

ORIGINALDecision No. 50495

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 under)
the firm name and style of SAN) Application No. 35107
MATEO TRANSIT, for an order author-)
izing a change in fares.)

Bertram S. Silver and Edward M. Berol, by
Bertram S. Silver, for applicants.
Edward R. Benner, for Shoreview Community
Association, Inc., protestant.
Luther H. Gulick and John Pearson, for the
Commission's staff.

O P I N I O N

Ray Withers and Andrew Byrd, copartners doing business as San Mateo Transit, operate as a passenger stage corporation within Burlingame, San Mateo, Hillsborough and Belmont, and between those cities. By this application, as amended, they seek authority to increase their fares.

Public hearing was held at San Mateo on June 2, 1954, before Commissioner Kenneth Potter and Examiner Carter Bishop. Advance notices of the hearing were posted in applicants' vehicles, and published in a newspaper of general circulation in the area served. Notices were also sent by the Commission's secretary to interested persons and organizations, including civic, educational and commercial bodies of the area.

Evidence was introduced by applicants, and by members of the Commission's staff. A member of the executive board of Shoreview Community Association, Inc., testified on behalf of that organization, protesting the granting of the application, in part.

The present adult fare, applicable between all points on the carrier's lines, is 15 cents, and the child's fare is 5 cents. Applicants also have 20-ride school commutation tickets which sell for \$1.00 for grammar school children and for \$1.50 for high school and junior college students. The present fares were authorized by Decision No. 47485, dated July 15, 1952, in Application No. 32887. Applicants allege that changes in conditions since that time have caused the fares to become inadequate and compel them to seek further upward adjustments. Assertedly, revenues have fallen short of expectation, the number of passengers has declined, and operating expenses have increased, particularly with respect to labor costs.¹

In the original application it was proposed to develop the needed additional revenue by increasing the present 15-cent adult fare to 20 cents and to adjust school and children's fares as shown in the margin.² Continued study of the matter, however, indicated that the 20-cent fare might cause substantial loss of traffic to the competitive service of Pacific Greyhound Lines in the areas where that company maintains a 15-cent fare. In the circumstances applicants now request authority to establish for a test

¹ According to the record an increase of 11 cents per hour in drivers' wages, plus certain "fringe" benefits took effect in January 1953, and an additional increase of 5 cents per hour was to become effective on June 1, 1954.

² It is proposed to increase the children's fare to 10 cents, the 20-ride grammar school commutation fare to \$1.50, and the 20-ride high school and junior college commutation fare to \$2.00.

period of 90 days a zone system involving retention of the existing 15-cent fare for movements within a single zone and raising to 20 cents the fare for interzone trips.³ They request authority also to establish the 20-cent fare originally proposed if the results obtained in the test period do not appear to warrant continuance of the lower intrazone fare.

Exhibits presented by applicants and the Commission's staff showed the company's estimated earning position if the present fares were continued in effect during the rate year ending May 31, 1955, and what it would be if either the fares under the zone system or the uniform 20-cent fare were in effect during the entire rate year.⁴ Under both estimates substantial losses will be experienced if present fares are continued in effect. These figures were \$17,111 and \$9,285 as developed by applicants and the Commission's staff, respectively. Even under the proposed fares applicants calculated that losses would continue. These estimates reflected losses of \$5,409 and \$9,610 under the uniform 20-cent fare and the zone fares, respectively. The staff estimated a slight profit under both fare proposals. After provision

³ The proposed zones are so defined as to retain the 15-cent fare in areas where Pacific Greyhound Lines now have a fare of that volume, and, in areas not competitive with that carrier, to enable passengers to travel to the nearest market center for a charge of 15 cents, as at present.

⁴ The record shows that during the 12-month period, ending March 31, 1954, applicants earned a net operating income, after provision for income taxes at individual rates, of \$3,969. This reflects a rate of return of 6.7 per cent, with an operating ratio of 97.5 per cent. These results, however, include provision for increased costs and downward trends of traffic only to the extent that they were in effect during the period. Full effect on an annual basis was given to these elements in the estimated operating results shown in Tables Nos. I and II.

for income taxes at individual rates, the net revenue on the basis of this estimate would amount to \$305 and \$245. The rates of return would be 0.5 per cent and 0.4 per cent, respectively, and the operating ratio would be 99.8 per cent under both proposed fare bases.

The estimated operating results under present and proposed fares are set forth in the following tables.

