

ORIGINAL

Decision No. 47485

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)	Application No. 32887
under the firm name and style of)	
SAN MATEO TRANSIT, for an order)	
authorizing a change in rates.)	

Appearances

Bertram S. Silver and Edward M. Berol, by
 Bertram S. Silver, for applicants.
 Helen Negrin, in propria persona, protestant.
 Arthur J. Harzfeld, for the City of San Mateo,
 and I. Karmel, for the City of Burlingame,
 interested parties.
 T. A. Hopkins, for the Commission's staff.

O P I N I O N

Ray Withers and Andrew Byrd, copartners, doing business as San Mateo Transit, engage in passenger stage corporation operations within Burlingame, San Mateo, Hillsborough and Belmont, and between those cities. By this application, as amended, they seek authority to establish increases in certain of their fares.

Public hearing was held at San Mateo before Examiner Lake on June 17, 1952. Evidence was offered by applicants and by members of the Commission's staff. The attorneys for the Cities of San Mateo and Burlingame entered appearances but did not submit evidence in the matter. A patron of applicants' line filed a statement of position protesting the sought adjustment.

Specifically, applicants seek authority, in connection with their basic adult fare of 15 cents cash or 2 tokens for 25 cents, to cancel the token fare arrangement. They also seek to cancel the adult commutation fare of 20 rides for \$2.00. In addition, they seek authority to increase the commutation fare for high school students from 20 rides for \$1.33 to 20 rides for \$1.50. No change

is proposed in the adult fare of 15 cents, the children's fare or the commutation fares for grammar school and junior college students.¹

The Commission last considered applicants' fares in Decision No. 45314, dated January 30, 1951, in Application No. 31853. In that proceeding applicants were authorized to establish an adult cash fare of 15 cents or 2 tokens for 25 cents in lieu of the then existing system of zone fares. Additionally, in place of the adult commutation fare of 24 rides for \$2.00 the Commission authorized 20 rides for \$2.00. In the instant proceeding, it is asserted that in spite of the increased fares established pursuant to Decision No. 45314, supra, operations during 1951 and thereafter have been conducted at a substantial loss. Petitioners allege that the losses sustained were occasioned principally by the continuing downward trend in traffic, the loss of revenues from certain charter operations and increased operating expenses.

An exhibit introduced by an engineer for the Commission's staff discloses that applicants experienced a net loss of \$9,359 in connection with their transportation operations during the 12-month period ending December 31, 1951. The exhibit also indicates that under present fares, traffic levels and higher costs of operation, an estimated loss of \$14,604 would prevail for a 12-month period ending June 30, 1953. The cancellation of the token fare and the 20-ride adult commutation fare together with the proposed higher student fare under present conditions, according to the estimate of the engineer, would result in a net operating income of \$1,922, an operating ratio of 98.79 percent, and a rate of return of 4.43 percent. The results shown are before provision for income taxes.

¹ Children under 5 years of age are transported free. Between the ages of 5 and 12 years the children's fare is 5 cents. The commutation fares for grammar school and junior college students are \$1.00 for 20 rides and \$1.50 for 20 rides, respectively.

It is to be noted that the estimated results shown contemplate operations being conducted without change in present routes or in the frequency of existing service. Another engineer from the Commission's staff submitted a report on applicants' service and operations. He recommended:

(1) That Line "I" operating one round trip daily between San Mateo and Belmont be discontinued, and application made for abandonment.

(2) That application be made for authority to extend Line "H" into the South Shoreview area east of the Bayshore Highway so as to serve this residential development.

(3) That the portion of Route "C" commencing at the intersection of Occidental and Ralston Avenues (Burlingame), thence along Ralston Avenue, Hillsborough Boulevard, West Santa Inez Avenue, Arden Road to the intersection of Chiltern Road be abandoned.

(4) That the carrier make application for an in lieu certificate so that all of its routes will be described in one instrument.

(5) That Schedule A-3 prior to 7:30 a.m. and tripper "Burlingame High School No. 1" be canceled and that schedules be rearranged to provide more uniform distribution of the passenger traffic on the "A" Line during the period from 6:50 to 7:50 a.m.

(6) That a headway of 20 minutes be established on Saturdays on the "A" Line in lieu of the present 15-minute headway.

One of the applicants testified that the service changes set forth in the engineer's recommendations Nos. 3 and 5 would be adopted immediately. With respect to the recommendation contemplating extension of the "H" Line into South Shoreview area, the witness testified that authority would be sought from the Commission to conduct this operation.² The other service recommendations (Nos. 1 and 6), the partner stated, would not in his opinion improve the company's earning position and would unnecessarily disturb the travel habits of the patrons. He said that, therefore, applicants were opposed to adopting them at this time.

Applicants' witness and the Commission engineer each submitted estimates of the results of operations for a 12-month period ending June 30, 1953, under both the present and proposed fares with service changes in accordance with the above-mentioned recommendations Nos. 2, 3 and 5. The following tabulation taken from the exhibits of record shows the estimated operating results submitted by the witnesses:

² On July 3, 1952, applicants filed an application seeking such authority.

