

Decision No. 92148 AUG 19 1988

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. 59630 ✓
(Filed May 1, 1980)

ORIGINAL

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. 59753
(Filed June 23, 1980)

O P I N I O N

SFO Airporter, Inc. (SFO) is a passenger stage corporation (PSC-37) 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 San Jose Municipal Airport and the San Francisco International Airport and intermediate points.

Decision No. 91834 dated May 20, 1980 in Application No. 59630 authorized SFO to increase its fare on an interim basis from \$1.95 one way between San Francisco and San Francisco International Airport by 30 cents to \$2.25. By this instant Application No. 59753, SFO requests authority to further increase its fare by 50 cents one way from \$2.25 to \$2.75. SFO in the instant application furnished financial data in support of its latest request which showed increases in all operating expenses with the exception of increases in wages on its teamster contract for drivers, baggagemen, et al. which is currently being negotiated and, for which a separate application will be filed requesting a fare increase to offset these wage increases when they are known.

The Transportation Division staff has prepared an engineering economic study showing the adjusted Results of Operating ^{for} for SFO for the Historical Year 1979 and Rate Year 1981 at present and proposed fares. This study is received into evidence as Exhibit 1. The staff has also made a traffic study and prepared a graph showing the results of this study which is attached hereto as Appendix "A".

A. 59630; A. 59753 T/FS

A 12-month moving total of system passenger traffic for SFO covering the period January 1978 through June 1980 has been plotted on this graph as well as the total "In" and "Out" passenger traffic at San Francisco International Airport for this same period. As shown on Appendix A, passenger traffic continued to increase up until the time of closure of SFO's Downtown Terminal in February of 1979 at which time a steady decline commenced. This terminal was demolished to accommodate a new addition to the Hilton Hotel located at the corner of O'Farrell and Taylor Streets in San Francisco. During the ensuing 15 months, a new terminal was constructed at Ellis and Taylor Streets opening July 2, 1980.

SFO has inaugurated a shuttle service to transport passengers from the downtown hotels to the new downtown terminal from which passengers can proceed to the airport. This along with the advent of a new terminal and no foreseeable change in airport traffic indicates that SFO may expect a moderate rise in its traffic during the latter part of 1980 and during 1981. A projection showing this increase was used by the staff in determining future revenues for its results of operations study.

The following is a summary of the results of operations study made by the Transportation Division staff:

12-Months Ended December 31, 1981

<u>Item</u>	<u>Present Fares \$2.25 One Way</u>	<u>SFO's Proposed Fare \$2.75 One Way</u>	<u>Staff's Proposed Fare \$2.55 One Way</u>
Revenue	\$ 4,877,000	\$ 5,835,512	\$ 5,452,100
Expenses	4,805,300	4,897,100	4,860,400
Operating Income	71,700	938,400	591,700
Income Taxes	22,100	461,100	283,600
Net Income	49,700	477,300	308,100
Operating Ratio-%	99.0	91.8	94.4
Rate of Return-%	2.6	24.8	16.0
Rate Base	\$ 1,922,200	\$ 1,922,200	\$ 1,922,100

A. 59630; A. 59753 T/FS*

As indicated at present fares (\$2.25 one way) SFO will experience a net profit of \$49,700 at an operating ratio of 99.0 percent. At proposed fares as requested by SFO (\$2.75 one way) SFO will experience a profit of \$461,100 at an operating ratio of 91.8 percent. Decision No. 86496 dated October 13, 1976 provided after hearing under similar operating circumstances for an operating ratio of 94.7 percent at requested fares as being reasonable for Airport Transport of California's predecessor of SFO. The Commission staff calculated the fare increase as shown in the foregoing table which would give an operating ratio approximately the same as that previously authorized. A fare of \$2.55, it was determined, would provide an operating ratio of 94.4 percent which is almost the same as that previously authorized. This matter was discussed with the officials of SFO and they have informed the staff that they are agreeable to accepting the staff's recommended fare of \$2.55 on an ex parte basis.

The major differences between the staff's study and that submitted by SFO entails an equipment rental expense and an eight percent payment based on gross revenue of SFO to LEASCO for rental of the downtown terminal which LEASCO constructed. These expenses were not allowed as shown in Table 1 of the staff's study since LEASCO has common stockholders in both companies and, therefore, is not considered to be at "arm's length". In the staff's study, the revenue equipment and new downtown terminal were considered to be wholly owned by SFO. Operating expenses for the terminal were allowed and both it and revenue equipment depreciated to determine an allowable depreciation expense and rate base. The Commission's Transportation Division staff recommends that SFO be authorized to increase its existing fare by 30 cents from \$2.25 to \$2.55 one way between San Francisco and San Francisco International Airport and 30 cents on its other routes.

A. 59630; A. 59753 T/FS*

Notice of filing of this application appeared in the Commission's Daily Calendar on June 25, 1980. The Commission staff has notified the required parties pursuant to Sections 730.3 and 730.5 of the Public Utilities Code. No comments or protests have been received.

F I N D I N G S

1. Under present fares, SFO would experience a profit of \$49,700 at an operating ratio of 99 percent and under the fares proposed by the staff a profit of \$308,100 at an operating ratio of 94.4.

2. Decision No. 86496, dated October 13, 1976, provided under similar circumstances an operating ratio after income taxes of 94.7 percent at requested fares as being reasonable for SFO's predecessor.

3. SFO's operations under present fares will be conducted very close to the break even point, if not at a loss.

4. The fare of \$2.75 proposed by SFO will provide excessive earnings.

5. A public hearing is not necessary.

6. Since the continued operation by SFO under its present fares will be marginal or at a loss the effective date of this order should be the date hereof.

