

ORIGINAL

Decision No. 52782

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SAN DIEGO TRANSIT SYSTEM for authority)
 to increase fares; and to adjust rates) Application No. 37704
 of fare in effect in present joint fare)
 arrangement with SAN DIEGO & CORONADO)
 FERRY COMPANY.)

Leon W. Scales, for San Diego Transit System, applicant.
Hoyt E. Ray, (for Jean F. DuPaul and Aaron W. Reese)
 for the City of San Diego, interested party.
L. H. Holcomb, Jr., for the City of La Mesa, interested
 party.
Gordon H. Gran, for the Henry George Alumni Association,
 Civic Center Committee, interested party.
Harold Mayers, in propria persona, interested party.
Sidney L. Block, in propria persona, interested party.
Joel L. Chambers, in propria persona, interested party.
Harold J. McCarthy, for the staff of the Public Utilities
 Commission of the State of California.

O P I N I O N

San Diego Transit System, a California corporation, is a common carrier of persons by motor coach, operating within, between, and in the vicinity of the cities of San Diego, Coronado, National City, Chula Vista, La Mesa, and El Cajon. By this application it seeks authority to establish increased fares on less than statutory notice.

Public hearing on the application was held before Commissioner Ray E. Untereiner and Examiner C. S. Abernathy at San Diego on February 23, 1956.

Fares of the San Diego Transit System are maintained on a zone basis. A cash fare of 20 cents or a token fare of 17½ cents applies for transportation within or between any two contiguous zones. For transportation beyond two contiguous zones an additional

charge of five cents per zone involved applies. The fare increases which the company seeks to establish would apply only in connection with the token fares. The present fare of $17\frac{1}{2}$ cents would be increased to $18\text{-}3/4$ cents by increasing the sale price of the tokens from four for 70 cents to four for 75 cents.¹

Applicant's present fares were established at their current level on September 26, 1955, pursuant to authority granted by Decision No. 51947, dated September 6, 1955 (54 Cal. P.U.C. 408). Applicant alleges that since then it has experienced substantial increases in operating costs which are impairing its financial and earning positions. Applicant asserts that, by its proposal herein, it seeks to augment its revenues only by an amount sufficient to meet the additional costs of operations.

According to evidence which was presented by applicant's general manager, the company has recently had to grant wage or salary increases to virtually all of its employees. As of December 1, 1955, wage increases were granted to drivers and receiver clerks. These were followed by similar increases which were granted to all other employees, except those occupying managerial positions, and which became effective January 1, 1956. He said that along with these changes there were changes in the employees' vacation and benefit allowances, all of which have resulted in increased costs to the company. He stated, furthermore, that as of January 1, 1956,

¹ The increase would apply also to joint token fares which the San Diego Transit System maintains with the San Diego and Coronado Ferry Company, a common carrier by vessel operating between San Diego and Coronado. The ferry company joins in this application to the extent that the joint fares are involved but seeks no increases for itself. For convenience the San Diego Transit System will be referred to herein as the applicant.

the company's tire costs were also increased substantially. The wage increases, he said, followed extensive negotiations with the employees' representatives and were granted in the amounts allowed in order to avoid an interruption of service. The witness declared in effect that the company's operations are being conducted efficiently, with the minimum expense consistent with the maintenance of reasonable service for its patrons, and that the company has no alternative but to endeavor to recover the increased operating costs through the medium of increased fares.

Evidence to show the dollar effect of the increased wages, wage benefits, and tire costs upon the company's operating expenses was presented by a consulting engineer for applicant and by a transportation engineer of the Commission's staff. According to calculations of applicant's engineer, the expense increases will add to the company's total operating costs for 1956 by \$119,206. As applied to anticipated operations for 1957, he estimated that the cost increases would total \$141,806. The Commission engineer calculated that the cost increases for 1956 would total \$102,890. The two witnesses submitted estimates of future operating results under the increased expenses and under present and proposed fares as follows:

Table 1
Estimated Operating Results
Under Increased Expenses and Under Present Fares

	<u>Applicant's Engineer</u>		<u>Commission</u>
	<u>Year</u> <u>1956</u>	<u>12 Months</u> <u>Ending with March, 1957</u>	<u>Engineer</u> <u>Year</u> <u>1956</u>
Operating Revenues	\$5,345,016	\$5,345,016	\$5,345,016
Operating Expenses	<u>5,108,433</u>	<u>5,114,183</u>	<u>5,092,117</u>
Net Operating Revenues	\$ 236,583	\$ 230,833	\$ 252,899
Income Tax	<u>108,280</u>	<u>105,170</u>	<u>117,114</u>
Net Income	\$ 128,303	\$ 125,663	\$ 135,785
Rate Base	\$2,839,500	\$2,839,500	\$2,839,500
Rate of Return	4.51%	4.42%	4.78%
Operating Ratio	97.60%	97.65%	97.46%

