

Decision No. 92379

NOV 4 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of ARIK SHARABI, dba CALIFORNIA)
MINI BUS, for a certificate of)
public convenience and necessity)
to operate passenger (express))
service between San Francisco (city))
hotels and San Francisco)
International Airport.)

Application No. 59326
(Filed December 12, 1979)

Ron Rotholz and Ed Kuwatch and Dennis Natali,
Attorneys at Law, for Arik Sharabi, dba
California Mini Bus, applicant.
Handler, Baker, Greene & Taylor, by Walter H. Walker III,
Attorney at Law, for SFO Airporter, Inc.;
James S. Clapp, Attorney at Law, for Lorrie's
Travel & Tours, Inc.; Howard Obrentz, for
PSPA Corporation, dba Airport Connection;
James E. Steele, for Yellow Cab Co-op, Inc.;
William Lazar, for Luxor Cab Company; and
Ben Ishisaki, for Ishi Limousine, Inc.;
protestants.
Felix L. Marin, for Carlos Jimenez. interested
party.
Masaru Matsumura, for the Commission staff.

O P I N I O N

Applicant, Arik Sharabi, dba California Mini Bus, drives one 14-passenger van in an on-call charter operation primarily between downtown San Francisco and the San Francisco International Airport. He has applied herein for authority to provide a regular passenger stage service on three regular routes, each originating at a specific San Francisco downtown hotel and proceeding to the San Francisco International Airport. Each route will require two 14-passenger mini-vans and will serve three hotels; with departures

from the Fairmont, Mark Hopkins, Stanford Court, Hilton, Mark Twain, Bellevue, David's Hotel, El Cortez, and Jack Tar hotels, about every 45 minutes, starting at 6 a.m., with the last bus leaving from 10:30 to 11:30 p.m. He is also proposing a supplementary on-call service from his Jack Tar Hotel office, to be available from 6 a.m. to 11 p.m., on seven days of the week, including holidays. The application alleges that minibus service is more personal and appealing to many who do not like larger buses. It is further alleged that minibuses are less expensive to operate and easier to park than full size buses. Applicant alleges that many hotels have requested his service on a regular basis because he is reliable and has promised backup service.

Protests were filed and a public hearing was held in San Francisco on March 3, May 12, May 13, and June 3 and 4, 1980. Evidence was presented by the applicant and by protestants SFO Airporter, Inc., and Lorrie's Travel & Tours, Inc. (Lorrie's). A staff engineer assisted in developing the record. The matter was submitted on the last day of hearing.

Applicant testified that two vans will be required for each of his three scheduled routes from downtown San Francisco to the airport. He estimated that three additional vans would be needed for his on-call service and to back up the vehicles on his regular routes. One-way fares will be \$4.50 for adults and \$2.50 for children 12 years or less; babies to one year old will be transported free of charge. After cross-examination, he expanded his original estimate of nine vans to 14, at least during the tourist season. Applicant testified that all hotels would be notified of his intention to pay cab fare to the airport for any guest who missed a ride due to a failure of either his scheduled or on-call service. He had no idea of what this cab fare service might cost on an annual basis.

He estimated the cost of a 14-passenger van as about \$9,000. He later revised the estimate to between \$10,000 and \$14,000, depending on equipment. He advised that all vans would be radio-equipped with a base station at the Jack Tar Hotel. He estimated the cost of radios at \$10,000 for nine vehicles. He will lease five small pocket receivers (beepers) for about \$100 a month. He estimated parking fees for vehicles at \$5,400 on an annual basis, while licenses for 14 vans total \$2,440, office rent \$5,280, office supplies \$2,440, promotion expense \$1,200, payroll tax \$16,705, and business tax \$2,510. Applicant testified that he will employ all union drivers. He estimated their hourly wage at \$6. His employees will include three dispatchers at an estimated \$4 an hour and one or two representatives at the airport at \$5 per hour.

Applicant has no authority from the airport to operate within its boundaries or to park there. He believes no authority is necessary for his type of operation and that the airport would not charge him for the privilege of picking up or delivering passengers. His single vehicle is now parked in a service station across the street from the Jack Tar Hotel. There is room for 14 vehicles since the station is closed at night.

During the hearings in June 1980, applicant presented a revised income statement (Exhibit 10). The statement was prepared by an accountant who prefaced the report with the remark that it is a projection of information received from the applicant and he cannot guarantee totals or conclusions therein. The statement shows total expenses of \$395,760, including \$216,000 for drivers' wages, \$12,000 for dispatchers, \$64,800 for fuel, and \$18,795 for maintenance. However, nothing seems to be included for two telephone clerks to take orders, for applicant's salary, or for the two employees applicant testified would be stationed at the airport.

