JR

ORIGINAL

Decision No. 81839

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of AIRPORTRANSIT, a corporation, for authority to increase its fares as a passenger stage corporation.	Application No. 52651 (Filed May 27, 1971; amended January 10, 1972)

Additional Appearances

John deBrauwere and Edward C. Crawford, for the Commission staff.

FINAL OPINION

Applicant is a passenger stage corporation with operations to and from airports in the greater Los Angeles Metropolitan Area, and with operations to and from the Oakland International Airport within the San Francisco Bay Area. By this application it seeks authority to increase fares. By interim opinion and order in Decision No. 79918, entered April 4, 1972, applicant was authorized to increase fares 15 percent other than on its Los Angeles route. On the latter route the Commission authorized an increase in fares of ten cents. Applicant had sought increases in fares of varying amounts. About 85 percent of applicant's traffic would have been subject to fare increases of 40 percent or more under its fare proposals.

Further hearings regarding applicant's fare proposals were held February 6, 7, and 15, 1973 before Examiner Thompson and the application was taken under submission February 28, 1973 upon the receipt of late-filed Exhibit 55. Evidence was presented by applicant, Port of Oakland, and the Commission staff. Port of Oakland, which operates the Oakland International Airport, supports applicant's fare proposals for transportation to and from that airport. The

Commission staff opposes the applicant's full fare proposal and recommends a fare structure that would provide fares lower than those proposed by applicant to downtown Los Angeles and nearby points, and fares higher than those proposed by applicant to the more distant points. The staff estimates that this proposed fare structure would provide an operating ratio of 94.7 percent and a return on rate base of 18.9 percent.

For the past five years the Port of Oakland has had a contract with Airportransit guaranteeing $4.00 for each one-way Oakland schedule, $6.00 for each one-way Berkeley schedule and $8.00 for each one-way San Francisco schedule, the guarantee applying to the more distant point. Actual revenues are deducted from the guarantee each month. The contract also provided for applicant to pay the Port $1.50 per 1,000 scheduled airline passengers. In December 1972 there were 1,836 trips and the Port guarantee was $10,351. During that month there were 172,000 scheduled airline passengers ($258 deduction) and fares collected amounted to $4,770.80 which resulted in a net cost to the Port of $5,322. The contract expired December 31, 1972 and is continuing on a month-to-month basis while a new contract is being prepared. During the five years the contract was in effect the Port of Oakland made payments to applicant under the contract totaling $14,559. The total amount of fares collected by applicant during that period was approximately $210,000. A new contract will provide for subsidy on a different basis. The Port anticipates that its guarantee will approximate $304 per day or $9,120 for a 30-day month. The Port believes that good limousine service is necessary for the development of a comprehensive pattern of airline service at Oakland for the convenience of the users of air transportation. The airline service now is insufficient to support the level of limousine service, but this service cannot be materially reduced without sacrificing its usefulness. Port of Oakland is confident that as new airline service is added there will be added patronage which together with the proposed increases in fares will provide revenues to offset the Port's guarantee.

There is no doubt whatever that the revenues at the present fares are insufficient to provide the service that the Port believes to be necessary. The proposed increases in fares for transportation to and from Oakland International Airport are justified and should be authorized.

All of applicant's common stock is owned by Yellow Cab Co., a corporation wholly owned by Westgate-California Corporation. Other companies wholly owned by Yellow Cab Co. include Yellow Cab Company of California, Yellow Cab Company of Alameda, Satellite Charter Coach, Atlantic Transfer Company, and Mission Yellow Cab Company. Westgate-California Corporation owns numerous properties in California and elsewhere. It owns or controls a number of corporations performing transportation including Air California which conducts passenger air carrier operations in California, and corporations other than those under Yellow Cab Company that provide bus services to and from airports in San Francisco, San Jose and Phoenix. The Westgate-California holdings also include Westgate-California Insurance Company, Westgate Life Insurance Company, Westgate Plaza Hotel, seafood products companies, produce companies and shopping centers.

