

ORIGINAL

Decision No. 81465

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
YELLOW CAB CO. OF SACRAMENTO, a )  
California corporation, for )  
permission to increase fares, to )  
alter and increase routes, to )  
eliminate routes and for recognition )  
of change of name. )

Application No. 53607  
(Filed September 27, 1972;  
amended October 17, 1972,  
December 6, 1972 and  
December 26, 1972)

O P I N I O N

The above-entitled application seeks a general fare increase for applicant's passenger stage operations, authorization for a change of name for the corporation,<sup>1/</sup> and approval of modifications in applicant's service including the addition of a second scheduled stop at a newly developed downtown air terminal.<sup>2/</sup>

Applicant operates a passenger stage service from various points in Sacramento to Sacramento Metropolitan Airport. In the original application it was alleged that applicant was licensed by the county of Sacramento to transport passengers between Sacramento Metropolitan Airport and the city of Sacramento. The original agreement became effective in October of 1967 and expired in November 1971. Between that date and September 1972 applicant continued the operation from month to month. On September 5, 1972 applicant was selected again as a licensee by the county of Sacramento

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1/ The Commission by Decision No. 30287 dated July 25, 1972 in Application No. 50620 recognized the change of name from Union Taxi Corporation to Yellow Cab Co. of Sacramento. No further orders on this subject appear to be necessary.

2/ The addition of the second scheduled stop was considered at the hearing and was the subject of Decision No. 81350. Other service changes were authorized by Resolution STD-PE-105. ✓

and a formal agreement was made under which applicant became the licensee for transportation services for passengers (including taxi service) to and from Sacramento Metropolitan Airport and the city of Sacramento. The agreement specified the level of service expected of applicant and the fares to be collected for such service.

Applicant alleged that it had requested an increase in the basic passenger stage fare from \$1.50 to \$2.00 but that the county had refused to agree and had allowed applicant only an increase to \$1.75 during the first two years of the contract and to \$1.90 in the last two years.

It was alleged that the operating expenses of applicant have increased five percent or more per year since the original basic fare was bid to the county. Attached to the application was a profit and loss statement which allegedly justified the proposed increase.

On October 17, 1972 applicant amended the application to allege that it had 13 full-time employees and one part-time

employee. This information was furnished to seek an exemption from our Rule 23.1. On October 31, 1972 the county of Sacramento petitioned for leave to intervene.<sup>3/</sup> On December 6, 1972 applicant further amended its application. The second amendment alleged that in accordance with the contract applicant was required to charge a fare for children which was one-half of the adult fare and that children in arms not requiring a separate seat were to travel free. Applicant alleged that the contract provision was vague and indefinite because it did not define the age of children in arms and requested that the term be defined as including any child under two years of age. It further alleged that under another term of the contract applicant was required to file and obtain approval of discount fares for bona fide employees of airport concessionaires, tenants, and lessees. A proposed tariff for such discount fares was included in the application.

To remedy the deficiencies in the economic evidence submitted as part of the original application, applicant attached a rate of return summary as an exhibit to the second amendment to the application. A further change was made to the proposed tariff reducing the fare for either the Senator Hotel or Greyhound Bus Depot from \$2.45 to \$2.25. ✓

The present fare structure of applicant is set forth in Table 1 below; the proposed new fare structure is set forth in Table 2 below; the discount fare structure is set forth in Table 3.

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<sup>3/</sup> On December 15, 1972 hearing before Examiner Gilman on issues relating to the relocation of the downtown terminal was held in Sacramento. The county of Sacramento appeared at such hearing. The issues heard were submitted and are the subject of the separate decision referred to in footnote 2.

TABLE 1

Applicant's Present Fares

Fares from the Sacramento Metropolitan Airport  
(or return) for 1 person to:

	<u>Tariff Charged</u>
Airline Office, 12th and L Streets, Senator Hotel (downtown terminal)	\$1.50
Clunie Hotel, 8th and K Streets	2.20
Mansion Inn, 728 - 16th Street	2.20
California Hotel, 800 I Street	2.20
Park Hotel, 1125 - 9th Street	2.20
Travelodge, 11th and H Streets	2.20
El Mirador, 13th and N Streets	2.20
Americana Motel, 15th and I Streets	2.20
Caravan Lodge, 1212 - 16th Street	2.20
Greyhound Bus, 715 L Street (Drop off only)	2.20
Sacramento Inn, U. S. Highway 40 at Arden Way	2.70
El Dorado, U. S. Highway 40 and Canterbury Road	2.70
El Rancho, 1029 W. Capitol, W.S.	2.70
Holiday North, 1900 Canterbury Road	2.70
Carl Greer Inn, 2600 Auburn Blvd.	3.20
Town & Country Inn, 2060 Auburn Blvd.	3.20
Caravan Inn, 2300 Auburn Blvd.	3.20
Valley Hi, 5321 Stockton Blvd.	3.20

