

ORIGINAL

Decision No. 92847 MAR 17 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AIRPORT SERVICE,)
INCORPORATED, for authority to)
adjust its rates.)

) Application No. 60015
) (Filed October 17, 1980)

Application of ORANGE COAST SIGHT-)
SEEING COMPANY for authority to)
adjust its rates.)

) Application No. 60018
) (Filed October 17, 1980)

O P I N I O N

Airport Service, Incorporated (Airport) is a passenger stage corporation (PSC 869) engaged in operations between various airports in Los Angeles and Orange Counties, on the one hand, and various points in Los Angeles and Orange Counties, on the other hand, as well as between certain of the airports, as set forth in the appendix of Decision No. 83743 as amended by Decision No. 84583 in Application No. 54778. Airport by Decisions Nos. 90383 and 91578 in Application No. 58082 acquired the Southern Region passenger stage certificate of Airporttransit, Inc. from Robert N. Mateer, receiver in bankruptcy for Airporttransit, Inc.; as set forth in Appendix A to Decision No. 78126, which provides for operations between various points in Los Angeles, Riverside, and San Bernardino Counties, on the one hand, and certain of the airports, on the other hand. The present fares for both Airport and its affiliate, Orange Coast Sightseeing Company (Orange Coast) were established in Decision No. 91461 dated March 18, 1980 in Applications Nos. 59402 and 59403.

Orange Coast, an affiliate of Airport sharing common management, operating personnel, and equipment, is a passenger stage corporation (PSC 322) which provides a sightseeing service between various points in Orange County, on the one hand, and points of interest in Orange and Los Angeles Counties, on the other hand, as set forth in Decision No. 69671 in Application No. 47707 as amended by later decisions.

Airport and its affiliate Orange Coast (applicants) allege that the spiraling cost of inflation including the purchase cost of new equipment, the cost of fuel, repairs, maintenance, salaries and wages of drivers and mechanics necessitates the filing of the instant applications requesting a 17 percent fare increase for both companies. It is estimated that the requested increase will result in additional gross annual revenue of approximately \$1,553,359 for Airport and \$147,500 for Orange Coast.

The Transportation Division staff has reviewed the annual reports filed with the Commission, the operations of applicants, the economic studies in the applications and the workpapers in support of these studies. The staff reached the conclusion that if it made a study, it would show minor differences but that the end result would be approximately the same, i.e., the applicants are in need of rate relief.

Exhibit C attached to each application is a statement of earnings for the recorded year ending August 31, 1980 and an estimated test year 1981. The estimated year is based on increasing costs other than labor and fuel by 14.2 percent over the recorded year. Labor contracts include cost of living provisions causing labor unit cost increases to vary between 15 percent to 19 percent.

The following tabulations are extracted from these two with income taxes recomputed to reflect the taxes "as paid" by the parent corporation and the applicants' combined results.

Combined Results of Operations
Year 1981 Estimated
At Present Fares

Item	Airport Service	Orange Coast	Combined
Passengers	2,246,823	112,015	2,358,838
Bus Miles	3,575,355	285,428	3,860,783
Revenues	\$ 9,681,425	\$1,021,600	\$10,703,025
Expenses (Excl Inc. Tax)	10,016,148	1,022,584	11,038,732
Operating Income	(334,723)	(984)	(335,707)
Income Taxes	(461,848)	(24,753)	(486,601)
Net Income	127,125	23,769	150,894
Operating Ratio	98.7%	97.7%	98.6%

(Red Figure)

Combined Results of Operations
Year 1981 Estimated
At Proposed Fares

Item	Airport Service	Orange Coast	Combined
Passengers	2,246,823	112,015	2,358,838
Bus Miles	3,575,355	285,428	3,860,783
Revenues	\$11,234,784	\$1,169,048	\$12,403,832
Expenses (Excl Inc. Tax)	10,170,241	1,064,813	11,235,054
Operating Income	1,064,543	104,235	1,168,778
Income Taxes	213,249	26,889	240,138
Net Income	851,294	77,346	928,640
Operating Ratio	92.4%	93.4%	92.5%

The estimates are not precise enough for use in any future cost offset but are satisfactory for use in the instant applications since the same percent fare increase is being proposed by Airport and its affiliate Orange Coast. The staff recommends the sought increase be granted.

Notice of filing of the applications appeared in the Commission's Daily Calendar on October 28, 1980. The Commission staff has notified the required parties pursuant to Sections 730.3 and 730.5 of the Public Utilities Code. No adverse comments or protests have been received.

Findings of Fact

1. Under present fares, Airport would experience a profit of \$127,125 excluding interest but after income taxes during the test year, and under proposed fares, experience a profit of \$851,294.

2. Under present fares, Orange Coast would experience a profit of \$23,769, excluding interest but after income taxes, during the test year and under proposed fares, experience a profit of \$77,346.

3. The results of operations for Airport produce an operating ratio after income taxes of 98.7 percent under present fares, and an operating ratio of 92.4 percent after income taxes under proposed fares.

4. The results of operations for Orange Coast in the test year produced an operating ratio after income taxes of 97.7 percent under present fares, and an operating ratio of 93.4 percent under proposed fares.

5. Decision No. 91461 dated March 18, 1980 provided for an operating ratio after income taxes of 93.0 percent under proposed fares for Orange Coast and an operating ratio after income taxes of 92.3 percent for Airport.

6. The applicant's combined operating ratio at proposed fares is 92.5 percent. The proposed fare increase is justified.

7. A public hearing is not necessary.

Conclusions of Law

1. The proposed fares are just and reasonable and the applications should be granted.

2. Since there is an immediate need for the relief sought, the effective date of the following order should be the date of signature.

O R D E R

IT IS ORDERED that:

1. Airport Service, Incorporated is authorized to establish the increased fares proposed in Application No. 60015. 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 ten days after the effective date of this order on not less than ten days' notice to the Commission and to the public.

2. Orange Coast Sightseeing Company is authorized to establish the increased fares proposed in Application No. 60018. 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 ten days after the effective date of this order on not less than ten days' notice to the Commission and to the public.

3. The authorities 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, applicants shall give notice to the public by posting in their buses and terminals a printed explanation of their fares. Such notice shall be posted not less than ten 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 MAR 17 1981, at San Francisco, California.

John E. Byrne
President
Richard C. Howell
Thomas M. Quinn
Victor Calder

Commissioners