The Commission's Division of Finance and Accounts made a comprehensive analysis of applicant's results of operations for the calendar years 1969, 1970, and 1971, and for the twelve months ended July 31, 1972. Its report of that analysis states that applicant has experienced a trend of improving ratios of current assets to current liabilities, and its current ratio at July 31, 1972 was 3 to 1 indicating good financial management. It has no long-term debt and all of its net carrier investment is financed by stockholder equity. The report asserts that applicant is caught financially in the cross action of decreasing passengers and revenues and increasing cost of operations, particularly increasing costs of variable expenses for the periods analyzed, and that management has responded to those circumstances by attempting to curtail expenses. Some of the data appearing in the report are summarized in Appendix A hereto. The data shows that despite the decreasing passengers and certificated passenger revenue applicant has been able to maintain and slightly improve its passengers per mile and passenger revenues per mile indicating efficient management of its operations.

Both applicant and the staff utilized the operations for the twelve months ended July 31, 1972 as a test year in estimating the results of operations under present fares and under proposed fares. While they are in agreement regarding the total miles operated and the total revenues earned during that period, they differ regarding the revenues and miles for certificated operations and charter operations. While those differences do not affect the reported results of operations for the period, they do affect the forecasts of revenues for a future rate year and therefore should be resolved. The figures utilized by applicant and by the staff are set forth in Appendix B hereto. It is to be noted that the number of passengers stated by applicant times the rates then in effect provides revenues that do not agree with the passenger revenues shown in applicant's ledger accounts. The former is $25,000 less than the ledger amount. That circumstance would indicate that the applicant's figures are less accurate than the staff's figures. It is also noted, however, that the figures set forth by applicant include passengers only from the Los Angeles Airport operation and passenger revenues from the Oakland and Los Angeles Airport operations. They do not include passengers or revenues from Ontario, Van Nuys, and Palmdale Airports operations.

The staff shows 456,135 passengers for the combined Los Angeles and Wilshire routes with a combined revenue of $528,189. Those figures result in an average fare per passenger of $1.158 per passenger. It is of record that the fare on those routes was $1.15 from August 1, 1971 to April 1972 when the fare was increased to $1.25. Applicant shows 456,150 passengers on those routes with a revenue of $538,812. Those figures result in an average fare of $1.181 per passenger. The evidence also shows that the charter revenue for the period was $554,678: $178,491 from VSP operations (transportation to parking areas within the Los Angeles Airport complex), and $376,187 from Alternate Field operations (transportation between airports, such as between Los Angeles and Ontario, of passengers and flight crews under charter to the airlines). The staff's figures do not include passengers and revenues from the Harbor route, which was discontinued sometime in April 1972.

With respect to the miles operated, Exhibit 34 shows the certificated miles and non-certificated miles for each month during the period. The totals agree with applicant's figures.

Where figures in the regular books of account are set forth, such as total revenues and items of expense, applicant and the staff set forth the same figures. The differences occur only in connection with figures that have their source in memoranda accounts. In this latter connection the figures utilized by the staff were furnished to it by applicant. In the circumstances we consider the applicant's figures to be the more accurate with respect to the twelve months ended July 31, 1972.

In making its forecast for a future rate year applicant assumed that the traffic for that year would be the same as during the test year. One problem with that assumption is that the revenue figures so estimated include operations on the Harbor route which was discontinued. Another problem results from the fact that on October 1, 1972, the Wilshire route was combined with the Los Angeles route eliminating nine schedules. In its estimates applicant considered the reduction in expense but it assumed that the number of passengers on the combined routes would not be affected.

In making its forecast for a future rate year the staff assumed an increase in passengers to 776,000 and assumed an increase in charter revenues to $700,000. The basis of these assumptions is that applicant's passenger traffic over the period 1971 and 1972 has been generally downward; however, during the last half of 1972 the trend changed and passenger traffic increased slightly. This slightly increasing trend was projected for the rate year. In estimating an increase in charter revenues, the staff utilized as a base the $609,934 stated by the Division of Finance and Accounts for the test period. It then assumed that the preponderance of this revenue was from "Alternate Field" operations (movement of passengers and flight crews between airports under charter to the airlines). It reasoned that the test year was one of better than average weather conditions resulting in relatively few shutdowns of air operations at Los Angeles Airport. It assumed that under normal weather conditions there would be more call for alternate field operations. The staff also trended other revenues resulting in a lower figure of $66,000 than for the test year. The test year amount of $77,570 comprised baggage locker and vending machine revenues of $13,259, parking permit revenue of $14,369, revenue rents of $47,447, and bus rental revenue of $2,495.

