

ORIGINAL

Decision No. 55809

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.

Application No. 39705

Leon W. Scales, for San Diego Transit System,
applicant.

J. F. DePaul (by Frederick B. Holoboff) and Clarence
A. Winder, for the City of San Diego, interested
party.

Coleman M. Gray, for the City of Coronado, protestant.

Manuel L. Kugler, for the City of Chula Vista,
interested party.

Martin J. Porter and Timothy J. Canty, for the
Commission staff.

O P I N I O N

The San Diego Transit System operates a common carrier passenger stage service in and between the cities of San Diego, Coronado, Imperial Beach, Chula Vista, National City, La Mesa and El Cajon and adjacent areas. By this application it seeks authority to establish increased fares on less than statutory notice.

Public hearings on the application were held before Commissioner Ray E. Untereiner and Examiner C. S. Abernathy at San Diego on April 2, 3 and 4, 1958. Evidence was presented by witnesses for applicant, by members of the Commission's staff, and by applicant's patrons represented by witnesses who appeared on behalf of the Parent-Teachers' Association, the City of Coronado, the City of Imperial Beach, and the North Island Association of the Naval Air Station. Representatives of the Cities of San Diego and of Chula Vista also participated in the hearings. The record in the

matter was closed with the filing of a statement of position by the City of San Diego on April 14, 1958.

Applicant's fares are constructed on the basis of seven fare zones which radiate from the central portion of the City of San Diego. For the transportation of adults within a single zone or between two contiguous zones a cash fare of 20 cents or a token fare of 18-3/4 cents per one-way ride applies. For transportation beyond two contiguous zones an additional charge of 5 cents a zone is assessed. Reduced fares for adults and for school children based on the sale of tickets and passes are also provided.

Applicant seeks to increase its fares by cancellation of the token fare of 18-3/4 cents and by increasing to 6 cents the additional charge for transportation beyond two contiguous zones. In addition, it proposes to cancel the reduced ticket and pass fares for adults and to revise its fares for school children to establish a cash fare of 10 cents or a ticket fare of 8-1/3 cents per ride between any two points on its lines. The sought changes in school fares would result both in fare increases and reductions. The school fares which apply at present are as follows:

- 40-ride ticket \$2.80, \$3.50 or \$4.10, depending on zones and routes involved.
- Monthly pass \$2.10, \$2.80 or \$3.50, depending on zones and hours of use involved.

Applicant's fare proposals also involve the San Diego and Coronado Ferry Company, which operates a common carrier service by vessel between San Diego and Coronado. Applicant's fares for service across San Diego Bay are published on a joint basis with the ferry company. The ferry company joins in the application to the

extent that such fares are in issue. However, it seeks no increases for itself.

According to exhibits and testimony of applicant's witnesses, two main factors have prompted the seeking of the fare increases which are proposed in this matter. First, applicant has had to meet substantial increases in wage costs during the past year and is committed to further increases effective June 1, 1958. These increases were represented as totalling about \$300,000 a year more than the wage costs in effect when applicant's fares were last considered and adjustments therein were authorized (Decision No. 52782, March 13, 1956, in Application No. 37704). Second, applicant has experienced an appreciable reduction in the volume of its traffic, a reduction which was attributed to a decline in general economic conditions in recent months. In addition, applicant has experienced increases in the amounts it must pay for materials, supplies and various other items necessary to the conduct of its operations.

Data to show estimated results of operations for the coming year (a) if present fares are maintained and (b) if the sought fares are established, were presented by applicant's witnesses and by an engineer of the Commission's staff. These data are summarized in the tables below:

Table No. 1

Estimated Financial Results of Operations
Under Present Fares
Year Ending April 30, 1959

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues	\$ 5,560,905	\$ 5,637,940
Expenses	<u>5,495,285</u>	<u>5,396,220</u>
Net Operating Revenues	\$ 65,620	\$ 241,720
Income Taxes	<u>49,254</u>	<u>90,640</u>
Net Income	\$ 16,366	\$ 151,080
Rate Base	\$ 3,426,667	\$ 3,384,810
Operating Ratio	99.7%	97.3%
Rate of Return	.48%	4.5%

Table No. 2

Estimated Financial Results of Operations
Under Proposed Fares
Year Ending April 30, 1959

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues	\$ 5,818,689	\$ 5,915,830
Expenses	<u>5,493,786</u>	<u>5,354,640</u>
Net Operating Revenues	\$ 324,903	\$ 561,190
Income Taxes	<u>184,081</u>	<u>282,890</u>
Net Income	\$ 140,822	\$ 298,300
Rate Base	\$ 3,426,667	\$ 3,384,810
Operating Ratio	97.6%	95.0%
Rate of Return	4.1%	8.8%

As may be noted from the foregoing tables, applicant anticipates that unless its fares are increased its operating revenues during the coming year will be hardly more than sufficient to

cover expenses. The estimated earnings under the sought fares assertedly are lower than those which applicant deems essential to the normal maintenance of its services. Nevertheless, applicant does not seek higher fares at this time, for to do so would entail increasing the basic cash fare to more than 20 cents per ride, an amount which applicant regards as a ceiling to its fare structure at the present time.

It may be also noted from the tables that the earnings estimates of the Commission engineer are higher than those of applicant. Differences between the estimates and the conclusions thereon will be discussed subsequently hereinbelow.

Authorization of the sought fare increases was opposed by various of applicant's patrons on the grounds that the resultant fares would be such that many of the patrons would be compelled to seek other means of transportation or would have to limit their travel within the San Diego area. The sought increases in school fares, which for a substantial number of children would be an increase of about 3 cents over present fares of approximately 5 cents per ride, were opposed particularly. Allegedly, numerous parents would not be able to bear the increases or would be able to bear them only by undue sacrifice of other living essentials.