Table 2
Estimated Operating Results
Under Increased Expenses and Proposed Fares

	<u>Applicant's Engineer</u>		<u>Commission Engineer</u>
	<u>Year</u> <u>1956</u>	<u>12 Months</u> <u>Ending with March, 1957</u>	<u>Year</u> <u>1956</u>
Operating Revenues	\$5,430,233	\$5,458,639	\$5,439,696
Operating Expenses	<u>5,095,323</u>	<u>5,101,073</u>	<u>5,079,007</u>
Net Operating Revenues	\$ 334,910	\$ 357,566	\$ 360,689
Income Tax	<u>161,250</u>	<u>173,670</u>	<u>175,234</u>
Net Income	\$ 173,660	\$ 183,896	\$ 185,455
Rate Base	\$2,839,500	\$2,839,500	\$2,839,500
Rate of Return	6.12%	6.48%	6.53%
Operating Ratio	96.80%	96.63%	96.59%

(a) Assumes proposed fares in effect during eight months of 1956.

(b) Assumes proposed fares in effect during ten months of 1956.

Except for the allowances for the increased expenses, the estimates of applicant's engineer and of the Commission engineer both represented projections of data which were the basis of Decision No. 51947 or which were considered in connection with that decision. Both witnesses expressed the view that applicant's operating costs (other than the wage and tire costs which have increased) would not be less than those upon which the decision was based. In the matter of revenues the witnesses said that declines in traffic which were noted in the decision have continued to the present time. On this point the Commission engineer stated that he saw no indication of a lessening of the declines in the foreseeable future.

Both of the engineering witnesses compared their respective estimates of anticipated operating results under present and proposed fares with those which the Commission found reasonable for the company's operations in its Decision No. 51947. Applicant's

representatives pointed out particularly that the earnings which were so approved amounted to \$183,289, after taxes, and resulted in a rate of return of 6.45 percent and an operating ratio of 96.57 percent. They pointed out, furthermore, that according to the estimates of either of the engineering witnesses establishment of the sought fares would do no more than restore applicant to virtually the identical earning position which the Commission approved in the aforesaid decision.

No one other than applicant and the Commission's staff presented evidence at the hearing in this matter. Advance notices of the hearing were posted in applicant's vehicles and were published in a newspaper of general circulation in the area served. Also, notices were sent by the Commission's secretary to persons and organizations believed to be interested. Representatives of the City of San Diego, of the City of La Mesa, and several of applicant's patrons participated in the proceeding as interested parties. No one specifically opposed the granting of the application.

The evidence herein is clear that in the brief interval since applicant adjusted its fares heretofore its costs of operation have increased materially and its rate of earnings has, as a consequence, been reduced to a level that is unreasonably low. It appears that this decline in earnings has been experienced notwithstanding diligent efforts of applicant to minimize the cost increases insofar as possible consistent with meeting of the service needs of the company's patrons. It appears also that the increased token fares would produce additional revenues which would increase applicant's earnings only to the level which was found reasonable for the operations in September, 1955, by Decision No. 51947. This same level of earnings appears reasonable in the circumstances here

shown. Upon careful consideration of all of the facts and circumstances of record in this proceeding, the Commission is of the opinion and finds as a fact that establishment of the increased token fares sought herein has been shown to be justified. The higher fares will be authorized.

In connection with the establishment of the increased fares, applicant asks that it be permitted to make them effective on one day's notice to the Commission and to the public. It also requests authority to depart from the provisions of the Commission's Tariff Circular No. 2 and of General Order No. 79 requiring that fare changes be marked by appropriate symbols in tariff publications. Applicant's need for the additional revenues justifies establishment of the increased fares on less than the usual 30-day period. The period that will be authorized will be five days. The request for authority to depart from the symboling requirements will be denied.

O R D E R

Based on the evidence and on the conclusions and findings contained in the preceding opinion,

IT IS HEREBY ORDERED that:

1. San Diego Transit System and San Diego and Coronado Ferry Company be and they hereby are authorized to amend Item No. 5C of Local and Joint Passenger Tariff No. 2, Cal. P.U.C. No. 3, of San Diego Transit System, on not less than five days' notice to the Commission and to the public, to establish a token fare of 18-3/4 cents based on the sale of tokens at the rate of four tokens for 75 cents.
2. In addition to the required filing of tariffs, San Diego Transit System and San Diego and Coronado Ferry Company shall give notice to the public by posting in their passenger vehicles a statement of the fare changes. Such notice shall be posted on not less than five days before the effective date of the fare changes, and shall remain posted until not less than ten days after said effective date.

- 3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.
- 4. In all other respects than as provided in this order Application No. 37704 be and it hereby is denied.

This order shall become effective on the date 3 ✓
 hereof.

Dated at San Francisco, California, this 13th day
 of March, 1956.

[Signature]
 President

[Signature]

[Signature]

[Signature]

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Commissioners