

Decision No. 86066**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
FRANCISCAN LINES, INC., a California
corporation, for a fare increase on
its certificated commute operations,
to offset cost increases.

Application No. 56198
(Filed January 13, 1976)

James A. Drucker, for applicant.
Ora A. Phillips and Alex E. Lutkus, for the Commission
staff.

O P I N I O N

This application was heard and submitted April 19, 1976
before Examiner Thompson at San Francisco.

Franciscan Lines, Inc. is primarily engaged in the
transportation of persons as a charter-party carrier. It also
provides a passenger commute service as a passenger stage corporation
between Livermore, Pleasanton, and Dublin (Livermore), on the one
hand, and Oakland and San Francisco, on the other hand; and between
Danville and Alamo (Danville) and San Francisco. It here seeks
authority to increase its fares for the commute service as follows:

20-Ride Commute Fares

<u>Between</u>	<u>And</u>	<u>Present Fare</u>	<u>Proposed Fare</u>	<u>Increase</u>
Livermore	San Francisco	\$30.00	\$37.50	25%
Livermore	Oakland	25.35	31.69	25
Danville	San Francisco	30.00	34.50	15

The Commission received a number of letters of protest to the
proposed increases in the Livermore commute fares, pointing out that
the fares were last increased by 33.3 percent in August 1975. Evidence
was presented at the hearing by applicant and by the Commission staff
(staff).

Applicant's vice president testified that he was persuaded to apply for a certificate of public convenience and necessity for the Livermore commute service because one of applicant's drivers resided in Livermore and it appeared that costs would be minimized by having the driver use one of the buses to drive to and from work. The operation started in 1972 with one bus but very quickly expanded into a four bus operation. He said that it soon became apparent that the Livermore commute service was losing substantial amounts of money and that some remedial action was necessary. Action was deferred, however, because it was his information and belief that Bay Area Rapid Transit (BART) would soon provide feeder bus service into the Livermore area which would result in the cancellation of applicant's authority for the Livermore commute service. The third ordering paragraph of Decision No. 80980 which granted applicant's certificate provides:

"This certificate may be canceled on motion of any party herein, after either the Alameda-Contra Costa County Transit District or the Bay Area Rapid Transit District extends bus or rail passenger service to Dublin, Pleasanton, and Livermore."

BART feeder buses commenced operation on December 2, 1974 but no motion was made to cancel applicant's certificate. Applicant decided to apply for a fare increase, but because the amount of increase required to make the operation profitable was so large, it was decided as a matter of policy to request the necessary fare increase in steps. The first such application (for the 33.3% increase) was filed January 30, 1975. The instant application filed January 13, 1976 was the second step. The vice president stated that a third step application will probably be filed in the near future.

Applicant and staff presented analyses of results of operations under present fares for the year ended December 31, 1975. The staff's analysis is:

	<u>Total Operation</u>	<u>Charter</u>	<u>Commute Service</u>		
			<u>Total</u>	<u>Livermore</u>	<u>Danville</u>
Revenue	\$883,524	\$706,358	\$177,166	\$ 90,946	\$ 86,220
Expenses	<u>901,637</u>	<u>673,696</u>	<u>227,941</u>	<u>140,627</u>	<u>87,314</u>
Operating Income	\$(18,113)	\$ 32,662	\$(50,775)	\$(49,681)	\$ (1,094)
Income Taxes	<u>2,078</u>	<u>1,661</u>	<u>417</u>	<u>214</u>	<u>203</u>
Net Income	\$(20,191)	\$ 31,001	\$(51,192)	\$(49,895)	\$ (1,297)

(Red Figure)

Because of differences in allocations applicant's analysis shows an even greater cash drain from the commute operations, particularly the Livermore commute which it contends operated at a \$76,540 loss.

