

**ORIGINAL**Decision No. 59771

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. 41584

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

J. F. DuPaul by F. B. Holoboff, for the City  
of San Diego; Manuel L. Kugler, for the  
City of Chula Vista, interested parties.

Elmer J. Sjostrom, for the Commission staff.

O P I N I O N

The San Diego Transit System operates a common carrier passenger stage service within and between the City of San Diego and adjacent cities and communities. By this application, filed October 16, 1959, it seeks authority to establish increased fares on less than statutory notice.

Public hearings on the application were held before Commissioner C. Lyn Fox and Examiner C. S. Abernathy at San Diego on December 21, and 22, 1959. Evidence was presented by witnesses for applicant, by members of the Commission staff and by several of applicant's patrons. Representatives of the Cities of San Diego, Coronado, and Chula Vista also participated in the hearings. The record was closed with the filing of a statement of position by the City of San Diego on January 4, 1960.

Applicant's fare structure is 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 fare of 20 cents per one-way ride

applies. For transportation beyond two contiguous zones an additional charge of 6 cents per zone is made. Reduced fares are provided for children going to or from school.

By its proposals in this matter applicant seeks to:

- a. Increase to 25 cents its 20-cent basic fare for the transportation of adults within the same zone or between two contiguous zones.
- b. Establish a 20-cent token fare based on the sale of tokens at the rate of 5 tokens for \$1, said fare to be accepted for the same transportation as that for which the 25-cent cash fare would apply.
- c. Increase the 6-cent interzone fare increment to 7 cents per zone or fraction thereof.
- d. Cancel a ticket fare of 8-1/3 cents per one-way ride for school children, but otherwise continuing in effect a 10-cent cash fare which now applies for the transportation of school children.

Applicant states that increases in its fares have been made necessary by two principal circumstances which have reduced its rate of earnings below a reasonable level. These circumstances are:

- a. A decrease in gross revenues as a result of a decline in the volume of its traffic since July 1958, when its fares were last adjusted;
- b. An increase in total operating expenses as a result of increases in wage costs, in tire costs, in taxes and licenses, and in certain other expenses.

Applicant further states in effect that by the proposed fare increases it seeks to obtain additional revenues approximating only the total amount of the increases in operating costs which it must meet during the year 1960.<sup>1</sup> In seeking to achieve this objective, applicant assertedly has proposed only those fare increases which, in the opinion of its management, can be accomplished with

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<sup>1</sup> According to the application, operating expenses for the year 1960 will exceed those for the 12 months through August 1959, by \$341,280. The additional revenues which are expected to be realized during 1960 under the sought fares total \$311,440.

the least adverse effect upon its traffic or are most necessary to increase revenues to a level more consistent with the costs of the services that are provided.

At the hearings in this proceeding applicant's general manager testified in considerable detail concerning the aforesaid increases in operating costs. He also presented and explained figures reflecting his estimates of the financial results that applicant will realize from its operations for the year 1960: (a) if no adjustment in fares is made to offset the increased expenses, and (b) if the sought fares are established. Transportation engineers of the Commission staff presented estimates which they had similarly developed from studies and analyses of applicant's operations and records.<sup>2</sup>

The respective financial estimates are summarized in Tables Nos. 1 and 2 below:

TABLE NO. 1

Estimated Financial Results of Operations  
Under Present Fares  
For Year Ending December 31, 1960

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues	\$5,858,370	\$5,949,910
Expenses	<u>5,805,910</u>	<u>5,763,850</u>
Net Operating Revenues	52,460	186,060
Income Taxes	<u>32,020</u>	<u>44,050</u>
Net Income	20,440	142,010
Rate Base	3,832,953	3,937,080
Operating Ratio	99.7%	97.6%
Rate of Return	.5%	3.6%

<sup>2</sup> The studies and estimates of one of the engineers were directed primarily to the service aspects of applicant's operations. The studies and estimates of the other engineer were directed to the financial aspects.

TABLE NO. 2

Estimated Financial Results of Operations  
Under Proposed Fares  
For Year Ending December 31, 1960

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues	\$6,185,690	\$6,294,870
Expenses	<u>5,811,730</u>	<u>5,735,720</u>
Net Operating Revenues	373,960	559,150
Income Taxes	<u>199,200</u>	<u>247,910</u>
Net Income	174,760	311,240
Rate Base	3,832,953	3,937,080
Operating Ratio	97.2%	95.1%
Rate of Return	4.6%	7.9%

Authorization of the sought fare increases was opposed by several of applicant's patrons. In general, the increases were opposed on the grounds that a number of applicant's patrons, particularly those living on pensions or fixed incomes, are unable to bear higher transportation costs, and would be compelled to forego the use of applicant's services if higher fares are established. The City of San Diego urged that any fare increases which may be authorized be held to a minimum. A representative of the City of Chula Vista urged that no increase be authorized in the present 6-cent interzone fare increment for the reasons that such increase would fall particularly upon those who use applicant's lines between Chula Vista and San Diego; that the increase would thus adversely affect the general economy of the City of Chula Vista, and that the benefit which would accrue to applicant would be relatively small and would be outweighed by the economic disadvantages to the City. A representative of the City of Coronado presented a resolution passed by the City Council of Coronado opposing the fare increases; alleging that applicant's service in Coronado is inadequate; and asking that the Commission survey the service and fares which apply in Coronado to ascertain the reasonableness and sufficiency thereof.

