

ORIGINAL

Decision No. 86947

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of FALCON CHARTER SERVICE, a California corporation, for authority to increase-- on both an interim and a permanent basis--its commuter fares between San Francisco and Foster City, pursuant to the provisions of section 451 and 454 of the Public Utilities Code of the State of California,

Application No. 56923
(Filed December 8, 1976)

--or in the alternative--

for authority to abandon its certificated commuter service between San Francisco and Foster City.

INTERIM OPINION

Falcon Charter Service (Falcon), a corporation, operates as a passenger stage corporation between Foster City and San Francisco. Falcon seeks to increase its passenger fares as follows:

	<u>Present Fare</u>	<u>Proposed Fare</u>	<u>Increase</u>
Ten one-way ride tickets	\$12.50	\$20.00	60%
Calendar-month ticket	\$45.00	\$75.00	67%

The average overall increase sought is 61 percent.

Falcon seeks an order authorizing and approving on an interim basis, subject to an escrow and refund provision, the full amount of increase sought, or such other relief as the Commission deems appropriate.^{1/}

Falcon conducts extensive charter operations with the same buses and drivers that are used in its Foster City commute operations. In arriving at the reasonable expenses for Falcon's commute operations, it is necessary to allocate direct and overhead expenses between commute and charter operations.

The application contains an equipment list which shows that Falcon operates 27 buses ranging in age from buses manufactured in 1976 to buses manufactured in 1951. Falcon's balance sheet as of September 30, 1976 shows net worth of \$327,480. The income statement attached to the application covering the year ended September 30, 1976 shows total revenues of \$1,319,560 and net operating income (before taxes) of \$211,424. Net income was \$136,309. Falcon's exhibits show an operating ratio before taxes of 87.7 percent.

The exhibits attached to the application also show projected 1977 revenues and expenses for Falcon's commute operations based on an allocation of historical expenses and adjustments for known expense increases. Falcon estimates that its Foster City - San Francisco commute operations for a projected 1977 rate year would result in an operating loss of \$86,440 under present fares and an operating profit of \$22,512 under proposed fares. The corresponding operating ratios are 148.4 percent and 92.2 percent, respectively. The proposed fares are estimated to produce a rate of return of 11.9 percent on depreciated rate base.

^{1/} Case No. 10131 (City Council of Foster City, et al. v Falcon Charter Service) involves the adequacy of service provided by Falcon in connection with its Foster City - San Francisco commute operations. At the hearing in Case No. 10131 held on January 14, 1977, all parties agreed that Case No. 10131 should be temporarily removed from the calendar and should be consolidated with the instant application for hearing.

On December 17, 1976, Falcon's counsel addressed a letter to each Commissioner urging ex parte action on its rate increase. By memorandum dated January 3, 1977 addressed to the assigned Commissioner and examiner, the staff recommended that Falcon be granted an interim fare increase of 27.6 percent pending hearing. The staff analysis furnished in support of its recommendation, as set forth below, is based on the operation of seven buses, which is the current level of service provided by Falcon. The staff recommended that such level of service continue during the period of the interim order. Falcon's counsel, by letter dated January 6, 1977, concurred in the granting of the interim increase recommended by the staff, but urged that a formula be adopted for the reduction of schedules and seats when the number of riders decline. The staff recommends that no such formula be adopted in the interim phase of this proceeding.

The following table depicts the estimated results of operations for a 1977 test year for Falcon's commuter service as developed by the staff. The recommended 27.6 percent fare increase is designed to produce an operating ratio of 90 percent.

TABLE 1

ESTIMATED REQUIREMENTS FOR
INTERIM FARES, FOSTER CITY

<u>Item or Account Description</u>	<u>Falcon 10/1/75-9/30/76</u>		<u>Commission Staff Foster City</u>	
	<u>Total</u>	<u>Foster City</u>	<u>Unweighted</u>	<u>With Weighting Factor 1.1</u>
Bus Miles	1,084,621	138,470	138,470	138,470
Revenue	\$1,645,152	\$187,403	\$187,403	\$187,403
Repairs	\$ 241,895	\$ 46,444	\$ 30,879	\$ 33,967
Transportation	612,713	92,728	74,913	82,405
Dispatching	7,322	1,668	942	1,036
Insurance	68,944	9,597	8,807	9,688
Admin. & Genl.	253,257	53,628	31,617	34,779
Depreciation	104,300	10,872	13,321	14,653
Opertng. Taxes	98,535	11,734	12,573	13,830
Opertng. Rents	56,225	17,071	10,344	11,378
Total Expenses	\$1,443,191	\$243,742	\$183,396	\$201,736
Opertng. Income	\$ 201,961	\$(56,339)	\$ 4,007	\$(14,333)
Opertng. Ratio	87.7%	130.1%	97.9%	107.6%
Increase Expenses 1977 over 1976		\$ 21,226		\$ 13,462
Adj. Exp. for 1977		\$264,968		\$215,198
Adj. Opertng. Ratio		141.4%		114.8%
Revenue for 90% Opertng. Ratio		\$294,409		\$239,109
Revenue Increase - \$		\$107,006		\$ 51,706
Revenue Increase - %		57.1%		27.6%