After consideration we are of the opinion that the utilization of the test year operations without trending would result in a more reliable estimate of revenues for a future rate year. The interpretation by the staff of the increased passenger traffic during the last six months of 1972 as being indicative of the beginning of an upward trend is not justified by past experience of this carrier. If one considers and compares only the six-months' totals of passengers since January 1969, one can find only two other instances where a succeeding six-months' traffic was greater than a prior six-months' traffic. Applicant's passenger traffic actually fluctuates so that the pattern indicates periodic increases and decreases in traffic; however, the long-term trend has been definitely downward. It is to be noted that in the past the staff has been overly optimistic with respect to a reversal of downtrends in traffic. Exhibit 12 was presented by the staff at the hearings that led to Decision No. 79918 in this proceeding. Table C-1 of that exhibit sets forth passenger counts for prior periods and the staff's estimate of passengers for the then future rate year 1972. The table shows 952,439 certificated passengers for the calendar year 1970, 881,000 certificated passengers for the year ended June 30, 1971, and an estimate of 900,000 certificated passengers for the then future year 1972. Passenger count figures presented by the staff in this proceeding show 794,454 certificated passengers actually transported for the calendar year 1971, and 746,572 certificated passengers actually transported during the twelve months ended July 31, 1972. Their prior estimate was well over 100,000 passengers more than those actually transported. There is absolutely no indication or reason to believe that the portion of charter revenue derived from VSP operations at Los Angeles Airport will increase or decrease. Staff's projection of $700,000 charter revenue for a future rate year envisions an increase in alternate field revenue from the historical figure of $376,187 to $521,500, an increase of 38.6 percent. Such increase appears to be overly optimistic even considering weather conditions during the test period as compared to normal weather conditions. We note that total charter revenues amounted to $907,056 in 1969, $646,228 in 1970, and $493,893 in 1971. With respect to other operating revenues, the figures are $53,896 for 1969, $74,624 for 1970, and $75,611 for 1971. There is no indication of why revenues from baggage, vending machines, parking permits, and rents should decrease in the future.

Even with the assumption of a level trend in passenger traffic, the estimation of passenger revenues for a future rate year under the present interim rates and under the proposed rates presents some problems. We have already indicated that the test year contains revenues of $1,995 and an unknown amount of expense for the Harbor route which has apparently been discontinued. In addition, although the record contains the passenger counts for the Los Angeles Airport routes from which revenues from the interim rates and proposed rates for those routes can be estimated, and the revenue from the Oakland Airport rates can be estimated from the guarantee of the Port of Oakland, there is no passenger data regarding routes from the airports at Ontario, Van Nuys, and Palmdale. Appendix B shows that the revenues from the Los Angeles Airport routes combined with the Oakland Airport routes were less than the recorded passenger revenue by $25,000. Applicant was unable to account for the difference; however, in making its estimates, it assumed that this variance resulted from some error in their statistics for the Los Angeles Airport routes. In projecting the revenues under the proposed fares, applicant applied the increase in individual fares from the interim fares to the proposed fares to the passenger counts on its Los Angeles Airport routes to obtain the increase in revenue from the transportation of those 708,716 passengers, and then it increased that amount by 2.28 percent to adjust for what it considered was a statistical variance in passengers. There is no more reason to believe that the $25,000 resulted from an error in statistics in the count of passengers on Los Angeles Airport routes than it is to believe that the $25,000 represents revenues from other airport operations. In determining the passenger fares we shall consider the $25,000 as being in the latter category. In estimating revenues under the interim rates and proposed rates for a future rate year we will consider that traffic to be subject to the same circumstances and conditions as pertain to the Los Angeles Airport routes excepting the Los Angeles Downtown and Wilshire routes.

