

Decision No. 55729**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 EVELYN M. KNAPP and JOHN P. DEMETER,)
 co-partners doing business as) Application No. 39149
 PENINSULA TRANSIT LINES, for author-)
 ity to increase rates.)

Lorenz Costello and Worth B. Prine,
 for applicant.

T. Canty and Chas. Sexton, for the
 Commission's staff.

O P I N I O N

John P. Demeter and Evelyn M. Knapp, a partnership doing business as Peninsula Transit Lines, are engaged in operations as a passenger stage corporation in Palo Alto, Menlo Park, Atherton, Redwood City, San Carlos, and certain unincorporated areas adjacent to those cities. By this application they seek authority to increase adult fares and all 10-cent children's fares by five cents, to increase school ticket fares by five cents per ride, and to increase ~~commute~~ fares by two and one-half cents per ride. ^{1/}

The application was filed June 12, 1957 and public hearing was held September 25, 1957 before Examiner Jack E. Thompson at Redwood City. Applicants had posted notices of the hearing in their buses and terminals and at their principal stops. Notice of the hearing was published in a newspaper of general circulation on September 20 and 21, 1957.

Applicants' general manager testified that the present fares are insufficient to cover the cost of operation and that

^{1/} Applicants' present and proposed fare structures are set forth in Appendix "A" hereto.

continued losses may jeopardize the ability of the company to maintain its present service. He stated that the company had made all possible operating economies. Service was curtailed on the lines on July 1, 1957 in order to reduce operating expenses, and, according to the general manager, further reductions are not possible. He stated that, unless additional revenues are secured, the company will be required to initiate action to abandon some of its lines.

An exhibit attached to the application shows that while for the year 1956 the company earned a profit from its passenger stage operations, for the first four months of 1957 the company incurred a loss of \$2,869. An exhibit offered by an associate engineer of the Commission's staff shows that for a twelve-month period ended June 30, 1957 the company lost \$2,516.

The general manager and an engineer of the Commission's staff introduced estimates of the results of operation for a twelve-month period ending September 30, 1958 under present fares.

Estimated Results of Operation
For Year Ending September 30, 1958

	<u>Present Fares</u>	
	<u>General Manager</u>	<u>Commission Engineer</u>
<u>Revenues</u>		
Passenger	\$200,910	\$213,380
Special Bus (Charter)	25,000	25,000
Advertising	8,400	11,000
Total	<u>\$234,310</u>	<u>\$249,380</u>
<u>Expenses</u>		
Equipment Maintenance & Garage	\$ 51,220	\$ 50,845
Transportation	139,000	138,905
Traffic & Advertising	6,900	7,000
Insurance and Safety	13,025	12,075
Administrative and General	25,300	25,080
Subtotal	<u>\$235,445</u>	<u>\$233,905</u>
Depreciation	3,388	6,143
Taxes and Licenses	18,000	20,440
Operating Rents	9,000	-
Total	<u>\$265,833</u>	<u>\$260,488</u>
Net Operating Revenue	\$(31,523)	\$(11,108)
Operating Ratio	113.4%	104.5%

(Red Figure)

Applicants also operate the Yellow Cab Company in Palo Alto. Peninsula Transit Lines and the Yellow Cab Company utilize the same shop facilities, office buildings and garage. The facilities are shown on the books as if rented from the partners. In Decision No. 50768 in a prior application of Peninsula Transit Lines (Application No. 35688), the Commission held that, for rate-making purposes, expenses incurred jointly in the operations of the transit line and the cab company, which are not otherwise separable, should be allocated on a basis of 67.8 percent to Peninsula Transit Lines and 32.2 percent to Yellow Cab Company. This treatment was given by the engineer in preparing his estimates, whereas the general manager in developing his estimates made use of the actual recorded book figures.

The general manager testified that he had made a survey during July 1957 to determine the extent to which certain jointly-used facilities were utilized by each operation. The studies he made indicated that at present an allocation closer to 80 percent and 20 percent for the transit line and the cab company respectively may be reasonable. The engineer did not make a study for the purpose of determining allocations but had used the percentages set forth in the prior decision of the Commission.

In addition to an increase in fares, applicants propose issuing ten-ride commute tickets and school tickets instead of the present twenty-ride tickets. Under the proposal, commute tickets will be sold for ten rides for \$2.00 and the ten-ride school tickets will be sold for \$1.50. The Commission's staff suggested an alternate fare structure which differs from the applicants' proposal only with respect to the commute tickets and the school tickets. They propose five-ride commute tickets for \$1.00 and ten-ride school tickets for \$1.25.

The general manager and the engineer presented estimates of the operating results under proposed fares. The engineer, in addition, estimated results under the alternate fare structure proposed by the Commission's staff.

Estimated Results of Operation
For Year Ending September 30, 1958

	<u>Under Applicants'</u> <u>Proposed Fares</u>		<u>Under</u> <u>Alternate Fares</u>
	<u>General</u> <u>Manager</u>	<u>Commission's</u> <u>Engineer</u>	<u>Commission's</u> <u>Engineer</u>
<u>Revenues</u>			
Passenger	\$234,235	\$243,270	\$235,870
Special Bus (Charter)	25,000	25,000	25,000
Advertising	8,400	11,000	11,000
Total	<u>\$267,635</u>	<u>\$279,270</u>	<u>\$271,870</u>
<u>Expenses</u>			
Maintenance and Garage	\$ 51,220	\$ 50,845	\$ 50,845
Transportation	139,000	138,905	138,905
Traffic and Advertising	6,900	7,000	7,000
Insurance and Safety	14,025	12,075	12,075
Administrative	25,300	25,080	25,080
Subtotal	<u>\$236,445</u>	<u>\$233,905</u>	<u>\$233,905</u>
Depreciation	\$ 3,388	\$ 6,143	\$ 6,143
Taxes and Licenses	18,000	20,440	20,440
Operating Rents	9,000	-	-
Total	<u>\$266,833</u>	<u>\$260,488</u>	<u>\$260,488</u>
Net Operating Revenue	\$ 802	\$ 18,782	\$ 11,382
Income Taxes	-	4,988	2,644
Net Operating Income	<u>\$ 802</u>	<u>\$ 13,794</u>	<u>\$ 8,738</u>
Operating Ratio	99.6 ⁽¹⁾	95.1%	96.8%