TABLE NO. 1

	<u>Commission Engineer</u>		<u>Applicants' Witness</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Revenues:</u>				
Passenger	\$117,420	\$135,978	\$117,499	\$133,336
School Contracts	21,500	21,500	21,500	21,500
Other	3,175	3,175	3,164	3,164
Total	\$142,095	\$160,653	\$142,163	\$158,000
<u>Expenses:</u>				
Operating Expense	\$132,951	\$133,277	\$138,369	\$138,369
Depreciation	14,501	14,501	14,544	14,544
Taxes (operating)	9,247	9,359	9,436	9,436
Total	\$156,699	\$157,137	\$162,349	\$162,349
Net Operating Income	\$ <u>(14,604)</u>	\$ 3,516	\$ <u>(20,186)</u>	\$ <u>(4,349)</u>
Rate Base	*\$ 43,350	*\$ 43,350	\$ 42,500	\$ 42,500
Rate of Return before Income Taxes	--	8.11%	--	--
Operating Ratio before Income Taxes	110.28%	97.81%	114.20%	102.75%

() - Indicates loss.

* - Represents 33 percent of the original investment.

As hereinbefore indicated, the estimates shown in Table No. 1 above contemplate, in addition to certain schedule changes, extension of operations into a new area. Necessarily, therefore, the estimated results are conditioned on applicants being authorized to make such an extension.

The operating results which may be anticipated under the proposed fares contemplating the adoption of service changes involved in recommendations Nos. 3 and 5 but excluding the estimated results from the proposed route extension are indicated as follows:

TABLE NO. 2

	<u>Commission Engineer</u>	<u>Applicants' Witness</u>
Revenues	\$158,621	\$155,996
Expenses	\$156,146	\$161,061
Net Operating Income	\$ 2,475	\$ (5,065)
Rate Base	\$ 43,350	\$ 42,500
Rate of Return before Income Taxes	5.71%	--
Operating Ratio before Income Taxes	98.44%	103.25%

() - Indicates loss.

Estimates showing what the results would be under all of the service recommendations together with certain alternative fares also were submitted. These results are not shown herein because (a) applicants do not propose to adopt all of the suggested changes, and (b) the revenue results estimated under the alternative fares would be insufficient.³

Protestant's position is that the sought increase will burden families with low incomes by further increasing their costs of living. Protestant filed a statement requesting that the Commission call a conference of certain civic organizations with the Commission and applicants for the purpose of considering the burden upon low income families which would result from the proposed increase in fares, urging that such a conference be held before any determination of this application. The Commission has fully considered protestant's statement and evidence adduced at the formal

³ The alternate fare structure contemplates the sale of tokens at a rate of 7 for \$1.00 in lieu of the cancellation of the present token fare. Under this fare structure applicants would experience an estimated operating ratio of 99.54 percent and a rate of return of 1.69 percent before provision for income taxes.

hearing therein and is of the opinion that the request should be denied and the issues decided upon the record made in this proceeding.

It is apparent from the estimated operating results submitted by applicants and by the Commission's engineer that the carriers' revenues under the proposed fares are for the present, and would be for the future, insufficient to return the costs of operations. Under applicants' estimate the fare structure sought would do no more than offset some of the losses presently being experienced under the existing fares. The estimate of the staff witness indicates that the anticipated revenues which would result from the proposed fare adjustments would produce, before provision for income taxes, a net operating income of only \$2,475 for an operation which has gross annual revenues of \$158,000. The operating ratio and rate of return would be 98.44 and 5.71 percent, respectively. It is evident that such a net operating income would be barely sufficient to enable applicants to render an adequate and efficient service. In the circumstances, the application will be granted.

It is to be noted that if all of the service recommendations of the staff witness were adopted applicants' revenue position may be more favorable. Applicants will be expected to give further consideration to those recommendations which they do not now propose to adopt.

On careful consideration of all of the facts and circumstances of record we are of the opinion and find that the sought fare structure has 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.

⁴The operating results before provision for income taxes are estimated as follows:

Net Operating Income	\$5,449
Operating Ratio	96.59%
Rate of Return	12.57%

O R D E R

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

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 cancel on not less than five (5) days' notice to the Commission and to the public their adult token fare of 2 tokens for 25 cents and the adult commutation fare of 20 rides for \$2.00 and to increase the commutation fare for high school students from 20 rides for \$1.33 to 20 rides for \$1.50.

IT IS HEREBY FURTHER ORDERED that protestant's request for conference in the matter here in issue be and it is hereby denied.

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 given 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 the authority herein granted shall expire unless exercised within 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 15th day of July, 1952.

Commissioner Justus E. Craemer being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Peter E. Mitchell being necessarily absent, did not participate in the disposition of this proceeding.

[Signature]
President

[Signature]

[Signature]

Commissioners