

Decision No. 89868 JAN 16 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of SFO AIRPORTER, INC., for
authority to increase its
passenger stage corporation
fares pursuant to Section 454 of
the Public Utilities Code.

Application No. 58152
(Filed June 15, 1978)

O P I N I O N

Applicant SFO Airporter, Inc. (SFO) 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, and 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, SFO seeks authority to increase its fares by approximately 25 percent. SFO's principal revenues are derived from service between the San Francisco International Airport and the city of San Francisco, which charge would be increased from \$1.40 to \$1.75 per passenger, if the authority requested is granted. The proposed increase will provide SFO with \$691,039 additional gross passenger revenue based on its 1977 expenses and income. ✓

Notice of the filing of the application was served upon officials of all cities and counties along SFO's authorized routes and it also appeared in the Commission's Daily Calendar. No protests have been received.

Prior to filing this application, SFO's fares had been adjusted pursuant to Decision No. 86496 dated October 13, 1976 in Application No. 55282. SFO in that proceeding was Airporttransit of California, doing business as Airporter, which was owned by Yellow Cab Company. Yellow Cab Company was declared bankrupt in a Federal

Bankruptcy Act proceeding before the United States District Court. The Airporttransit of California service was suspended because of a lapse of insurance and the present applicant, on December 1, 1976, under an agreement, became the temporary operator of the service. Subsequently, the business and certificate of Airporttransit of California was sold and transferred to SFO pursuant to Decision No. 87881 dated September 20, 1977 in Application No. 57482.

The supporting studies submitted with this application disclose that, for the twelve months ended November 30, 1977, SFO suffered a loss of \$103,846 for an operating ratio of 103.6 percent. They further show that the projected increases for the ensuing year were \$277,279. Based thereon, SFO alleges that immediate relief was essential to preserve and protect the service it was affording the public. It requested that if the matter is set for oral hearing or relief is postponed for any reason an interim increase be authorized of not less than 25 cents per each full passenger fare and 15 cents for each child fare for children over 4 and under 12 years of age. After the application was filed, the Commission staff reviewed the request and made a preliminary study. However, it advised that additional time was required to complete the investigation and submit a report of its findings and recommendations.

Decision No. 89281 dated August 22, 1978 in Application No. 58152 granted SFO the interim relief requested. This grant of relief was predicated upon the losses which had been incurred, in the expected continued losses under the existing fares, and the need for rate relief to assure the continuation of adequate, responsive, and safe transportation to the public utilizing the service. The projected net annual income under the interim increase was \$78,756 on revenues of \$3,373,099 and an operating ratio after taxes of 97.7 percent.

The Commission staff has completed the preparation of its amended study based on the application and independent investigation based on the rate year of 1979 which is received in evidence as Exhibit 2 in Application No. 58152. In that study, the staff recommends that the requested fare increases be granted. The depreciation used in the staff report is based upon the original new

cost of the carrier's revenue equipment, depreciated by the straight-line method on the basis of a nine-year life with a 15 percent salvage value pursuant to the method set forth in Decision No. 80421 dated August 29, 1972 in Application No. 52828. In the instant application, SFO reported the cost of equipment as rental expense. The staff did not include this expense in its summary as the equipment is obtained from LeaseCo, an affiliated company. The study, therefore, considered the equipment as being owned by SFO and was depreciated in accordance with the previously mentioned schedule. Also in the staff's projection, the revenues for the charter operation were increased, commensurate with the increase sought. Based upon its findings, the staff concluded that under the present fares SFO would experience a loss of \$166,694 after income taxes and an operating ratio of 104.3 percent for the rate year 1979. Under the proposed fares, a profit of \$20,145 would be experienced after income taxes and an operating ratio of 99.51 percent. Based thereon, it concluded that such an operating ratio was comparable to the finding of the Commission under similar operating and financial circumstances in Decision No. 86496 dated October 13, 1976 and concluded that the requested fares should be granted.

Findings

1. Under present fares, SFO would experience a loss of \$166,694 after income taxes, during the rate year 1979 and, under the proposed fares, would experience a profit of \$20,145 after income taxes.
2. The results of operations for SFO during the rate year at the present fares would produce an operating ratio after income taxes of 104.3 percent.
3. The results of operations for SFO during the rate year 1979 at the proposed fares would produce an operating ratio after income taxes of 99.51 percent and a rate of return of 1.99 percent.
4. An operating ratio of 99.51 percent is between 4 and 5 percent higher than has been previously authorized for SFO's predecessor.

5. The operating ratio after income taxes of 99.51 percent at requested fares for SFO is not unreasonably low.

6. A public hearing is not necessary.

The Commission concludes that the application should be granted. As the application is unopposed, and the fare increase is immediately needed, the effective date of this order should be the date hereof.

O R D E R

IT IS ORDERED that:

1. SFO Airporter, Inc. is authorized to establish the increased fares proposed by Application No. 58152. 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 thirty days after the effective date of this order on not less than thirty days' notice to the Commission and to the public.

2. The authority granted herein 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, SFO Airporter, Inc. shall give notice to the public by posting in its buses and terminal 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 16th day of JANUARY, 1979.

Robert B. ...
President
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Commissioners