TABLE 2

Applicant's Proposed Fares

Fares from the Sacramento Metropolitan Airport  
(or return) for 1 person to:

	<u>Tariff Charged*</u>
Airline Office, 515 L Street (downtown terminal)	\$1.75
Senator Hotel, 12th and L Streets	2.25
Clunie Hotel, 8th and K Streets	2.45
Mansion Inn, 728 - 16th Street	2.45
California Hotel, 800 I Street	2.45
Park Hotel, 1125 - 9th Street	2.45
Travelodge, 11th and H Streets	2.45
El Mirador, 13th and N Streets	2.45
Americana Motel, 15th and I Streets	2.45
Caravan Lodge, 1212 - 16th Street	2.45
Greyhound Bus, 715 L Street	2.25
(2) Sutter Club, 1220 - 9th Street	2.45
(2) State Garage, 9th and O Streets	2.45
Woodlake Inn, U. S. Highway 40 and Canterbury Road	2.95
El Rancho, 1029 W. Capitol, W.S.	2.95
Holiday North, 1900 Canterbury Road	2.95
(2) Marina Inn, W. Capitol Avenue and 2nd Streets	2.95
Sheraton Hotel, 2600 Auburn Blvd.	3.45
Town & Country Inn, 2060 Auburn Blvd.	3.45
Caravan Inn, 2300 Auburn Blvd.	3.45
Valley Hi, 5321 Stockton Blvd.	3.45

\* NOTE: Applicant proposed to increase all fares  
by an additional 15¢ as of September 1,  
1974.

(2) Proposed new stop.

TABLE 3

Passenger Fares for Bona Fide Employees  
of Airport Concessionaires, Tenants,  
and Lessees in its Limousines

Fares from the Sacramento Metropolitan Airport  
(or return) for 1 person to:

	<u>Tariff Charged</u>
Airline Office, 515 L Street (downtown terminal)	\$1.50
Senator Hotel, 12th and L Streets	2.00
Clunie Hotel, 8th and K Streets	2.20
Mansion Inn, 728 - 16th Street	2.20
California Hotel, 800 I Street	2.20
Park Hotel, 1125 - 9th Street	2.20
Travelodge, 11th and H Streets	2.20
El Mirador, 13th and N Streets	2.20
Americana Motel, 15th and I Streets	2.20
Caravan Lodge, 1212 - 16th Street	2.20
Greyhound Bus, 715 L Street	2.00
Sutter Club, 1220 - 9th Street	2.20
State Garage, 9th and O Streets	2.20
Woodlake Inn, U. S. Highway 40 and Canterbury Road	2.70
El Rancho, 1029 W. Capitol, W.S.	2.70
Holiday North, 1900 Canterbury Road	2.70
Marina Inn, W. Capitol Ave. and 2nd Streets	2.70
Sheraton Hotel, 2600 Auburn Blvd.	3.20
Town & Country Inn, 2060 Auburn Blvd.	3.20
Caravan Inn, 2300 Auburn Blvd.	3.20
Valley Hi, 5321 Stockton Blvd.	3.20

A third amendment to the application was filed on December 26, 1972 indicating applicant's desire to stand on the economic information supplied by previous amendments to the application. Since such pleadings did not supply an adequate showing as required by Public Utilities Code Section 454(b) and California Constitution, Article XII, Section 20, the staff of the Commission commenced an informal investigation to determine the effect of the increase on applicant's results of operation. The results of this study conducted by the Transportation Division were set forth in a proposed exhibit which was circulated to the parties on March 8, 1973.

Since neither applicant, intervenor, nor any of the other potentially interested parties to whom the exhibit was distributed have requested a hearing on the staff exhibit, it should now be considered as part of the record and it will be included as Exhibit 4.

The staff exhibit indicates that seven of applicant's eight Checker Cab stretchouts have nearly 300,000 miles and are more than four years old. Applicant depreciates its vehicles over a four-year period for tax purposes. The staff report accepted this figure as approximating the useful service life of this class of vehicle.