TABLE I
AT PRESENT FARES

Estimated Results for Rate Year Ending May 31, 1955

<u>Item</u>	<u>Applicants</u>	<u>Commission Engineer</u>
<u>Operating Revenues</u>		
Passenger	\$ 98,707	\$101,000
Other	<u>40,950</u>	<u>40,950</u>
Total Operating Revenues	\$139,657	\$141,950
<u>Operating Expenses</u>		
Equipment Maintenance and Garage	\$ 25,925	\$ 25,000
Transportation	77,553	77,340
Traffic	920	770
Insurance and Safety	8,905	8,910
Administrative and General	21,090	17,325
Depreciation	10,093	10,390
Operating Taxes and Licenses	<u>12,282</u>	<u>11,500</u>
Total Operating Expenses	\$156,768	\$151,235
Net Operating Income	<u>(\$ 17,111)</u>	<u>(\$ 9,285)</u>

(Red Figures)

TABLE II

AT PROPOSED FARES

Estimated Results for Rate Year Ending May 31, 1955

<u>Item</u>	<u>At 20-Cent Fare</u>		<u>At Zone Fares</u>	
	<u>Applicants</u>	<u>Commission Engineer</u>	<u>Applicants</u>	<u>Commission Engineer</u>
<u>Operating Revenues</u>				
Passenger	\$110,409	\$110,670	\$106,208	\$110,590
Other	<u>40,950</u>	<u>40,950</u>	<u>40,950</u>	<u>40,950</u>
Total Operating Revenues	\$151,359	\$151,620	\$147,158	\$151,540
<u>Operating Expenses</u>				
Equipment Maintenance and Garage	\$ 25,925	\$ 25,000	\$ 25,925	\$ 25,000
Transportation	77,553	77,340	77,553	77,340
Traffic	920	770	920	770
Insurance and Safety	8,905	8,910	8,905	8,910
Administrative and General	21,090	17,325	21,090	17,325
Depreciation	10,093	10,390	10,093	10,390
Operating Taxes and Licenses	<u>12,282</u>	<u>11,500</u>	<u>12,282</u>	<u>11,500</u>
Total Operating Expenses	\$156,768	\$151,235	\$156,768	\$151,235
Net Before Income Taxes	<u>(\$ 5,409)</u>	\$ 385	<u>(\$ 9,610)</u>	\$ 305
Income Tax (at individ- ual rates)	-	\$ 80	-	\$ 60
Net After Income Tax	-	\$ 305	-	\$ 245
Operating Ratio*	103.6%	99.8%	106.5%	99.8%
Rate Base	\$ 53,330	\$ 57,700	\$ 53,330	\$ 57,700
Rate of Return*	-	0.5%	-	0.4%

(Red Figures)

* After provision for income taxes.

It is clear from Table I that, on the basis of the estimate either of the carrier or of the staff, substantial losses will be sustained if present fares are continued in effect. It appears unnecessary, therefore, to consider in detail the bases for the two estimates.

With reference to the anticipated operating results under the proposed fare structures the respective revenue estimates of applicants and the staff reflect only minor differences. As to the expenses, however, the estimate of the staff under the item of administrative and general expense appears to give more precise effect to current conditions. Under the circumstances, the staff estimates of operating results under the proposed fares will be adopted for the purposes of this proceeding.

Another engineer from the Commission's staff had made an investigation of applicants' operations to determine the adequacy of the service performed, the condition of the equipment and the possibility of achieving operating economies. At the hearing he introduced a study in which were set forth the results of his investigation, including nine specific service recommendations.⁵

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The recommendations were that: (1) the southern terminal of Route "B" be changed from 31st Avenue and Hacienda Street to El Camino Real and Hillsdale Boulevard so as to serve the shopping center at that location; (2) public timetables be posted at locations where passengers congregate; (3) every effort be made to adjust schedules to meet commute trains even though regular frequency of applicants' service may be disrupted; (4) the buses be equipped with more descriptive and legible signs; (5) the practice of canceling trips on Saturdays so as to provide drivers' lunch periods be discontinued; (6) passengers be permitted to board at terminal of Third and Railroad Avenues on the "D" and "E" Routes' bus even though the bus may not be going to the passengers' destination on that particular trip; (7) an application be made for abandonment of Route "I", which operates one round trip daily between San Mateo and Belmont; (8) an application be made for abandonment of portions of routes not currently operated; and (9) an application be made for an "in lieu" certificate so that all of applicants' routes will be described in one instrument.

Additionally, the engineer's study included a suggested plan for route changes designed to effect economies and to provide a more frequent service for many of its passengers. Under this plan service along El Camino Real between Fourth Avenue and Hillsdale Boulevard would be discontinued,⁶ but frequency of service into South Shoreview and San Mateo Village would be increased from 60-minute headway to 30-minute headway. The suggested rerouting plan also entailed shortening of the routes into North Shoreview and Sunnybrae. According to the witness, adoption of the plan would eliminate the necessity for one bus and one driver, the loss of traffic due to the suggested abandonment of service on El Camino Real would be small, and increased patronage should result from the greater frequency of service into San Mateo Village and South Shoreview. The witness recommended that applicants make a thorough study of the suggested rerouting plan.

In addition to the estimates of operating results as set forth in the preceding tables the staff had made estimates of the revenues and expenses that would obtain if the nine staff recommendations were adopted in connection with the original proposal of applicants for a blanket 20-cent fare.⁷ On this basis operating revenues during the rate year would amount to \$153,420 and expenses would total \$152,190, leaving net operating income of \$975 after provision for income taxes at individual rates. The rate of return and operating ratio would be 1.7 per cent and 99.4 per cent, respectively. These results are slightly more favorable than those anticipated under the proposed fares at present service standards.

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According to the study this portion of applicants' routes is also served by Greyhound.