Discussion, Findings and Conclusions

In previous proceedings in which the San Diego Transit System has sought authority to increase its fares, increases have been authorized to produce an estimated rate of return of approximately 6.5 per cent with an operating ratio of about 96.5 per cent.<sup>3</sup> This rate of earnings, the Commission has found, would be reasonable for the operations involved.

It is evident from the record in this matter that applicant's earnings from its services during 1960 will be unreasonably low if present fares are continued in effect throughout the year. As shown in Table No. 1, above, the earnings which are estimated by applicant's general manager would produce a rate of return of only one half of one per cent. Even under the greater earnings estimate of the Commission engineer the anticipated rate of return is about three per cent less than that which has been found to be reasonable for applicant's operations. Clearly, if applicant's services are to be maintained, applicant must be permitted to earn revenues which will return its costs of service plus a reasonable profit.

With reference to applicant's earnings under the sought fares, it would appear from the estimates of the general manager that with the establishment of the sought increases applicant still would not be able to attain a reasonable level of earnings during 1960. On the other hand, the estimates of the Commission engineer indicate that a substantial return would be realized.

The differences between the earnings estimates of applicant's general manager and of the Commission engineer stem from

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<sup>3</sup> Decision No. 51947, dated September 6, 1955.  
Decision No. 52782, dated March 13, 1956.  
Decision No. 56869, dated June 17, 1958.

differences in their respective estimates of revenues and of several major items of expense, namely, repairs to buses, drivers' wages, injuries and damages, salaries and expenses of general officers, donations, and depreciation. We have reviewed and analyzed these differences and the reasons therefor. Discussion thereof does not appear necessary. It is sufficient to say that we conclude that applicant's manager has underestimated the revenues that the sought fares would produce and has overestimated certain of the probable expenses. With respect to the estimates of the engineer, we conclude that his estimates of certain expenses are less than the expenses that will actually be experienced. Overall, we conclude that applicant's operating results under the proposed fares for the rate year 1960 will be as follows:

TABLE NO. 3

Net Income	\$ 258,061
Rate Base	4,023,380
Operating Ratio	95.9%
Rate of Return	6.4%

The specific fare increases by which applicant seeks to achieve the earnings indicated appear reasonable. In this regard we do not concur with arguments advanced on behalf of the City of Chula Vista that the increases in the interzone fares would unduly burden applicant's patrons who travel through several fare zones, and that the increases should therefore be confined to transportation within the same or between contiguous zones. Over the past several years increases have been made in the single zone and contiguous zone fares on showings that applicant's costs of operations have increased. However, except in one instance, concurrent adjustments have not been effected in the multiple zone fares. As a

consequence it appears that in comparison with the single zone and contiguous zone fares, the multiple zone fares are relatively low. Establishment of increases which are now sought in the multiple zone fares, it appears, would tend only to restore said fares to a level more proportionate with the costs of the services provided.

Upon consideration of the record and all the facts and circumstances therein, the Commission is of the opinion and hereby finds that the rate base, operating ratio and rate of return as set forth in Table No. 3 are reasonable and the sought increased fares are justified. Said fare increases will be authorized. Applicant's proposal to establish the increased fares effective on less than statutory notice likewise appears justified. The application will be granted in this respect also.

The increases will be authorized to apply to applicant's fares for services within the City of Coronado as well as to its other fares, notwithstanding the protest against increases in the Coronado fares which was filed by that City. Although the protest was made principally on the grounds that applicant's services in Coronado are insufficient, no information was submitted to show in what respects the services are deemed to be insufficient. The City's allegations are at variance with the record generally, inasmuch as the evidence shows that applicant is endeavoring to provide service of good quality. In the circumstances it would seem that if the City is of the opinion that a service deficiency exists in Coronado, the City should first bring the matter to applicant's attention for corrective action. On this record it does not appear that such a

step has been taken. In the meantime it does not appear that fare increases which have been shown to be necessary to the maintenance of applicant's services should be withheld.

O R D E R

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

IT IS HEREBY ORDERED that San Diego Transit System be, and it hereby is, authorized to amend its Local and Joint Passenger Tariff No. 3, Cal. P.U.C. No. 7, on not less than five days' notice to the Commission and to the public.

- a. To increase to 25 cents the present cash fare of 20 cents which applies per adult one-way ride between points in the same fare zone or in two contiguous fare zones.
- b. To establish a 20-cent token fare, based on the sale of 5 tokens for \$1, said fare to apply per adult one-way ride between points in the same fare zone or in two contiguous fare zones.
- c. To increase to 7 cents the present additional fare of 6 cents per zone or fraction thereof for transportation beyond two contiguous fare zones.
- d. To cancel the present ticket fare of 8-1/3 cents per one-way ride for students, said fare being based on the sale of tickets at the rate of 12 for \$1.

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

- a. The tokens to be used in conjunction with establishment of the token fare hereinabove authorized shall be different in size and appearance from tokens in use by any other common carrier of passengers operating within the area served by San Diego Transit System.
- b. In addition to the required filing of tariffs, San Diego Transit System shall give notice to the public by posting in its 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.

- c. 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 8th day of March, 1960.

[Signature]  
President

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Commissioners