

Decision No. 65520**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 AIRPORTTRANSIT, a corporation, for) Application No. 44530
 authority to increase its fares as) Filed June 8, 1962
 a passenger stage corporation.)

Ivan McWhinney, appearing for applicant.
R. W. Russell, Chief Engineer and General Manager,
 by K. D. Walpert, Department of Public Utilities
 and Transportation, appearing for City of
 Los Angeles, interested party.
Albert C. Porter, appearing for Commission staff.

O P I N I O N

Airporttransit (applicant) provides passenger stage service for the transportation of airline passengers, airline employees, employees of the Department of Airports of the City of Los Angeles, and employees of the Department of Airports of the City of Ontario:

1. Between the Los Angeles and Hollywood territories, and the City of Beverly Hills, on the one hand, and the Los Angeles International Airport and the Lockheed Air Terminal, on the other hand;
2. Between the West Los Angeles and Inglewood-Hawthorne territories, and the Cities of Santa Monica and Culver City, on the one hand, and the Los Angeles International Airport, on the other hand;
3. Between the Los Angeles and Hollywood territories, and the Los Angeles International Airport, on the one hand, and the Ontario International Airport on the other hand;
4. Between the San Fernando Valley territory, and the Cities of Burbank and Glendale, on the one hand, and the Los Angeles International Airport, on the other hand;

5. Between the Los Angeles International Airport and the Hollywood Park Race Track;
6. Between the Los Angeles International Airport and the Lockheed Air Terminal;
7. Between the Los Angeles International Airport, on the one hand, and the Ontario International Airport, on the other hand, including service to and from said airports and the intermediate points of El Monte, West Covina, Covina, Pomona, Montclair and Ontario and the off-route point of the Los Angeles County Fairgrounds; and
8. Between the City of Glendale, on the one hand, and the Ontario International Airport, on the other hand.

In addition to the foregoing, applicant conducts the satellite tram intra-terminal transportation whereby it carries passengers between satellite terminals at the new Los Angeles International airport. This service commenced November 2, 1961, and is conducted in general with separate personnel and separate equipment.

By this application filed on June 8, 1962, and amended at the hearing on February 13, 1963, to alter the proposed rates, applicant seeks authority to increase all of its certificated operation fares. The applicant alleges that its fares have not been increased since 1959; that its operating expenses have increased materially; and that the fare increases proposed are necessary to permit it to earn a reasonable profit and to continue to provide the frequency and quality of service desired by its patrons.

Public hearings were held on February 13 and 14, 1963, at Los Angeles, before Examiner Rogers. Evidence was presented and the matter was submitted for decision.

Applicant's present and proposed fares are as follows:

<u>Between</u>	<u>and</u>	<u>Present Fare</u>	<u>Present Proposed Fare</u>
Lockheed Air Terminal	Los Angeles Territory	1.15	1.35
	Hollywood Territory	1.15	1.35
Los Angeles International Airport	Los Angeles Territory	1.15	1.35
	Hollywood Territory	1.15	1.35
	Santa Monica	1.15	1.35
	Beverly Hills	1.15	1.35
	West Los Angeles Territory	1.15	1.35
	Culver City	1.15	1.35
	Inglewood-Hawthorne Terr.	.50	.55
	Hollywood Park Race Track	1.00	1.15
	Lockheed Air Terminal	1.75	1.90
	Glendale	2.25	2.50
	San Fernando Valley Terr.	2.25	2.50
	El Monte	2.50	2.75
	Covina	2.80	3.10
	West Covina	2.80	3.10
	Pomona	3.40	3.80
	Montclair	3.65	4.00
Ontario International Airport	Ontario International Airpt.	3.65	4.00
	Montclair	.50	.55
	Pomona	.75	.85
	Covina	1.25	1.40
	West Covina	1.25	1.40
	El Monte	2.05	2.25
	Los Angeles Territory	3.20	3.50
Hollywood Territory	3.65	4.00	

Applicant's financial condition as of December 31, 1961,

(Exhibit B on the application) was as follows:

Assets	\$ 528,096
Liabilities	133,529
Net Worth	394,567

This net worth is represented by:

Capital stock	96,330
Surplus	298,237
Total	<u>394,567</u>

For the year ending December 31, 1962, applicant recorded a net profit before income taxes of \$70,930. The revenue and expenses for 1962 were higher than those which can be reasonably expected in the future because of an abnormal amount of service required to return passengers to Los Angeles International Airport after planes were forced to land at other airports due to bad weather conditions.

Estimated results of operation under present and proposed fares were introduced at the hearing by applicant and a staff engineer.

The 12-month period selected by the applicant for its forecast was the period ending December 13, 1962 and the 12-month period selected by the staff was that ending on October 31, 1963.

The estimated results are set forth in the following table and are for all of applicant's operations including the airport tram service.