Applicant made a study of the effect of the changes in bus miles resulting from consolidations of routes made subsequent to the test year. It estimated a reduction of 84,315 miles resulting in 1,974,796 miles for a future rate year. In estimating expenses the staff used 2,000,000 miles for the rate year. Except as hereinafter stated we adopt the staff's estimate of expenses.

Insurance and safety expense for the test year amounted to $96,442. For a future rate year applicant estimated $128,963 and the staff estimated $83,000. The staff estimate of public liability and property damage insurance included in the insurance and safety expense is based upon the actual cost per mile experienced by the company over the past two and one-half years. This included six months while the company was insured by Westgate-California Insurance Company, an affiliated company. The basis of its estimate of other insurance is not of record. Applicant arrived at its estimate by taking the cost of liability insurance for the year ended December 31, 1972 ($58,250), adding to it one-third of the company liability for unsettled claims arising on 1971 and prior year cases (one-third of $39,410), and deducting $2,298 to reflect savings that would result from the consolidation of routes to provide lower bus miles. It estimated Workmen's Compensation Insurance by taking the cost of insurance for the calendar year 1972 ($39,993), deducting $751 to reflect savings resulting from route consolidation and adding one-third of $26,000 which was stated to be the amount of company's liability for unsettled claims arising on 1971 and prior year cases. The cost of insurance against liability is predicated upon risk and experience. Given the same circumstances regarding operations, generally the exposure to risk is proportional to the miles of operation. Cost for Workmen's Compensation Insurance is based upon the compensation paid to employees in various classifications. The following sets forth some data appearing in applicant's annual reports for the years 1970 and 1971, data regarding the test year, the estimates of applicant, and the estimates we find to be reasonable for a future rate year for insurance and safety expense:

	1970	1971	Test Yr.	Appl.Est.	Approved
Bus Miles	3,100,703	2,329,576	2,059,111	1,974,796	2,000,000
Employees	134	112	-	-	-
Wages & Sal.	$1,160,576	$845,822	-	-	-
Insurance & Safety Expense					
PL&PD	$50,554	$65,450	$65,741	$ 68,698	$ 69,000
Wk.Comp.	16,994	16,058	18,345	47,909	22,000
Fire & Theft	100	450	600	600	-
Other	7,045	12,695	11,756	11,756	12,000
	$74,693	$94,653	$96,442	$128,963	$103,000

As may be seen, there have been substantial reductions in bus miles from 1970 through the test year; nevertheless, the cost for liability protection has increased. Applicant's 1970 work force and wages and salaries were substantially higher than those for 1971, yet the reduction in cost for Workmen's Compensation Insurance was minimal. The data shows that the staff's projection of future insurance and safety costs based upon an average cost per mile for the past two and one-half years is unrealistic. Applicant's estimate for Workmen's Compensation Insurance is well over 250 percent of that of any prior year. Its assertion that its 1972 cost of insurance (not including unsettled claims) was $39,993 may be true; however, it is not explained why the premium cost for the insurance was over

200 percent of the premium cost plus claims paid in prior years. It is true that the wages and salaries of individual employees will be greater in the future rate year than in the test year; however, some of that additional expense will be offset by the wage savings resulting from the route consolidation. Without an explanation for the increase in premium costs an increase of over 200 percent in that expense is not justified as a reasonable expense for a future rate year.

The staff's estimate for operating rents under the interim rates for a future rate year is lower than the expense for the test year. This estimate appears somewhat incongruous in that the large portion of operating rents is expense for bus rental for all alternate field operations and payment of fees to Los Angeles International Airport which are based upon a percentage of revenues earned by applicant on outbound trips from the airport, and the staff forecast substantial increases in alternate field operations and in revenues on the certificated operations on the Los Angeles Airport routes. We have assumed a level trend in all traffic in our estimates of revenues and expense; accordingly, our estimate of operating rents will be the recorded test year expense adjusted to reflect the increases in fees to Los Angeles International Airport which will result from the increase in revenues from the certificated operation over the Los Angeles Airport routes.

