, doing business as San Mateo Transit, conduct a passenger stage corporation within and between the contiguous municipalities of Burlingame, San Mateo, Hillsborough and Belmont. By this application authority is sought to establish increased fares.

Public hearings were had before Examiner Lake at San Francisco.

Applicants' present fares are established, generally, on a zonal basis. The adult one-way fare for transportation within one zone is 10 cents with a reduced fare of 24 rides for \$2. The two and three zones adult fares are 12 cents and 15 cents respectively, excepting that a two-zone 10-cent fare is provided for transportation between Broadway Avenue in Burlingame and Third Avenue in San Mateo. Higher fares ranging from 20 cents to 35 cents are maintained by applicants for transportation beyond three zones. Reduced fares are provided for children under 12 years of age and for students.

The authority herein sought is to establish a one-zone fare structure with a basic fare of 15 cents, reduced fares of 8 tokens for \$1.00 and 25 rides for \$2.50, which would apply between all

points applicants are authorized to serve. No change is proposed in children's fares nor in student fares. The effect of the proposed fare structure will result in both increases and reductions.

Applicants' fares were last considered in Decision No. 44890, dated October 10, 1950, in Application No. 31249. In that decision the Commission found that, except for an adjustment in the 10-cent two-zone fare, increased fares had not been justified. In the instant application, applicants alleged and the record shows that since the last proceeding increases have occurred in the cost of labor, tires, fuel and insurance. An Associate Transportation Engineer of the Commission's staff testified that these increases amounted to approximately \$9,300 per year.

According to the evidence submitted by the applicants, operations for a 12-month period ending October 31, 1950, resulted in a loss of \$5,302. They contended that, based upon the present level of traffic and higher costs of operation, the net result under present fares for a 12-month test year ending December 31, 1951, would be a loss of \$12,241. The proposed fares, they alleged, would produce for the same period an estimated net revenue of \$4,890 before provision for income taxes. The following tabulation is taken from exhibits submitted by applicants' witnesses:

For Test Year Ending December 31, 1951

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
Operating Revenues	\$110,566	\$127,697
Charter and Special Bus Revenues	30,627	30,627
Other Revenues	3,300	3,300
Total Operating Revenues	\$144,493	\$161,624
Operating Expenses	130,900	130,900
Depreciation	16,137	16,137
Taxes and Licenses	9,697	9,697
Total Operating Expenses	(1) 156,734	(1) 156,734
Net Income	(12,241)	4,890

() - Loss

(1) - Corrected for clerical error

Included in the estimates of expenses was \$15,000 for salaries and expenses for the partners for services of management, supervision of shop and garage, and supervision of transportation. The Commission by Decision No. 44890, supra, held that \$11,000 was sufficient, for rate-making purposes, for salaries and expenses of management. It was not shown on this record that the latter amount is now unreasonable. Applicants did not, however, include in their showing provisions for income taxes.

Applicants are a copartnership and their income tax rate varies in accordance with the amount of their individual income. Considering income taxes on a corporate basis and adjusting the estimates of expenses to reflect the deduction in management fees, the estimated results of operations would be as follows:

For Test Year Ending December 31, 1951

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
Total Operating Revenues	\$144,493	\$161,624
Operating Expenses	156,734	156,734
Adjustment for Management Fees	4,000	4,000
Total Adjusted Operating Expense	152,734	152,734
Net Income before Provision for Income Taxes	(8,241)	8,890
Operating Ratio before provision for Income Taxes	105.7%	95.5%
Income Taxes (1)	---	\$ 2,489
Net Income	(\$8,241)	6,401
Operating Ratio after Income Taxes	105.7%	96.04%
Rate Base (2)	\$ 53,200	\$ 53,200
Rate of Return after Income Taxes	---	12.03%

() - Indicates Loss

- (1) Calculated at present rates on a corporation basis.
- (2) Applicants did not calculate a rate base. The rate base shown was developed by the Commission engineer.

The Commission engineer also submitted studies under present, proposed and alternate fare structures for a 12-month test period ending December 31, 1951. His studies were said to be based upon present traffic trends and costs of operation. According to this witness, the net result of operations for the test year would be a loss of \$4,366 under present fares and a net profit of

\$14,591 under the proposed fares. This witness did not provide for income taxes. His estimate, when adjusted therefor, would provide a net operating revenue of \$10,506 under proposed fares, an operating ratio of 93.56 percent and a rate of return of 19.75 percent.