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The estimate excluded the effect of the suggested rerouting plan described in the preceding paragraph.

The witness for applicants testified regarding their position with respect to the nine service recommendations of the staff. The import of his testimony was that the carrier is substantially in accord with the staff proposals.⁸ He said that applicants are now convinced that Route "I" into Belmont should be discontinued and that an application seeking the necessary authority would be filed with the Commission soon.⁹ Counsel for applicants stated that it was their intention to include in such application a request for an "in lieu" certificate for the system which would include only those portions of authorized routes currently operated, or to be operated under any service changes recommended by the Commission's staff which might be adopted.

Applicants' witness asked that the Commission refrain from ordering any service changes until the trial period for the zone fares, in the event they are authorized, is over. He indicated that applicants desire to observe traffic trends at those fares under present operating conditions. Counsel for applicants stated that at the end of the trial period they would either continue the test fares for an additional trial period or replace them with the proposed uniform 20-cent fare. In either event, he said, the service

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The witness indicated that, before making a commitment as to the proposal that the practice of canceling certain trips on Saturdays so as to provide drivers' lunch periods be discontinued, he would endeavor to work the matter out with the union representative. He also indicated that the carrier would give some thought and study to the recommendation that buses be equipped with more descriptive and legible signs, before adopting the proposal.

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As hereinbefore stated, only one round trip per day is operated over Route "I". The record shows that only three or four passengers per day use this route. The Commission's staff had previously, in 1952, recommended abandonment of the line. Assertedly, the recommendation was not adopted by applicants at that time because they had seriously considered giving service into Belmont over another route.

changes would be established at the conclusion of the first trial period. If the zone fares are continued for a second trial period, counsel asserted, it might be necessary to establish the 20-cent uniform fare at the conclusion of such period. Counsel stated that applicants are seeking authority on this record both for the original proposal of a uniform 20-cent fare and for the alternate plan for zone fares.

A member of the executive board of Shoreview Community Association, Inc., testified on behalf of that organization as protestant.¹⁰ This witness stated that the Association's protest was against the original proposal of a blanket 20-cent fare. The Association, he said, had no objection to the zone fare proposal.¹¹ Assertedly, the Association feels that the carrier could do more to acquaint the residents of the Shoreview area with its services in order to increase patronage. It alleges that there is a large potential of bus passengers in the area which has not been tapped, particularly since most of the resident families have only one car.

On cross-examination the board member stated that the Association had made no study to determine whether the two lines which serve the Shoreview area were self-supporting. He further stated that the Association would not expect the carrier to operate at a loss, assuming that it had used prudence, through advertising, publicity, and other means, in an effort to develop the largest patronage.

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According to this witness, Shoreview Community Association, Inc., is a nonprofit corporation with over 1500 members residing in the City of San Mateo east of Bayshore Highway.

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Under the zone fare proposal the adult fare between Shoreview and the central shopping district of San Mateo would remain at the present level of 15 cents.

It is clear from the record that if present fares are continued through the rate year applicants' operations will result in substantial losses. Moreover, the evidence shows a downward trend in patronage despite the increasing population of areas served by applicants and despite their efforts to build up patronage.¹²

While the need for increased revenues is apparent, applicants recognize that the solution to their problem does not lie in increased fares and they desire to experiment with a zone fare structure which would produce the needed additional revenue through upward adjustment of interzone fares only. The resulting fares would provide only a slim margin between revenues and expenses, as shown in Table II above. Applicants will be authorized to establish the proposed zone fares pending further order of the Commission. If applicants should consider, at the conclusion of the test period, that additional fare increases are required they may then apply to the Commission for such further relief as they shall deem necessary.

Applicants will not, at this time, be required to put into operation the service changes set forth in the nine staff recommendations heretofore mentioned. It is expected, however, that not later than one hundred twenty days after the effective date of this order applicants shall inform the Commission that the recommendations have been adopted in whole or in part, and, as to any of the proposals

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The witness for applicants testified that among the instrumentalities that had been employed to increase patronage were radio and newspaper advertising, but that these had not been productive. Additionally, in 1953 a girl in uniform was employed to hand out timetables to passersby and to tell them about the carrier's services. Assertedly, the carrier is continuing its efforts through driver-passenger contacts.

that may not have been adopted, the reasons therefor. It is also expected that applicants shall give serious consideration to the rerouting plan suggested by the Commission's staff.¹³

Upon careful consideration of all the evidence, the Commission is of the opinion and finds as a fact that the proposed experimental zone fares, as set forth in the first and second amendments to the application herein, have been justified.

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, copartners doing business as San Mateo Transit, be and they are authorized, pending further order of the Commission, to establish, on not less than five days' notice to the Commission and to the public, the passenger fares as proposed in Exhibits F and G in the first and second amendments, respectively, to the application filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that, in addition to the required posting and filing of tariffs, applicants shall give notice to the public by posting in their buses and terminals a printed

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The rerouting plan is set forth on pages 8, 9 and 16 of Exhibit No. 3 in this proceeding.

explanation of their fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 31st day of August, 1954.

[Signature]
President

[Signature]

[Signature]

Commissioners

JUSTUS F. CRAEMER

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