The staff's estimate of depreciation expense for a future rate year is substantially lower than the recorded depreciation for the test year. Applicant estimated the depreciation expense for the future year would be the same as that recorded for the test year, namely $135,391. The reasons for the substantially lower figure estimated by the staff are that the staff's estimate considers the expense as of June 30, 1973, and that its estimates consider a salvage value of 16 percent of original cost for the larger buses and 12 percent of original cost for minibuses rather than the 10 percent recorded on the books. Staff also assigned a service life of 6 years for minibuses rather than the recorded service life of 4 years. The staff's adjustments reflect the experience of this carrier and the estimates prepared by the staff provide reasonable amounts of depreciation expense of applicant for the future rate year. We adopt them.

Applicant does not pay income tax directly. The revenues and expenses of applicant are included in consolidated income tax returns filed by the parent company. In Exhibit 54 the staff provided a formula for assigning reasonable expenses for income taxes to the operations conducted by applicant. In Exhibit 55 applicant took issue with the formula only to the extent that it provides for accelerated depreciation on buses and gives no weight to deferred taxes payable from taking accelerated depreciation. It asserts that under generally accepted accounting principles 52-1/2 percent of the deduction for accelerated depreciation should be included in applicant's revenue requirements for deferred taxes payable in future years. The matters of taking accelerated depreciation on revenue equipment for income tax expense and of the treatment of what applicant terms tax deferrals have been considered by the Commission many times. There is no necessity of reviewing those matters again here. The staff's treatment of depreciation on revenue equipment for income tax estimates and of possible income tax deferrals referred to by applicant coincides with the principles heretofore maintained by the Commission.

Attached in Appendix C are our estimates of the results of operation by applicant at the interim rates and at the proposed rates for a rate year. It is to be noted that the estimated results under applicant's proposed rates provide an operating ratio of 95.1 percent and a rate of return of 18 percent. Said results are slightly less favorable to applicant than the 94.7 percent operating ratio and 18.9 percent rate of return which were estimated by the staff that would be provided under its recommended schedule of rates.

There are considerations in ratemaking or the determination of whether proposed increases in rates are justified other than a consideration of operating ratios and rates of return from overall operations. In Decision No. 79918 the Commission pointed out the losses being incurred by applicant over a number of its routes. We stated therein:

> "It is well established that every segment of a carrier's services need not be self-sustaining. Hence, earnings from one route may be applied reasonably to offset losses from another route in order that a carrier's operations as a whole may be maintained. On the other hand, however, there are limits to what patrons of one route or segment of service should be expected to pay toward the support of another route or segment of service."

We have pointed out earlier herein that applicant has been curtailing expenses. We commend applicant in that regard. Nevertheless, it has been shown that a number of routes do not provide revenues sufficient to meet the variable costs of providing the service. From the evidence it appears doubtful that the revenues under the proposed rates for those routes will meet out-of-pocket costs of providing the service. Two of the routes included in that group are the Santa Monica route and the Ventura route. We compare the pricing policy of applicant with respect to those two routes with its pricing of the Los Angeles route and the San Bernardino route which appear to provide revenues in excess of full costs. We also show the pricing of those routes recommended by the Commission staff.

Prior, Interim, Proposed, and Recommended Fares

Route	Prior Fares	Interim Fares	Proposed Fares	Staff Suggestion
Santa Monica	$1.15	$1.25	$1.60	$3.00
Los Angeles	1.15	1.25	1.60	1.25
Ventura	$5.00	$5.75	$5.75	$7.00
San Bernardino	5.00	5.75	5.75	5.75

There are a number of reasons for the patrons of some services subsidizing other services that do not provide revenues sufficient to meet out-of-pocket costs. One example is that the other services attract patronage to the more profitable services and thereby spread the total costs over more patrons. That the providing of transportation over the Santa Monica and Ventura routes results in greater patronage over other more profitable routes is not apparent here. Another reason may be to promote patronage on a new route that has a high potential of traffic and has good prospects of becoming profitable and thereby in the future lessen the burden of patrons of the profitable service. That does not seem apparent in this case because those routes have not provided revenues to meet out-of-pocket costs for a number of years and there has been a decrease in traffic rather than an increase. We can find no good cause why the ratepayer on the Los Angeles route should subsidize those operations that do not contribute to the incremental costs of providing the service merely because of applicant's pricing policies. If applicant is of the opinion that it is in their interest to continue to provide service at its proposed rates on those routes that do not yield their out-of-pocket costs, the subsidization should come from the stockholders and not the ratepayers.