Staff estimated the results of operations under present fares and under the proposed fares for a future rate year ending June 30, 1977. It estimates that applicant, under present fares, will have a net loss from charter operations of \$2,058 and a net loss from commute operations of \$28,399 for a loss from total operations of \$30,457. The following is a summary of staff's estimates of results of operations under the proposed fares:

	<u>Total Operations</u>	<u>Charter</u>	<u>Commute Service</u>		
			<u>Total</u>	<u>Livermore</u>	<u>Danville</u>
Revenue	\$934,670	\$706,360	\$228,310	\$122,990	\$105,320
Expenses	<u>936,717</u>	<u>708,262</u>	<u>228,455</u>	<u>139,507</u>	<u>88,948</u>
Operating Income	\$ (2,047)	\$ (1,902)	\$ (145)	\$(16,517)	\$ 16,372
Income Taxes	<u>200</u>	<u>151</u>	<u>49</u>	<u>26</u>	<u>23</u>
Net Income	\$ (2,247)	\$ (2,053)	\$ (194)	\$(16,543)	\$ 16,349
Operating Ratio	100.24%	100.29%	100.08%	113.45%	84.48%

(Red Figure)

Applicant does not agree with staff's estimate of expenses nor of the allocations of expense between charter and commute services. Its vice president stated that it did not desire to contest the staff's estimates in this proceeding because the overall operating results estimated by the staff show the necessity for the proposed fare increases and he considered it unnecessary to incur the additional cost of presenting evidence and analyses to point out all of the errors therein. He contends that the staff's allocation methods unreasonably place the burden of much of combined expenses upon the charter operation. He pointed particularly to equipment rental expense where the entire cost was allocated to charter operations. He testified that much of the equipment rentals from other charter-party carriers was caused by the commute operations. When it was necessary to substitute a bus for a regularly assigned commute bus one of applicant's own charter buses was used and the rented bus would be substituted for the charter bus. He said that although the rented equipment was always used in charter service, the reason for the rental in many instances was because of the commute service. He presented a tabulation of equipment rentals for 1975 from which he ascertained that of the total \$87,748 equipment rentals, \$70,111 was properly allocated to charter operations, \$8,950 allocable to the Livermore commute service, and \$8,687 allocable to the Danville commute operations. If the staff's estimates were to be adjusted only to reflect that allocation of equipment rental expense the results would be a net income from charter of \$15,584 for an operating ratio of 97.79 percent, a net loss of \$25,493 from Livermore commute for an operating ratio of 120.73 percent, and a net income from Danville commute of \$7,662 for an operating ratio of 92.73 percent.

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Applicant's presentation indicates that the staff's allocation methods result in not assigning a reasonable share of joint costs to the commute operations. We need not concern ourselves with that issue or other disagreements between applicant and the staff regarding expense estimates here. Even though they may provide an overly optimistic portrayal of commute operations as applicant contends, the staff's estimates of operating results clearly show that the proposed increases in fares are justified. Staff has recommended that applicant be authorized to establish the proposed increased fares. It suggests, however, that applicant investigate the disparity in the fare structure between the Livermore operations and the Danville operations. Applicant stated that it had that disparity in mind when it requested only a 15 percent increase in Danville fares as compared to the 25 percent increase in Livermore fares, and that it would continue to recognize that disparity when it initiates its third step in fare adjustments.

Because of the foregoing we desire to respond herein to the letters and petitions of Livermore commuters protesting the proposed increase. When applicant requested, and the Commission in August 1975 approved, the 33.3 percent increase in commute fares it was known that the Livermore operation would continue to operate at best at a \$11,553 loss. Applicant anticipates a loss of \$27,000 from the Livermore commute service with the 25 percent increase in fares proposed herein. Staff estimates an operating loss of \$16,500 from the Livermore operation under the increased fares and it properly suggests that the difference between the Livermore fares and the Danville fares be widened.

We find that the proposed fare increases are justified. We conclude that applicant should be authorized to establish the proposed fares on not less than five days' notice. The proposed fares will provide \$28,200 additional passenger revenue after diminution of passengers due to the fare increase for a net increase in revenue of 14.1 percent.

O R D E R

IT IS ORDERED that:

1. Franciscan Lines, Inc. is authorized to establish the increased fares proposed in Application No. 56198. Tariff publications 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 five days after the effective date of this order on not less than five 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.

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 shall be twenty days after the date hereof.

San Francisco
Dated at _____, California, this 7th
day of JULY, 1976.

William J. Guerin President
Robert Bateman Commissioners