

Decision No. 54150

ORIGINAL

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 MATEO)
TRANSIT, for an ex parte order for)
authority to increase rates and)
fares.)

Application No. 38333

Ray Withers for applicants.
Charles W. Overhouse and Timothy J. Canty
for the Commission Staff.

O P I N I O N

Ray Withers and Andrew Byrd, doing business as San Mateo Transit, operate as a passenger stage corporation in San Mateo County in and between the cities of San Mateo, Burlingame, Hillsborough, Belmont and adjacent unincorporated areas. By this application filed August 15, 1956, they seek authority to establish increased fares.

Public hearing was held before Examiner Rowe at San Mateo on November 2, 1956. Advance notices of the hearing were posted in applicants' vehicles and at the company terminal and published in a newspaper of general circulation in the area involved. Notices were also sent by the Commission's secretary to the City Council of each of the interested cities. Other than applicants and the Commission staff, no interested parties and no members of the public appeared at the hearing. Evidence was adduced and the matter duly submitted for decision.

The present fares were authorized by Decision No. 50495, dated August 31, 1954, in Application No. 35107.

Following is a tabulation of present fares and the fares proposed by applicants:

	<u>Present</u>	<u>Proposed</u>
1 Zone Adult fares	15¢	No zones 20¢
2 Zones Adult fares	20¢	20¢
Child fares	10¢	10¢
Grammar School Students (7½¢)	20 Rides/\$1.50	(10¢) 20 Rides/\$2.00
High School and Junior		
College Students	(10¢) 20 Rides/\$2.00	(12½¢) 16 Rides/\$2.00

The administration manager of applicants testified that their operation is such that they must buy used buses from large bus operators. These buses are largely depreciated. While they can be purchased at low prices they require a thorough overhaul and they are necessarily bought on comparatively short terms with high monthly payments. Due to their low cash value these buses cannot be financed at low bank terms, but the seller usually holds the mortgage or conditional sales contract. In addition the upkeep on these buses is much higher than is the case with new equipment.

Studies of the financial results of applicants' operations were introduced both by applicant and the Commission staff. These studies had been developed independently. They included balance sheets, operating statements, depreciation and rate base statements, and the projection of revenues and expenses for representative future periods under the present and proposed fares.

The estimates of the results of operations by applicants and by the staff under present and proposed fares for a twelve-month period are as follows:

Applicants' Estimated Annual Earnings
Under Present Fare Basis and Proposed Fare Basis

	Present Fare Basis	Proposed Fare Basis
Operating Revenue	\$162,768.00	\$176,682.00
Operating Expenses, Depreciation and Taxes	<u>175,880.00</u>	175,880.00
Net Income from Operations	<u>/13,112.00/</u>	802.00
Other Income Non-operative Property (Net)	<u>4,048.02</u>	4,048.02
Net Income before Income Tax	<u>/9,063.98/</u>	4,850.02
Provision for State and Federal Income Tax	None	970.00
Net Profit or Loss	<u>/9,063.98/</u>	<u>3,880.02</u>
Operating Ratio	105.43%	97.85%

Red Figure

Commission Staff's Estimated Results of Operation Under Present
and Proposed Fares for the 12-Month Period Ending October 31, 1957

: Line:	: Book Record	: Rate Year Estimates :	
: No.:	: 12 Months to 6-30-56:	Present Fares:	Proposed Fares:
(1)	(2)	(3)	(4)
1 <u>Coach Miles</u>	377,297	366,000	366,000
<u>Revenue</u>			
2 Passenger	\$104,223.02	\$103,680	\$118,010
3 School Contract	49,788.25	44,040	44,040
4 Charter	12,273.24	12,270	12,270
5 Advertising	3,493.32	3,490	3,490
6 Mail	<u>112.20</u>	<u>110</u>	<u>110</u>
7 Total Revenue	\$169,890.03	\$163,590	\$177,920
<u>Expenses</u>			
8 Operating and Maintenance	\$150,051.09	\$146,130	\$146,130
9 Depreciation Expense	12,901.35	12,320	12,320
10 Operating Taxes	<u>14,341.48</u>	<u>13,650</u>	<u>13,650</u>
11 Total Expenses	\$177,293.92	\$172,100	\$172,100
12 Net Income Before Income Tax	<u>\$ 7,403.89/</u>	<u>\$ 8,510/</u>	\$ 5,820
13 Income Tax	-	-	\$ 1,210
14 Net Operating Income	<u>\$ 7,403.89/</u>	<u>\$ 8,510/</u>	\$ 4,610
15 Rate Base	-	\$ 47,300	\$ 47,300
16 Rate of Return	-	-	9.75%
17 Operating Ratio After Income Tax	104.4%	105.2%	97.4%

Red Figure

The result of these studies were substantially the same with two exceptions. According to the staff's testimony the recorded charges in Account 4160, (Tires and Tubes), and Account 4611-13, (Administrative Expense), appear to be higher than reasonable. The Staff estimate is based on the experience of other carriers of approximately the same size, operating similar equipment and providing comparable service. The estimate of revenues made by the staff is somewhat more optimistic than that of applicants. The operating ratio, under proposed fares was estimated at 97.85% by the applicants and at 97.4% by the staff after income taxes. Another staff representative through cross-examination explored the possibility of reducing expenses and increasing revenue by means of route modifications. Applicants indicated an intention to give further study to that phase of the problem.

The staff estimates appear to fairly present the results that may be expected under the present fares and those as proposed by applicant. These estimates are accepted by the Commission. Upon careful consideration of all the evidence, the Commission is of the opinion and finds as a fact that the proposed fares are justified and consequently they will be authorized. The elimination of zones will simplify the fare collection problems. While student fares are raised, there is still a substantial differential between their fares and the fares of adults.

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:

(1) That Ray Withers and Andrew Bird, copartners in the operation of their passenger stage service under the name San Mateo Transit, are authorized to establish, on not less than five days'

notice to the Commission and to the public, the passenger fares as proposed in their application filed in this proceeding and as stated in the foregoing opinion.

(2) 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 explanation of their fares. Such notice shall be posted for a period of not less than thirty days.

(3) That the authority herein granted shall expire unless exercised within sixty days after the effective date of this decision.

This decision shall become effective ten days after the date hereof.

Dated at San Francisco, California, this 27th day of NOVEMBER, 1956.

John L. Keehill
President
Paul W. Scherer
Marion D. Over
B. H. Harty
E. L. Fox
Commissioners