We do not adopt the recommendation by the Commission staff that applicant be authorized to charge higher than the proposed fares on several of its routes. Persons and communities affected have not had notice that individual fares higher than those proposed by applicant may be involved in this proceeding. In addition, the prescription of rates higher than those proposed by applicant implies a finding that the proposed rates are insufficient and are unjust or unreasonably low. Section 728 of the Public Utilities Code requires the Commission, whenever it finds, after hearing, that rates are insufficient, unjust, or unreasonable, to determine and fix the just, reasonable, or sufficient rates to be observed. There is no evidence in this proceeding from which we can determine that the individual fares suggested by the staff which are higher than those proposed by applicant are just, reasonable, or sufficient.

The burden of justifying increases in fares is upon the applicant. It has not shown herein that increases in fares on the Los Angeles route to a level required to subsidize out-of-pocket losses on other routes is justified. An increase in the fare for the Los Angeles route to $1.50 is justified, and in all other respects the increased fares proposed by applicant are justified.

The hold-down of the fare for the Los Angeles route would have the following effects upon the operating results set forth under "Proposed Fares" in Appendix C. Certificated revenues would be reduced about $45,600; operating rents would be reduced approximately $4,400 by reason of lower fees paid to Los Angeles Airport. Operating income under the increased fares which will be authorized herein is estimated at $130,000. Income taxes are estimated at $50,000, providing a net income after income taxes of $80,000. The rate of return on rate base of $557,000 will be 14.36 percent and the operating ratio 96.0 percent.

Staff has made a number of other recommendations in this proceeding. It suggests that applicant be required to publish in its public timetable passenger smoking regulations as required by governmental agencies. First of all it has not been established whether applicant does file and publish a timetable or even whether it is required to do so. (Rule 11.04 of General Order No. 98-A.) It has not been established whether any of applicant's routes exceed 50 miles one way. It is within our knowledge that at least some of applicant's routes do not, and therefore constitute "urban service", as that term is defined in General Order No. 98-A. Assuming for purposes here that applicant does provide some other than urban service, and that it does file and publish timetables with respect to that service, Rule 8.02 of the General Order provides that smoking may be permitted in the last four rows of seats provided the carrier furnishes certain facilities and posts signs in the bus. In that event it seems to us that signs in the bus required by that rule provide better notice to the passengers than would a rule in the timetable. In connection with this recommendation, the staff asserts that it has had only seven informal complaints regarding the service of applicant during the past two years. They concerned late buses, lack of air-conditioning, smoking on the bus, and carrying standees. The problem of smoking does not appear to approach such significant proportions as to warrant requiring applicant to print new timetables (if indeed it publishes and files them at all) to inform passengers regarding smoking regulations. It is to be noted that with respect to urban service (for which timetables are not required) that any and all smoking is prohibited by Rule 8.01 of the General Order. The carrier has the duty and responsibility for compliance with that rule.

Applicant provides on-call service to a number of points in Los Angeles in addition to the Biltmore and Hilton Hotels and the Greyhound Terminal. Information concerning that service is provided the public only upon special request and is not published in applicant's tariff. The tariffs of passenger stage corporations shall plainly state the places between which persons will be carried. (Public Utilities Code, Section 487.) Applicant should be directed to publish in its tariff its alternate services.

We find that:

1. Applicant is a passenger stage corporation providing transportation service for airline passengers between Oakland International Airport and San Francisco, Oakland, and Berkeley; and between airports in the Greater Los Angeles Metropolitan Area, and points and places in that area and vicinity. It also conducts charter operations with passenger buses.

