

**ORIGINAL**

Decision No. 84524

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of AIRPORTTRANSIT OF CALIFORNIA,  
a corporation doing business as  
AIRPORTER, for authority to  
increase its fares as a passenger  
stage corporation.

Application No. 55282  
(Filed October 31, 1974)

INTERIM OPINION

Airporttransit of California, doing business as Airporter, is a passenger stage corporation engaged in the transportation of passengers, baggage, and express between the San Francisco International Airport, on the one hand, and San Francisco, Oakland, Berkeley, Burlingame, and various cities southerly therefrom to San Jose, on the other hand, and between the San Jose Municipal Airport and the San Francisco International Airport and intermediate points. By this application it seeks authority to increase fares by 15 cents which amounts to fare increases ranging between 5.5 percent and 18.75 percent. Applicant estimates that the proposed increase will provide it with \$293,279 additional gross passenger revenue.

Applicant's present fares were established September 18, 1972 pursuant to authority granted by the Commission in its Decision No. 80421 dated August 29, 1972 in Application No. 52828. It asserts that the wages and salaries of operating employees are determined by collective bargaining with unions representing such employees. The collective bargaining agreements were open for negotiations on June 1, 1974 and negotiations were commenced and carried on until August 27, 1974. A strike of the bus drivers closed applicant's operations completely from July 17 to August 27 following which

contracts were entered into providing for wage increases to bus drivers, mechanics, and baggage helpers retroactive to June 1, 1974. Collective bargaining agreements subsequently negotiated with applicant's dispatchers, cashiers, garage employees, and other employees also provided for increases in wages.

Applicant asserts that during the past year its cost of gasoline increased from \$.2373 per gallon to \$.3943 per gallon, that its cost of diesel fuel per gallon increased from \$.1395 to \$.3360, and its tire cost increased by 3.875 percent. Applicant estimated the effects of the known and measured cost increases and its proposed fare increases in a pro forma statement based upon operations conducted during the year ended June 30, 1974 as follows:

<u>Revenues</u>		
Recorded	\$2,352,135	
Proposed Increase	<u>293,279</u>	
Total		\$2,645,414
<u>Expenses</u>		
Recorded	\$2,171,638	
Known Cost Increases		
Labor	208,430	
Gasoline	943	
Diesel	24,990	
Tires	689	
Rents at Airports*	<u>35,997</u>	
Total		<u>2,442,687</u>
Net Operating Income		\$ 202,727
Income Taxes		<u>105,418</u>
Net Income After Taxes		\$ 97,309
Operating Ratio		96.29%

\* Applicant's franchise with the San Francisco International Airport provides for a fee under which the 53.31% of the \$293,279 additional gross revenue from the proposed fare increase will be taxable at the rate of 16.25% for additional franchise payments of \$25,406. Its agreement with Barrett Terminals would also result in additional expense of \$10,591.

The Commission staff undertook an analysis of the statements and exhibits comprising the application and submitted its report thereon which is received in evidence in this proceeding as Exhibit 1. The staff report indicates the following:

1. Applicant's presentation contains duplications in labor and labor-related costs.
2. Its presentation does not reflect the depreciation adjustment ordered in Decision No. 80421.
3. Intercompany interest income and expenses have been included in applicant's presentation.<sup>1/</sup>

The staff estimates that adjustments to eliminate the indicated deficiencies in applicant's presentation net an amount of \$90,000.

The staff made the adjustments to the exhibits and statements comprising applicant's presentation. As a result thereof, it suggests that the carrier is in need of rate relief; however, the proposed 15-cent increase in fares will provide applicant with earnings in excess of those found by the Commission to be reasonable in its Decision No. 80421. Its analysis shows that applicant is operating at a loss under its present fares, and it therefore recommends that applicant be granted an immediate increase of 10 cents pending hearings. The staff states that it is making a study of applicant's operations with particular emphasis upon the following matters:

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<sup>1/</sup> Applicant is owned by Yellow Cab Company which, in turn, is owned by Westgate-California Corporation. Those companies also have other subsidiaries and affiliate corporations.

1. Traffic analysis based on current long-range trends of passenger usage.
2. Expenses based on proper allocation between passenger stage operations and charter-party operations.
3. Depreciation.
4. Intercompany charges.
5. Apportionment of reasonable income taxes.

The issues regarding the reasonableness of certain items of expense must be resolved against the applicant pending hearing. From the data presented by applicant and by the staff it is reasonably certain that applicant's current operations are being conducted at a loss and that a 10-cent increase in its fares will not provide excessive earnings.

The adjusted estimated results of operation under present fares, under proposed fares, and under a 10-cent increase in fares provided in Exhibit 1 are set forth below. We note that the estimates do not make provision for income taxes. The staff report states that applicant's parent corporation files a consolidated income tax covering the operations of its subsidiaries, including applicant, and the proper income tax liability for applicant's operations is an issue to be determined.

Pro forma Results of Operation  
Year Ended 6-30-74  
With Certain Adjustments

	<u>At Present Fares</u>	<u>At Proposed Fares</u>	<u>At 10-Cent Fare Increase</u>
<u>Operating Revenues Recorded</u>	\$2,352,135	\$2,352,135	\$2,352,135
Increase in Fares	-	291,582	194,388
Increase Charter	-	61,778	61,778
Total Revenues	<u>\$2,352,135</u>	<u>\$2,705,495</u>	<u>\$2,608,301</u>
<u>Operating Expenses Recorded</u>	\$2,171,638	\$2,171,638	\$2,171,638
Wage Increases	139,505	139,505	139,505
Fuel & Tire Increases	26,622	26,622	26,622
Workmen's Comp. Ins.	4,886	4,886	4,886
Pensions & H. & W.	21,626	21,626	21,626
Payroll Taxes	7,047	7,047	7,047
Rents	-	25,112	16,742
Depreciation Adjustment	<u>(1,780)</u>	<u>(1,780)</u>	<u>(1,780)</u>
Total Adjusted Expenses	\$2,369,544	\$2,394,656	\$2,386,286
Net Operating Revenue	\$ (17,409)	\$ 310,839	\$ 222,015
Operating Ratio Before Income Taxes	100.74%	88.51%	91.49%

(Red Figure)

Findings

1. By this application applicant seeks authority to establish, on ten days' notice to the Commission and to the public, increases of 15 cents in its one-way fares.

2. There are legitimate issues concerning the expenses that are reasonable, suitable, and proper for ratemaking purposes for this carrier which can be resolved only after public hearing.

3. Even after resolving all issues against applicant, its operations are currently, and for the future will be, performed at a loss; immediate rate relief is necessary to assure the continuation of adequate and safe transportation to the public.

4. With the aforementioned issues resolved against applicant, an increase of 10 cents in applicant's one-way fares will provide additional gross revenues of \$194,388 and will result in earnings which are not excessive, and such increase in fares has been shown to be justified.

Notice of the filing of this application was served upon officials of all cities and counties served by applicant and also appeared in the Commission's Daily Calendar. No protests have been received. We conclude that pending further proceedings in this application applicant should be authorized to establish an increase of 10 cents in its one-way fares on not less than 10 days' notice to the Commission and to the public.

INTERIM ORDER

IT IS ORDERED that:

1. Pending further order in this proceeding Airporttransit of California, a corporation doing business as Airporter, is authorized to increase its one-way fares by ten cents. Tariff publications authorized to be made as a result of this order shall be made effective on not less than ten days' notice to the Commission and to the public.

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

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3. 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.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 10th  
day of JUNE, 1975.

Vernon L. Stenger  
President  
William J. Quinn  
Robert L. Quinn  
Commissioners