Applicant computed his drivers' wages at a flat \$50 per day. Gas Expense is based on daily mileage of 2,160, or 144 gallons per day (15 mpg) at a cost of \$1.25 per gallon. Daily cost is given at \$180 with a monthly total of \$5,400 (30 days), times 12 for \$64,800 per year. The maintenance total includes \$7,020 for tires, \$9,450 for tune-ups, and \$2,325 for oil changes. Insurance is estimated at \$1,500 per year, per van. Applicant admitted that he has hired no employees to date, since he has one vehicle and drives it himself.

Applicant lists \$933,120 as revenue from express services, based on a minimum of four passengers on all trips in each direction, with six vans completing 12 round trips per day. He computes total revenues as follows: \$36 is the estimated income for each round trip; times 12 round trips equals \$432; times six vans equals \$2,592 daily income; times 30-day month (average) equals \$77,760; times 12 months equals \$933,120 per year.

Applicant's current income statement shows (Exhibit 5) that he grossed \$8,000 during the first four months of 1980 and paid \$3,355 in expenses, for a net income of \$5,445. Applicant testified that his father-in-law is a wealthy contractor who has agreed to give him \$100,000 to get started and additional money, if necessary. The father-in-law confirmed this promise by a signed letter and his presence on the first day of hearing.

Applicant's Witnesses

Five public witnesses supported the application. The manager of a downtown San Francisco hotel testified that more service is needed to the airport. Taxicabs are expensive and there are not enough buses available during the tourist season, which he defined as extending from the first of June through Labor Day, about 3 months. His hotel is served by Lorrie's but there have been three failures to pick up. On cross-examination he admitted that his hotel is three blocks from the airport terminal and that airport buses depart every thirty minutes from across the street.

The manager of Dolphin Tours testified that he has used applicant when he needs an additional bus and has been very satisfied with the service. He also testified that the peak season extends from May to November, with some variation, depending on weather and other factors. He advised on cross-examination that Dolphin Tours has no buses.

A free-lance tour guide who speaks several languages and specializes in handling groups from Europe stated that the available buses cannot handle the business between May and November. He uses applicant whenever possible, although applicant has only one vehicle which he drives himself.

A driver who has worked for applicant testified that he is competent and runs an efficient operation. The driver is paid \$5 an hour when he drives for applicant.

A doorman at the Jack Tar Hotel testified that there is too much business for the available buses from June to November. Lorrie's is the only operator available and cannot take everyone during the busy season. Customers come to him and ask about available transportation to the airport and he has to advise them to take a taxi or wait for the next bus scheduled.

Protestants' Evidence

The operations manager testified for Lorrie's. He identified Lorrie's as a carrier presently authorized to provide service between the San Francisco International Airport and downtown hotels and office buildings. Lorrie's equipment list, as of November 1979, shows 14 mini-vans (Exhibit 15). Lorrie's operates 16 hours a day, seven days a week. Prior to June 1979, there were ten 13-seat, one 11-seat, and two 17-seat vans. New equipment to be purchased will have 19 passenger seats. Exhibit 16 shows the number of unoccupied (or unsold) passenger seats for the 13 vans listed above during the period from January 1 through December 31, 1979.

Each of the 13 vans completes nine round trips a day, with 40 minutes allowed for pickups, 30 minutes for travel to the airport, 30 minutes for the return trip, and an extra 30 minutes for the driver's lunch break (Exhibit 16). The exhibit includes a table which reveals 1,575 empty seats every day during operations between January and May 31, 1980. There were 1,926 vacant seats every day between June and December 31, 1979. The witness testified that present fares are \$4.50 for adults and \$2.50 for children, and an application is on file to raise the rates to \$5.50 and \$3. Exhibit 16 also shows that Lorrie's operated during all of 1979 with 69 percent of its seats vacant on a monthly average. January had 81 percent vacant seats; February, 75 percent; March, 72 percent; April, 74 percent; and December, 79 percent. The other months all had 60 percent vacancy rates. The exhibit notes that Lorrie's has been operating at 31 percent of its capacity. During Lorrie's busiest week in 1979 (July 25-31) only 34 percent of the available seats were occupied (Exhibit 16, page 2). The last page of Exhibit 16 is a table which shows that during the ten busiest days in 1979, Lorrie's averaged 60 percent unoccupied seats. The witness testified that Lorrie's has experienced a net loss of \$32,035.23 for the three months ending on March 31, 1980, and that its total deficit is \$65,759 (Exhibit 17). The witness concluded that applicant has overstated his estimated income and vastly understated expected expense. He advised that Lorrie's vans cannot get more than a maximum 8 to 10 miles per gallon. Lorrie's has 37 employees and has applied to expand from Oakland to San Francisco International Airport. The business will not support another bus operator on an annual basis.