2. Its permanent fare structure became effective in April 1959. By this application filed May 27, 1971, it seeks increases in passenger fares by varying amounts averaging about 35 percent. By Decision No. 79918, entered April 4, 1972, applicant was authorized to increase all fares except on its Los Angeles route by 15 percent. It was authorized to increase the fare on its Los Angeles route from $1.15 to $1.25, an 8.7 percent increase.

3. At duly noticed public hearings held in February 1973 applicant presented further evidence with respect to its fare increase proposal. There are no protests. At the hearings the Commission staff presented evidence to support an alternative fare structure that provides for individual fares that are in some instances lower and in other instances higher than the fares proposed by applicant.

4. Appendix C, attached hereto, sets forth the results of operations for the test period twelve months ended July 31, 1972, and reasonable estimates of the results of operations under the interim rates and under the proposed rates.

5. An increase in the fare for the Los Angeles route (Los Angeles/Wilshire) in excess of $1.50 has not been shown to be justified. In all other respects the proposed increases in fares have been shown to be justified.

6. The fares which will be authorized herein will provide applicant with net income after income taxes of $80,000, resulting in a 14.36 percent rate of return on an average rate base of $557,000, and an operating ratio of 96.0 percent, which operating results are reasonable for this carrier under the operations conducted at the authorized fares.

7. Applicant provides services to and from points in Los Angeles other than the terminals described in its tariff at the fares named therein as applying to or from the terminals.

8. The increased fares authorized herein will provide applicant with approximately $180,000 additional revenues, or an increase of approximately 10 percent, which is the minimum required to assure continued adequate and safe service.

We conclude that except as to its Los Angeles route (Los Angeles/Wilshire) applicant should be authorized to establish the proposed increased fares, and that as to the Los Angeles route it should be authorized to establish a fare of $1.50. We further conclude that applicant should be directed to publish and maintain in its tariff a description of all of the services that are offered under the fares provided therein.

FINAL ORDER

IT IS ORDERED that:

1. Airportransit, a corporation, is authorized:

   (a) To establish an increased fare of $1.50 per adult one-way ride between Los Angeles International Airport, on the one hand, and points on its Los Angeles route (Los Angeles/Wilshire), on the other hand; and

   (b) Except as provided in sub-paragraph (a) above, to establish the increased fares proposed in Application No. 52651.

2. Airportransit shall amend its tariff so as to describe and designate all services to be performed and all points served at the fares maintained in its tariff.

3. Tariff publications required or authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and may be made effective not earlier than the tenth day after the effective date of this order, on not less than ten days' notice to the Commission and to the public; and such tariff publications as are required shall be made effective concurrently with the establishment of the increases in fares authorized herein, or within ninety days after the effective date of this order, whichever is the earlier.

4. The authority to increase fares 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. Except as otherwise provided herein, Application No. 52651 is denied.

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

Dated at San Francisco, California, this 5th day of SEPTEMBER, 1973.

I abstain

[illegible], Commissioner

Vernon L. Sturgeon
President

William Symons Jr.

Commissioners

APPENDIX A

Airportransit
Data From Exhibit 41

Item	Calendar Year			12 Mo. Ended
	1969	1970	1971	July 31, 1972
Miles Operated				
Certificated Routes	2,616,832	2,444,473	1,841,387	1,734,606 b/
Other a/	854,514	656,230	488,189	324,505 b/
Total	3,471,346	3,100,703	2,329,576	2,059,111
Certificated Passengers Carried	1,062,703	956,814	794,454	746,572 b/
Certificated Passengers Per Mile	.406	.391	.431	.430
Certificated Revenues	$1,533,626	$1,400,824	$1,160,341	$1,042,406 b/
Charter & Other Transportation	907,056	646,228	493,893	609,934 b/
Transportation Revenues	$2,440,682	$2,047,052	$1,654,234	$1,652,340
Other Revenues	53,896	74,624	75,611	77,569
Total	$2,494,758	$2,121,676	$1,729,845	$1,729,909
Certificated Revenue Per Mile	$ .586	$ .573	$ .630	$ .601 b/
Total Transportation Revenues Per Mile	.703	.660	.710	.802
Certificated Revenue Per Passenger	$ 1.44	$ 1.46	$ 1.46	$ 1.40 b/
Operating Expenses Per Mile c/				
Variable Expense	$ .416	$ .427	$ .517	$ .575
Fixed Expense	.170	.183	.210	.234
Total Operating Expense B.T.O.I.	$ .586	$ .610	$ .727	$ .809
Net Revenue B.T.O.I.	$ 135,733	$ 20,358	$ (114,199)	$ (98,450)

a/ Does not include mileage from rented buses - not available.