Item	Estimate Under Present Fares			Estimate Under Proposed Fares	
	Book Record	Applicant	Staff	Applicant	Staff
	12-mo. Ending Dec. 31, 1962	12-mo. Ending Dec. 13, 1962 *	12-mo. Ending Oct. 31, 1963	12-mo. Ending Dec. 13, 1962 *	12-mo. Ending Oct. 31, 1963
Operating Revenue	\$1,207,677	\$1,031,345	\$1,083,170	\$1,181,453	\$1,202,010
Operating Expenses	1,136,747	1,157,378	1,006,570	1,166,255	1,016,500
Net Before Income Taxes	70,930	(126,033)	76,600	15,198	185,510
Income Taxes	#	-	32,570	3,800	92,080
Net Income	#	(126,033)	44,030	11,398	93,430
Operating Ratio	#	122.2	95.9	99.2	92.2
Rate Base	#	399,040	529,570	399,040	529,570
Rate of Return - %	#	-	8.3	2.9	17.6

* Based on 1961 operations, adjusted.

Not shown.

(Red Figure)

The principal controversy between the staff and applicant, excluding methods of allocating and estimating expenses, concerns the allocation of revenues and expenses attributable to the tram service inaugurated November 2, 1961. These trams carry passengers between the several individual airline terminals at the Los Angeles International Airport and the vehicles used in such service never travel on a public highway and are not licensed to travel thereon.

Eliminating the revenues and expenses attributable to such operation, the estimated results of operation at present and proposed fares according to the staff are as follows:

Item	Estimates Under Present and Proposed Fares Excluding Tram Service	
	Present Fares 12 Mos. Ending 10-31-63	Proposed Fares 12 Mos. Ending 10-31-63
Operating Revenues	\$ 986,390	\$1,105,730
Operating Expenses	874,310	884,240
Net Before Income Taxes	112,580	221,490
Income Taxes	49,400	110,570
Net Income	63,180	110,920
Oper. Ratio	93.6%	90.0%
Rate Base	\$446,210	\$446,210
Rate of Return	14.2%	24.9%

In support of its application applicant presented several exhibits relative to its finances and results of operation, and introduced oral testimony through its president relative to prospects of future business.

In calculating the various items applicant included revenues and expenses attributable to the intra-terminal tram service.

This operation, according to the staff, will lose \$35,920 during the year ending October 31, 1963, before any credit for income taxes.

Between the years 1953 and 1962, the number of airline passengers arriving at the International Airport increased from 2,507,522 to 7,400,000. During the same period, the number of airline passengers using applicant's services increased from 472,170 to 592,542 per year. During that period applicant's percentage payable to the city for the use of the Los Angeles Airport has increased from 7-1/2% to 12-1/2% of the gross revenue from passengers leaving the airport; for the use of the Lockheed Airport the fee has increased from 5% to 10%; and for the use of the Ontario Airport there has been established a fee of 10%. These fees have increased from a total of \$19,508 in 1953 to a total of \$59,523 in 1962, during which time the gross revenue has only increased from \$622,000 in 1953 to \$1,207,677 in 1962. During this same period, the annual wages paid to drivers have increased from \$142,714 in 1953 to \$318,701 in 1962, and the salaries paid to station employees have increased from a total of \$2,406 in 1953 to a total of \$34,319 in 1962. During this period the only fare increase was in 1959 at which time the fares between the Los Angeles and Lockheed Air Terminals, and Los Angeles, Hollywood and Beverly Hills increased from \$1.09 exclusive of tax to \$1.14 exclusive of tax.¹

The Commission engineer who investigated this request estimated as aforesaid that, including the expenses of the tram

¹ With the elimination of the 10% Federal Transportation Tax on November 15, 1962, applicant was authorized to increase this fare to \$1.15.

service under the present fares, applicant will have a rate of return of 8.3% and that, if the tram service were excluded, under present fares applicant will have a rate of return of 14.2%.

In considering whether the revenues and expenses attributable to the tram service should be excluded from the estimates of results of operations, it should be noted that such service, which was started in May 1962, is not common carrier service and is not a basic part thereof. No substantial benefits accrue to applicant's common carrier operations or the general airline passengers. The service is performed for visitors to the airport desiring to view the facility or to use the restaurant on the grounds. The service is operated pursuant to the rights granted by the airport authority which awards these rights on a bid basis to the carrier offering to pay the highest percentage of revenue to the authority. Applicant's bid was 26% of its gross revenues on the assumption it would have 1,000 passengers per day. It is presently transporting approximately 200 passengers per day and the authority has reduced, on a temporary basis, the percentage of revenue payable to it to 5%. Accordingly, we find that the revenue and the reasonable expenses incurred in providing tram service should be excluded from any consideration of justification for the proposed increased fares.

Since the staff's estimates of results of operations show what the effect would be excluding the tram operations, the staff's estimates will be adopted for the purpose of testing the justification for the proposed fare increases. Further, a comparison of applicant's estimate for 1962 with the actual recorded figures for the same period indicates substantial unjustified differences.

Findings

Upon evidence of record herein the Commission finds that the estimates of revenue and expenses set forth on page 6 are reasonable and that a fare increase as requested, or in any amount, is not justified and that the application should be denied.

O R D E R

IT IS ORDERED that Application No. 44530 is denied.

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

Dated at San Francisco, California, this 4th day of JUNE, 1963.

[Signature] President
[Signature] Acting President
Frederick B. Hoteloff
[Signature]
William W. Brunel
 Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.