C O N C L U S I O N S

SFO Airporter, Inc. should be authorized to establish on not less than five days' notice an increased fare of 30 cents over that authorized in Decision No. 91834 viz \$2.25 to \$2.55 *one way* between San Francisco and San Francisco International Airport *and on its other routes* which is considered to be just and reasonable. In all other respects, Application No. 59753 should be denied.

O R D E R

IT IS ORDERED that:

1. SFO Airporter, Inc. is authorized to establish in addition to the increased fares authorized by Decision No. 91834 in Application No. 59630 filed May 1, 1980 a fare increase of 30 cents from the present fare of \$2.25 to \$2.55 one way between San Francisco and

O R D E R

IT IS ORDERED that:

1. SFO Airporter, Inc. is authorized to establish in addition to the increased fares authorized by Decision No. 91834 in Application No. 59630 filed May 1, 1980, a fare increase of 30 cents from the present fare of \$2.25 to \$2.55 one way between San Francisco and San Francisco International Airport and to add 30 cents to the fares on its other routes. 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 vehicles and terminals a printed explanation of fares.

4. Interim Decision No. 91834 in Application No. 59630 is hereby made final.

5. Such notices 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.

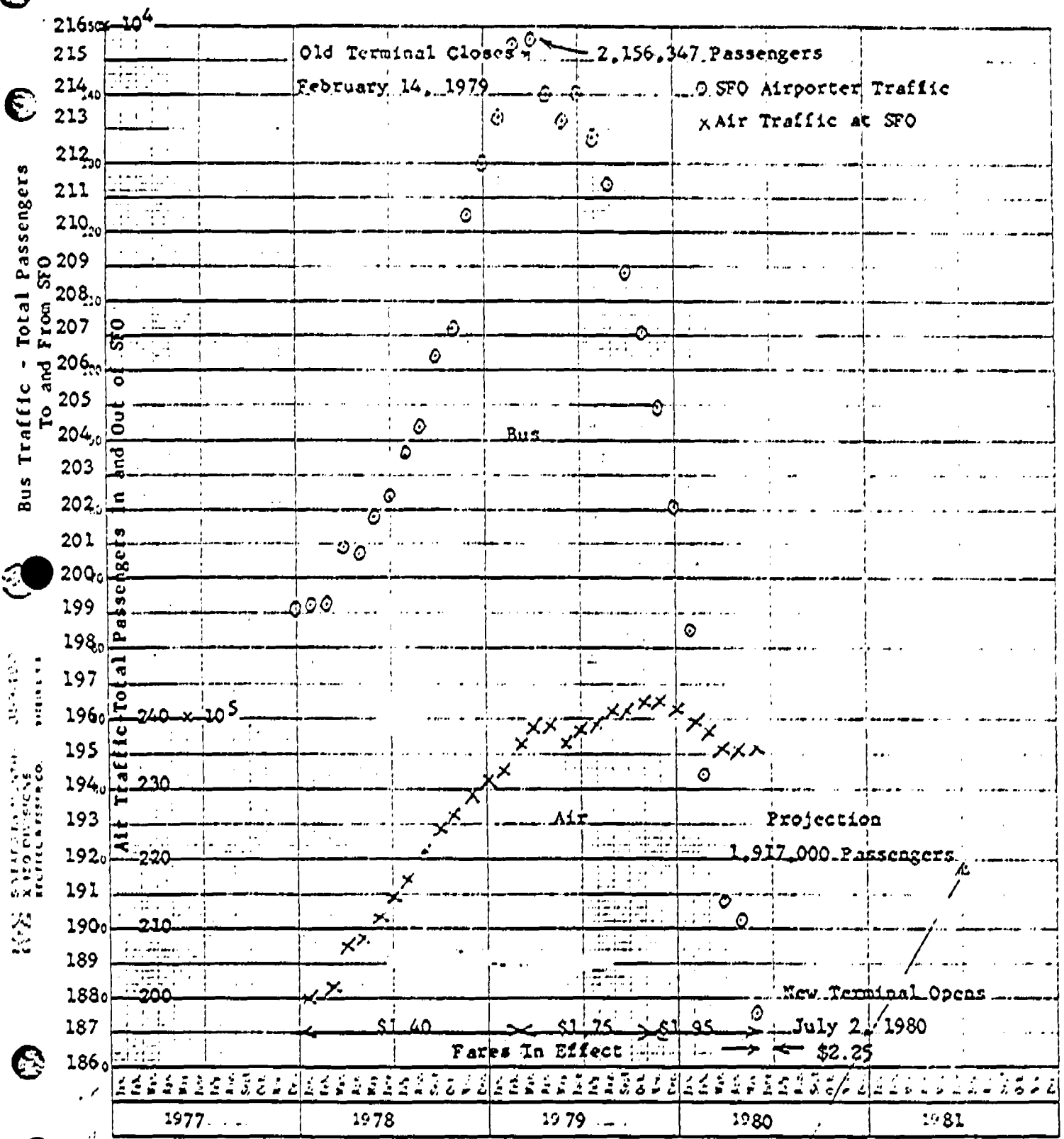
Dated AUG 19 1980, at San Francisco, California.

Commissioner Richard D. Gravello, being necessarily absent, did not participate in the disposition of this proceeding.

John E. Byrne
President
Vernon L. Sturgem

Philip J. ...
... ..
Commissioners

12 MO. MOVING TOTAL
SFO AIRPORTER, INC.
PASSENGER TRAFFIC



June, 1980
1,821,685 Passengers