b/ Staff's figures do not agree with applicant's - see Opinion.

c/ Variable expenses are those affected by volume of business.
Outside equipment rents not included because of a/.
Fixed expenses are those unaffected by number of busses in service.

B.T.O.I. means before taxes on income.

APPENDIX B

Comparison of Applicant's and Staff's Figures for Passengers and Revenues For the 12 Months Ended July 31, 1972

	Passengers			Revenue		
	Staff	Applicant	Applicant Exceeds Staff	Staff	Applicant	Applicant Exceeds Staff
L.A. Airport Routes						
Los Angeles	420,437	420,444	7	$ 528,189	$ 538,812	$ 10,623
Wilshire	35,698	35,706	8			
Hollywood	146,556	146,575	19	196,194	199,110	2,916
Beverly Hills	39,308	39,314	6	46,913	47,091	178
Santa Monica	6,824	6,831	7	7,388	8,130	742
Harbor	-	968	968	-	1,985	1,985
San Bernardino	17,742	17,765	23	69,871	80,647	10,776
Ventura	1,984)	41,113	28	8,016)	88,720	4,357
San Fernando	39,101)			76,347)		
	707,650	708,716	1,066	$ 932,918	$ 964,495	$ 31,577
Oakland Routes	38,922			109,488	108,152	(1,336)
Total Passengers	746,572			$1,042,406	$1,072,647*	$ 30,241
Charter Revenues				609,934	554,677	(55,257)
Other Revenues				77,569	77,570	1
Totals				$1,729,909	$1,704,894	$(25,015)
Passenger Revenue (Ledger)				$1,042,406	$1,097,663	$ 55,257
Charter				609,934	554,677	(55,257)
Other				77,569	77,570	1
Totals				$1,729,909	$1,729,910	1

*Does not agree with ledger amount.

Miles Operated

	Staff	Applicant	Applicant Over Staff
Certificated	1,734,606	1,726,524	(8,082)
Non-Certificated	324,505	332,587	8,082
Totals	2,059,111	2,059,111	∅

APPENDIX C

Summary of Results of Operation
For Test Period of 12 Months
Ended July 31, 1972, and Forecast
Of Results for a Future Rate Year
At Present Interim Fares and at
Proposed Increased Fares

	Test Period	Interim Fares	Proposed Fares
Passenger Fares			
L.A. Routes	$ 964,495	$1,036,000	$1,258,000
Oakland	108,152	109,000	109,000
Other Routes	25,016	27,000	31,000
Subtotal	$1,097,663	$1,172,000	$1,398,000
Charter	554,677	555,000	555,000
Other	77,570	78,000	78,000
Total	$1,729,910	$1,805,000	$2,031,000
Expenses			
Equipment Maintenances	$ 269,357	$ 273,000	$ 273,000
Transportation	679,975	710,000	710,000
Station & Terminal	85,775	90,000	90,000
Traffic & Adv.	19,253	20,000	20,000
Insurance & Safety	96,442	103,000	103,000
Admin. & General	157,329	162,000	162,000
Depreciation	135,391	89,000	89,000
Opr. Taxes & Lic.	119,209	126,000	126,000
Operating Rents	265,629	270,000	286,000
Total Expense	$1,828,360	$1,843,000	$1,859,000
Operating Income	$ (98,450)	$ (38,000)	$ 172,000
Income Taxes	-	-	72,000
Net Income	$ (98,450)	$ (38,000)	$ 100,000
Rate Base			$ 557,000
Rate of Return			18 %
Operating Ratio	105.7%	102.1%	95.1%