Discussions, Findings, and Conclusions

In the two previous proceedings where the fares of San Diego Transit System have been before the Commission, fares were authorized to produce an estimated rate of return of approximately 6.5 percent with an operating ratio of about 96.5 percent (Decision No. 51947, dated September 6, 1955, and Decision No. 52782, dated March 13, 1956). This rate of earnings, the Commission found, would result in a reasonable profit for the operations.

It is evident from the studies presented by the applicant and the staff engineer, as shown in Table No. 1, that the earnings

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under present fares will be below a reasonable level. Under the proposed fares, as shown in Table No. 2, applicant's estimate shows a rate of return of 4.1 percent and an operating ratio of 97.6 percent, while the estimate of the staff engineer shows a rate of return of 8.8 percent and an operating ratio of 95.0 percent. One of the major differences between the applicant and the staff engineer is in the revenue estimates; applicant estimating \$5,818,689 and the staff engineer estimating \$5,915,830. In making its estimate applicant gave more weight to recent decreases in traffic and revenue than the staff engineer did who relied primarily on a long term trend. The evidence is clear that there has been a sharp decline in traffic since September 1957, and that the decline has continued. Applicant's revenue estimate, under the circumstances, appears more reasonable.

In reference to operating expenses, there are several items of difference between the estimates of the applicant and the staff engineer; however, in view of the conclusions reached herein, it is not necessary to discuss them in detail.

If we were to adopt the staff engineer's estimate of expenses as shown in Table No. 2 without revision, the estimated results of operation would show a rate of return of 7.5 percent and an operating ratio of 95.6 percent. We are convinced by applicant's showing, however, that the actual expenses will be higher than those estimated by the staff, and that the results of operation that applicant will realize from the establishment of the proposed increase in fares will not be appreciably more favorable than those previously found reasonable for this operation (supra). Under these circumstances, we find that the anticipated results of operation, under the proposed fares, will be reasonable and that the requested fares are justified. These conclusions apply in connection with all of the sought increases, notwithstanding the opposition that was evidenced towards certain of the proposals, particularly those involving fares for school children. Although the general rule is that it is in the

public interest that school fares be maintained at the lowest reasonable levels, this rule does not require that school fares be so low as to cast an undue burden upon other traffic. Applicant's present school fares are as low as 28 percent of its adult fares. These fares would be increased to about 42 percent of the adult fares. In the circumstances of record it appears that the proposed increases are reasonable and necessary in order that the school fares more fairly contribute to the maintenance of the school service.⁴

In connection with establishment of the increased fares and related fare changes herein found justified, applicant asks that it be permitted to make the increases effective on five days' notice to the Commission and to the public. It also asks that it be permitted to depart from provisions of the Commission's Tariff Circular No. 2 and of General Order No. 79 which specify that increased fares and other changes be identified in tariff schedules by appropriate symbols. In view of the need shown by the company for additional revenues, the sought authority to make the increases effective on five days' notice will be granted. The requested departure from the symbolizing requirements will not be authorized, however, inasmuch as the symbolizing is a specific statutory requirement of Section 491 of the Public Utilities Code.

⁴ As has been previously stated herein, much of the opposition to increases in the school fares was on the grounds that parents of school children would be unable to bear the increased transportation costs. It is evident, however, that to the extent that the school fares do not reasonably contribute to the support of the school service, the burden of maintaining the service would be unjustifiably shifted to other fare payers. Under the provisions of the Public Utilities Code fares must be reasonably related to the services to which they apply. It may be pointed out, moreover, that the evidence shows that other fare payers will experience difficulties in bearing the increases in transportation costs applicable to the services they use. A shift of part of the burden of the school service would not only unduly add to their difficulties but could lead to an unwarranted loss of their traffic to applicant.

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 San Diego Transit System and San Diego and Coronado Ferry Company be, and they hereby are, authorized to amend Local and Joint 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,

- a. To cancel the present token fare of 18-3/4 cents, based upon the sale of tokens at the rate of four tokens for 75 cents;
- b. To increase to 6 cents the present additional fare of 5 cents for transportation beyond two contiguous fare zones;
- c. To cancel present weekly pass fares and commutation fares specified in Section 4 of said tariff;
- d. To cancel present student fares based upon the sale of 40-ride school tickets or calendar month school passes, and to cancel the rules and regulations governing said student fares; and
- e. To establish a cash fare of 10 cents or a ticket or token fare of 8-1/3 cents per one-way ride (said ticket or token fare to be based on the sale of tickets or tokens at the rate of 12 for \$1.00) for the transportation of students between any two points on the lines of San Diego Transit System (see Note); said fares to apply
 - (1) For the transportation of students of less than 20 years of age, when traveling between home and an institution of learning with a curriculum not more advanced than the junior college level.
 - (2) When tendered on school days between the hours of 6:30 a.m. and 6 p.m. with a student identification card, signed by an authority of the school attended by the student.

Note: Where the transportation involves crossing the San Diego Bay on ferries of the San Diego and Coronado Ferry Company, the applicable fare charged by the ferry company shall apply in addition to the student fares authorized herein.

IT IS HEREBY FURTHER ORDERED that the authority herein granted be, and it hereby is, subject to the following conditions:

1. In the event that tokens are issued in conjunction with the student fares hereinabove authorized, said tokens shall be different in size and appearance from tokens in use by any other common carrier of passengers operating within the same general area served by San Diego Transit System.
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 vehicles and terminals a printed explanation of the fare changes herein authorized. Such notices shall be posted not later 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.

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

Dated at San Francisco, California,
this 17th day of JUNE, 1958.

[Signature] President
[Signature]
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[Signature] Commissioners