The staff investigation yielded the following figures for traffic and bus mile history:

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Passengers	74,636	75,353	74,187	72,441
Bus Miles	356,647	358,643	356,542	359,061

According to the staff report the following figures represent applicant's expense and revenue history:

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Passenger Revenue	\$146,972	\$138,381	\$136,763	\$130,904
Total Expenses	\$156,631	\$149,170	\$145,580	\$166,252

A new labor contract (effective January 1, 1973) increases driver and starter wages and fringe benefits. The added cost of this contract is expected to be approximately \$6,600 per year.

The results for the year ending September 30, 1972 were broken down as indicated:

<u>Item</u>	<u>Year</u> <u>1971</u>	<u>9-Mos.</u> <u>Ending</u> <u>9-30-71</u>	<u>3-Mos.</u> <u>9/30-12/30</u> <u>1971</u>	<u>9-Mos.</u> <u>1972</u> <u>Ending</u> <u>9-30-72</u>	<u>Year</u> <u>1972</u> <u>Ending</u> <u>9-30-72</u>
Revenues	\$136,763	\$106,743	\$30,020	\$100,884	\$130,904
<u>Expenses</u>					
Garage & Main.	31,631	24,210	7,421	21,963	29,384
Fuel & Oil	11,684	8,736	2,948	9,434	12,382
Driver's Wages	70,050	52,351	17,699	50,582	68,281
Office & Dispatcher					
Salaries	16,898	12,309	4,589	12,202	16,791
Pension & Welfare					
Fund	6,010	4,645	1,365	4,180	5,545
Insurance	11,220	8,755	2,465	6,735	9,200
Office Expense	11,211	8,769	2,442	8,169	10,611
Taxes & Licenses	9,851	7,001	2,850	8,102	10,952
Limo. Depreciation	3,117	2,361	756	2,269	3,025
Total Expenses	\$171,753	\$129,137	\$42,616	\$123,636	\$166,252
Loss	\$(34,990)	\$(22,394)	\$(12,596)	\$(22,752)	\$(35,348)

(Red Figure)

Based on this data comparative revenues and expenses for the year ended September 30, 1973 were estimated to be:

<u>Item</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Revenue</u>		
Passenger	\$136,300	\$154,900
<u>Expenses</u>		
Total	166,200	166,200
Labor Contract Adjustment	6,600	6,600
Net Expenses	\$172,800	\$172,800
Total Loss	\$(36,500)	\$(17,900)

(Red Figure)



As a short-term projection, these results will support a finding that the proposed rates are not unreasonably high. In the long run it is apparent that the proposed rates will not generate sufficient revenues. Inevitably, applicant will have to either purchase new buses<sup>4/</sup> or if it continues to operate its present fleet, substantially increase its maintenance expenses.

As a passenger stage corporation, applicant must assure customers of safe, reliable transportation. The rates authorized herein appear, on the face of the record, to constitute a serious threat to applicant's ability to discharge this obligation.

Aggravating this situation, it appears that we cannot blindly accept the carrier's depreciation figures. Any examination of this item of expense may require an upward adjustment, and a consequent increase in applicant's predicted losses.

There are other problems. Our expertise would indicate that on-call services are likely to generate higher costs in relationship to revenues received than scheduled service. Generally speaking, such services should also be treated as having a high value of service. We cannot be assured that the small differential between charges for scheduled and on-call services does not constitute an unreasonable discrimination against scheduled passengers.

All of the above problems will require further consideration. Hopefully, they can be worked out on an informal basis between staff, the county, and the carrier without hearing.

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<sup>4/</sup> We estimate that new comparable vehicles will cost nearly \$10,000 each.

One other issue confronts us. The discount fare structure for concessionaire employees is prima facie discriminatory unless it fits within the narrow confines of Section 531 <sup>5/</sup> of the Public Utilities Code. There is no allegation that those conditions have been met. The staff exhibit recommended that applicant not be authorized to establish such fares, and no party protested.

Route Changes

Applicant requested other route changes not considered at the hearing referred to above. The staff recommended that:

"The applicant be allowed to eliminate the Sacramento Inn as a stop and to add to its list of stops the Sutter Club, 1220 Ninth Street, the State Garage, 9th and 'O' Streets (authority already granted per Resolution No. STD-PE-105), and the Marina Inn, West Capitol Avenue and Second Street."