(Red Figure)

The following is the development of the interim fares recommended by the staff:

<u>Fares</u>	<u>10-Ride</u>	<u>Monthly</u>
Present	\$12.50	\$45.00
Adj. Factor	1.276	1.276
Adj. Fares	15.95	57.42
CPUC Recommended	16.00	57.00

The Commission staff has advised that its studies of Falcon's operations will be completed by March 31, 1977.

Copies of the staff recommendations were furnished to known interested parties, including Foster City. A patron of the Foster City commute operations in a letter to the Commission dated January 9, 1977 opposed the granting of an interim fare increase until the Commission determines a reasonable level of service for Falcon's commute operations and carefully examines the allocation methods used by the staff and Falcon. At the hearing in Case No. 10131 on January 14, 1977 (Footnote 1, supra) the protest to the granting of interim relief was withdrawn.

Copies of this application were served on interested parties and the application was listed on the Commission's Daily Calendar. Additionally, the Commission staff notified affected public transit operators and planning agencies of the receipt of this application, pursuant to California Public Utilities Code Sections 730.3 and 730.5. The Metropolitan Transit Commission in a letter dated January 27, 1977 advised the Commission that it is unlikely that the request herein will materially affect public transit systems.

Discussion

The estimates developed by the staff set forth in Table 1 above show that Foster City commute operations, based on the current level of service provided by Falcon, will result in a loss of \$14,333, or an operating ratio of 107.6 percent. If that level of service is increased the estimated operating loss would not be diminished. Interim relief should be granted pending determination of all issues concerning Falcon's commute service because operation of that service is now conducted at a loss.

The level of interim increase proposed of 27.6 percent is designed to produce an operating ratio of 90 percent before provision of income taxes. That operating ratio will not produce excessive earnings in the interim period before this matter is concluded. In the circumstances interim relief should be granted pending final decision on all issues involving Falcon's Foster City commute operations, including determination of the reasonable numbers of buses required to provide adequate service to Falcon's patrons and the promulgation of a formula for increasing or decreasing the number of buses operated when changes in patronage occur.

Findings

1. Falcon operates as a passenger stage corporation in providing a peak-hour commute service between Foster City and San Francisco, and also operates as a charter-party carrier.
2. Falcon seeks to increase its commute fares by amounts averaging 61 percent.
3. Preliminary studies conducted by the Commission staff indicate that Falcon's Foster City commute service will be operated at a loss under present fares. Such studies indicate that a revenue increase of 27.6 percent is required to provide an operating ratio of 90 percent (before taxes) for 1977 test-year operations. The staff recommends that interim relief be granted to that extent.
4. An interim fare increase as proposed by the staff will be reasonable pending final determination of all issues involving Falcon's commute operations, and such increase is justified.
5. The fare increase authorized herein is estimated to produce additional annual revenues of \$51,706.

Conclusions

1. Interim relief should be granted as found reasonable above.
2. The effective date of this order should be the date on which it is signed because there is an immediate need for fare relief.

3. Falcon should comply with the timetable filing requirements for Section 11 of General Order No. 98-Series before reducing the number of schedules operated in its Foster City - San Francisco commute operations pending resolution of issues raised in Case No. 10131.

INTERIM ORDER

IT IS ORDERED that:

1. Falcon Charter Service is authorized to establish the following increased commute fares for service between Foster City and San Francisco.

Ten one-way ride tickets - \$16.00

Monthly ticket - \$57.00

2. Tariff publications authorized to be made as a result of this order 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 the public.

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

4. In addition to the required posting and filing of tariffs, Falcon Charter Service 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.

5. Falcon Charter Service shall comply with the timetable filing requirements of Section 11 of General Order No. 92-Series pending resolution of issues raised in Case No. 10131. Filing of the increased fares authorized in Ordering Paragraph 1 hereof indicates consent to this directive.

The effective date of this order is the date hereof.

Dated at San Diego, California, this 9th day of FEBRUARY, 1977.

Robert Babine
President

William J. ...

John L. ...

Leonard ...

Richard B. ...
Commissioners