(1) Before Income Taxes

The general manager estimated that approximately one percent of the company's passenger revenues was derived from school tickets. The engineer agreed with this estimate and stated that the difference in revenue, which would be derived from school ticket fares under the alternate proposal and under the applicants' proposal, would amount to no more than \$250 per year. While both the applicant and the staff propose commute tickets at twenty cents per ride, it was estimated that greater use of the five-ride tickets would be made than the ten-ride tickets, which would result in fewer passengers paying the twenty-five-cent adult fare.

The general manager stated that the company had no objection to the school ticket fare suggested by the staff but that it did object to the staff's suggested commute tickets. He stated that commute tickets are generally purchased by passengers who ride trains to San Francisco daily. The drivers of the buses would be required to sell more five-ride tickets than ten-ride tickets during the hours of heavy patronage. This would have the effect of slowing down the schedules during peak hours. In his estimates the engineer did not allocate a greater expense for the printing of five-ride tickets than for ten-ride tickets. According to the general manager, under the five-ride plan the printing expense would be over three times the expense under the ten-ride plan.

No one opposed the application for increases in fares. A resident of Palo Alto stated that some efforts should be taken by the applicants or by the Commission to provide for better service on applicants' Stanford line and for better scheduling of buses at the transfer point at the S. P. Depot in Palo Alto. In response, the general manager testified that service had to be reduced July 1, 1957 in order to effect economies necessary by reason of an increase in drivers' wages effective that date. He said that the schedules had been developed to accord the most accommodation to the greatest number of passengers at the transfer points. The greater number of passengers are required to report to work at 8:00 a.m. and 8:30 a.m. In order to provide the service desired by the aforementioned resident, he stated it would either be necessary to add additional buses to the runs or inconvenience the riders who take the earlier buses.

All of the evidence has been considered. While the operating results forecast by the engineer appear to be somewhat more optimistic than the results estimated by the general manager, they nevertheless clearly show that continued operations under present

fares will be conducted at a loss and that an increase in fares is justified. The fare structures proposed by the applicant and by the staff have been considered. We are persuaded that the commute ticket prices proposed by the applicants should be authorized. The cost per ride to the passenger is the same under both proposals, but it appears that the staff's suggested commute fares would result in greater expense to the carrier and possibly would contribute to slowing schedules during peak hours. Moreover, the applicants require the additional revenues which would be produced under their proposal. It has been shown that the lower school ticket fares proposed by the staff would not substantially affect the carrier's revenues. It has been the policy of the Commission to fix school fares at the lowest possible level commensurate with the overall revenue requirement of the carriers. The alternate school ticket fares suggested by the staff will be adopted and in all other respects the fare structure proposed by the applicants will be approved.

From the forecasts presented by the applicants and by the staff, it appears that, upon the more conservative estimate, the proposed fares, modified to the extent indicated above, would produce an operating ratio not more favorable than 95.1 percent after taxes. Upon careful consideration of all the facts and circumstances of record, the Commission is of the opinion and finds that, except for the school ticket fares, the increases in fares sought in this proceeding are justified. In the case of school ticket fares, an increase resulting from the publishing and charging of ten rides for \$1.25 is justified. In view of the immediate need by the applicants for increased revenues, they will be authorized to increase the fares on less than statutory notice.

With respect to the matter of service and transfer connections at Palo Alto, it appears on this record that the schedules maintained by the applicants are designed to serve the preponderance of their patrons.

O R D E R

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

IT IS ORDERED:

1. That John P. Demeter and Evelyn M. Knapp, a partnership doing business as Peninsula Transit Lines, are authorized to establish, on not less than five days' notice to the Commission and to the public, the increased fares, other than school ticket fares, as proposed in the application filed in this proceeding.
2. That said persons are authorized to establish, on not less than five days' notice to the Commission and to the public, a school ticket fare of 10 rides for \$1.25.
3. 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 the increase in fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted until not less than twenty days after said effective date.
4. That the authorities granted in paragraphs 1 and 2 above shall expire unless exercised within sixty days after the effective date of this order.

The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 22nd day of October, 1957.

E. P. ...
President
Paul ...
...
R. ...
E. Lyn Fox
Commissioners

APPENDIX "A"

Peninsula Transit LinesPresent FaresProposed Fares

Except as hereinafter provided:

1-Way Adult Fare	\$0.20	\$0.25
Commute Fare	20-Ride for \$3.50	10-Ride for \$2.00
School Ticket Fare	20-Ride for \$2.00	10-Ride for \$1.50
Children's Fare (ages 5-12)	\$0.10	\$0.15

Between Redwood City and San Carlos, and Palo Alto:

1-Way Adult Fare	\$0.25	\$0.30
Commute Fare	20-Ride for \$3.50	10-Ride for \$2.00
School Trip Fare	20-Ride for \$2.00	10-Ride for \$1.50
Children's Fare	\$0.15	\$0.15

Woodside Route (Route E) between points intermediate from Main Street, Redwood City and the Intersection of Woodside Road and Alameda De Las Pulgas on the one hand, and points beyond said intersection on the other hand:

Adult 1-Way Fare	\$0.25	\$0.30
Children's Fare	0.15	0.15