Applicant will be authorized to eliminate the Sacramento Inn. However, because of the out-of-pocket loss experienced by applicant we would not ordinarily think it appropriate to add additional on-call service to the Marina Inn without a reasonable showing that the incremental revenues from such service will exceed incremental expenses. We think the preservation of scheduled service at lowest possible fares to be a matter of primary importance; on-call service

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<sup>5/</sup> "Every common carrier subject to the provisions of this part may transport free or at reduced rates contractors and their employees engaged in carrying out contracts with the United States, this State, or any county or municipal government, or other governmental agency in this State, and materials or supplies for use in carrying out such contracts, in each case to the extent only that such free or reduced rate transportation is provided for in the specifications upon which the contract is based and in the contract itself." (Emphasis added.)

is more a matter of public convenience than of necessity, in light of the fact that applicant provides an airport taxi service. Thus, on-call service should be considered appropriate only when it clearly aids rather than threatens our primary objective.

However, the Marina Inn would merely be an addition to the present on-call service to the El Rancho and will not be likely to add significantly to applicant's expenses.

Findings

1. Seven of applicant's vehicles are over four years old and have accumulated nearly 300,000 miles. There has been no showing as to the economical service life of this class of vehicles.

2. The proposed reduced fare for airport concessionaires' employees is discriminatory, and there is no showing that such reduced fare comes within Section 531 of the Public Utilities Code.

3. There is no showing that the proposed new on-call operation will produce sufficient revenues to offset incremental expenses.

4. There is no showing that present on-call operations produce sufficient revenue to justify continued operation at present rate levels.

5. There is no showing that rates for on-call service do not discriminate against scheduled passengers.

6. Applicant's passenger counts and bus miles are expected to remain relatively level.

7. A new labor contract will increase applicant's labor costs by approximately 10 percent or \$6,600.

8. There is no showing that applicant's depreciation expense figures are reasonable.

9. Applicant's management salaries and other operating expenses are reasonable.

10. Under present rates, applicant is expected to incur at least a \$36,500 annual loss under the present fare structure and level of service.

11. Under the rates authorized herein, applicant will incur a substantial loss.

12. The rates authorized herein will not provide sufficient revenues to offset the cost of a vehicle replacement program or a significant increase in the costs of properly maintaining applicant's present fleet.

13. There is insufficient evidence to determine how long applicant will be able to absorb the loss referred to in Finding 11.

14. Applicant's present rates are unjust and unreasonable.

15. The rates authorized herein are not unjustly or unreasonably high.

16. Applicant has less than 60 employees, and its contract with its employees covers less than 60 employees.

17. Service to the Marina Inn will not materially increase applicant's costs.

We conclude that:

1. Applicant should be authorized to charge the rates set forth in Appendix A, and to modify its on-call service to eliminate the Sacramento Inn as a stop.

2. Further consideration of applicant's depreciation expense, its rates, and service obligations is necessary.

3. Applicant is exempt from the provisions of Rule 23.1.

4. Authority to service the Marina Inn should be granted.

#### O R D E R

IT IS ORDERED that:

1. Applicant is authorized to serve the Marina Inn.

2. Applicant is authorized to establish the fares set forth in Appendix A with one-half fare for children under 12 years of age and no charge for children under 2 years of age not occupying a seat.

3. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and may be made effective not earlier than five days

after the effective date hereof on not less than five days' notice to the Commission and to the public.

4. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

5. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

6. Applicant shall prepare and file a depreciation study within thirty days after the effective date of this order.

7. This matter is continued for such further proceedings as may be necessary to revise applicant's rates or service obligations as may be necessary to establish rates that are just, reasonable, and nondiscriminatory.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 12th  
day of JUNE, 1973.

Vernon L. Sturgeon  
President  
William J. Quinn  
Alfred W. ...  
...  
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

## APPENDIX A

Fares from the Sacramento Metropolitan Airport  
(or return) for 1 person to:

	<u>Fare</u>
Airline Office, 515 L Street (downtown terminal)	\$1.75
Senator Hotel, 12th and L Streets	1.75
Clunie Hotel, 8th and K Streets	2.45
Mansion Inn, 728 - 16th Street	2.45
California Hotel, 800 I Street	2.45
Park Hotel, 1125 - 9th Street	2.45
Travelodge, 11th and H Streets	2.45
El Mirador, 13th and N Streets	2.45
Americana Motel, 15th and I Streets	2.45
Caravan Lodge, 1212 - 16th Street	2.45
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Town & Country Inn, 2060 Auburn Blvd.	3.45
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Marina Inn, W. Capitol and 2nd Street	2.95