The difference in the estimate of the applicants' witnesses and the Commission's engineer stems largely from the methods employed in estimating the number of passengers to be transported and in calculating estimated equipment, maintenance and garage expense.

Applicants attempted to segregate the costs of operations between common carrier and school charter service. However, the Commission engineer contended that because of the frequent interchange of equipment segregation of operating costs was virtually impossible. The engineer stated that applicants have been able to schedule their equipment in contract school service during off-peak common carrier periods with no loss of time and with practically no additional deadhead mileage. This resulted, he stated, in an ideal situation. The segregation of utility and contract service would result in a much higher cost to both operations.

In support of the single-zone fare structure one partner testified that the collection of fares under the present zonal arrangement was difficult under existing conditions. His investigation, he said, developed that many people were overriding and that the zones were so designed that if procedures were instituted to insure the collection of the zone fares delays would occur in the present schedules. It would either be necessary to reschedule the operations to the inconvenience of the patrons or to add additional equipment.¹

No one opposed the granting of the sought fare adjustment.

A resident of San Mateo who stated that she represented a group of

¹ The single-zone arrangement results in both increases and reductions. The latter are limited to travel in three or more zones. However, less than 7 percent of the passengers carried use this service.

residents of Shoreview District was in favor of the elimination of the present zone fares and the establishment of the fares here sought.

The record is clear that under either estimate the present fares are insufficient to insure the continuance of an adequate and efficient service in the face of increased costs of operation. Clearly, additional revenues are necessary. We are not convinced, however, that the full measure of the relief sought by applicants should be granted. Under the circumstances applicants will be authorized to establish single-zone fares of 15 cents cash, or 2 tokens for 25 cents and 20 rides for \$2.00 good for 60 days applicable between all points on its lines.² Based upon the estimated results of operations developed by the Commission engineer, with income taxes computed on current corporation rates, the fare adjustments authorized would result in net revenues of \$5,850, an operating ratio of 96.27 percent and a rate of return of 10.71 percent.³

On careful consideration of all of the facts and circumstances of record we are of the opinion and find that fares to the extent indicated above have been justified and that in all other respects applicants' proposals have not been justified. Applicants requested that if increased fares are authorized they be permitted to establish them at the earliest possible date. In view of the evident need for increased revenue, authority will be granted to establish the fares herein authorized on less than statutory notice.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

²The Commission engineer submitted data on other alternative fare structures.

1. One zone 10 cents, two or more zones 15 cents.
2. One zone 12 cents or 20 rides for \$2.00.
Two or more zones 15 cents.
3. One zone 11 cents or 20 rides for \$2.00.
Two or more zones 15 cents.

These fares, however, are not suitable in that they would not solve the difficulties encountered in collecting fares under the present zonal arrangement nor are they applicable to a single-zone service area.

³The rate of return is calculated upon a base rate of \$54,625.

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 on not less than five (5) days' notice to the Commission and to the public single-zone fares applicable between all points on the lines they are authorized to serve, of 15 cents cash or 2 tokens for 25 cents and 20 rides for \$2.00.

IT IS HEREBY FURTHER ORDERED that applicants be and they are hereby directed to cancel from their tariffs all present zone fares concurrently with the establishment of the fares herein authorized.

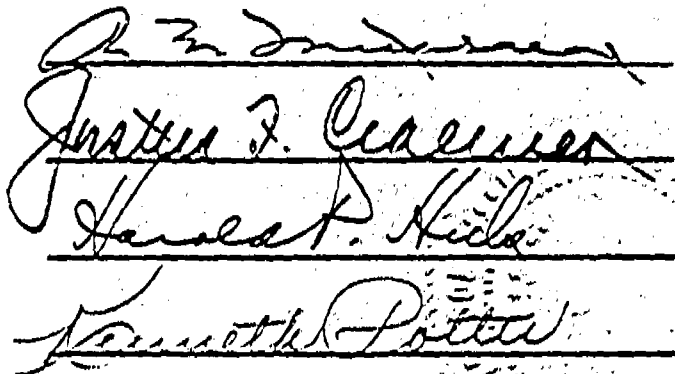
IT IS HEREBY FURTHER ORDERED that applicants be and they are hereby directed to post and maintain in their vehicles a notice of the fares herein authorized. Such notice shall be made not less than five (5) days prior to the effective date of such fares and shall be maintained for a period of not less than thirty (30) days.

IT IS HEREBY FURTHER ORDERED that in all other respects Application No. 31853 be and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 30th day of January, 1951.


Ernest F. Cramer
Harold A. Kitch
Kenneth Pottel

Commissioners