The manager of SFO Airporter, Inc. (Airporter) also testified. His company operates between San Francisco, Oakland, Berkeley, peninsula points, and the San Francisco International Airport, Oakland International Airport, and San Jose Municipal Airport.

Airporter has served continuously since December 1, 1976, and has not yet operated at a profit. The losses result from an operation which extends 24 hours, seven days a week. Airporter runs 86,850 trips per year between San Francisco and the airport. Between 7 a.m. and 10 p.m. a bus runs in each direction about every ten minutes.

He testified that Airporter has concentrated on satisfying reasonable requests for additional service by extending between San Francisco International and Oakland International Airports, and constructing a one million dollar downtown airport terminal in the hotel district. Airporter also operates shuttle service between the downtown airport terminal and nearby hotels, at no additional charge. Airporter pays 16.25 percent of its gross income to the airport as the consideration for the exclusive right to pick up and deposit passengers (for hire) within the airport boundaries. During 1979 the airport was paid more than \$350,000.

The witness noted that Airporter competes for airport business with a host of other passenger carriers. General competitors include the Bay Area Rapid Transit System, San Mateo Transit District, and Greyhound Lines, West. Lorrie's Travel & Tours, Inc., Associated Limousine Service, A. C. California Spanish Tours, Bankers Limousine Service, and others, licensed or not, presently transport between the airport and downtown San Francisco. There are now four applications on file requesting authority to provide identical service to that provided by existing carriers.

The witness testified that Airporter's predecessor went bankrupt and it was necessary to spend large sums of money to replace old equipment, pay certain bills, and assume necessary obligations. Competition and increasing costs have resulted in continuing losses since the inception of Airporter's operation. Airporter lost \$100,000 in 1977, \$90,000 in 1978, and more than \$500,000 in 1979.

In the six-month period from September 1979 to February 1980, Airporter transported almost 170,000 fewer passengers than during September 1978 to February 1979. Airporter has therefore been forced to file for its third rate increase in less than three years. Only 54 percent of its available seats were occupied from July 1978 through July 1979.

The witness provided a cost analysis of the operation proposed by applicant (Exhibit 20). Cost of equipment is estimated as \$112,000 (14 vans); maintenance as \$46,000; fuel, \$123,000; insurance, \$42,000; and drivers' wages, \$458,000. (Union scale wages and benefits total \$9.53 per hour.) The estimated expenses of the proposed operation total \$1,016,100.

Exhibit 21 analyzes applicant's proposed operation in regard to the minimum income required to barely break even. The exhibit concludes that applicant will require a minimum of 11 passengers per round trip, or \$42.18 in proceeds to cover expenses. This estimate is based on a one-way fare of \$4 for adults. The exhibit concludes that applicant will be transporting at least 254,025 passengers per year, if the operation is profitable. It further concludes that these passengers are now transported by other carriers who are probably operating at a loss as indicated by protestants' evidence.

Discussion

Applicant seeks to develop a million-dollar-gross business from a single van and driver, in one step. The financial plan consists of an unsupported promise from a relative to provide \$100,000 or more, if needed. Applicant presented no evidence to indicate where or when vans would be purchased, or drivers hired. Applicant's knowledge of maintenance and repair, fuel, wages, insurance, rent, communications, and other business expenses was inadequate. He has estimated his drivers' wages as about \$50 per day. There was no stated allowance for incidentals like Workers' Compensation Insurance, pension, etc.

He testified that dispatchers, people to answer telephones, and airport clerks would be required, but was not aware of how many employees he will need.

In short, applicant has not made a convincing showing of financial fitness or ability to conduct the proposed service. We will deny the application because applicant simply did not meet his burden of presenting, in the hearing room, a well-thought-out proposal. Accordingly, we need not discuss the Section 1032 ramifications because we deny the application for lack of financial fitness and ability to conduct the service.

Findings of Fact

1. Applicant owns and drives a 14-passenger van as a charter-party carrier of passengers.
2. Applicant has requested authority to provide a scheduled and on-call service from downtown San Francisco hotels to the San Francisco International Airport on an 18-hour day, seven-days-per-week basis.
3. Applicant's sole experience to date has been as a driver directed or dispatched by others.
4. Applicant has no financial resources, although a relative has promised to contribute \$100,000.
5. Applicant has not demonstrated financial fitness or ability to conduct the proposed service.

Conclusion of Law

The application should be denied.

O R D E R

IT IS ORDERED that Application No. 59326 is denied.

The effective date of this order shall be thirty days after the date hereof.

Dated NOV 4 1988, at San Francisco, California.

John E. Bryan
President
Herbert L. Stinson
Richard D. Gault
Clair J. DeWitt
Donald W. Smith
Commissioners