

ORIGINAL

Decision No. 92961 APR 21 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Franciscan Lines, Inc., a California)
corporation, for permission to raise)
fares on its Livermore and Danville)
commute runs.)

Application No. 59679
(Filed May 20, 1980)

James A. Drucker, for Franciscan Lines,
Inc., applicant.
Nancy E. McKinley, for herself, protestant.
Ora A. Phillips, for the the Commission staff.

FINAL OPINION

Applicant Franciscan Lines, Inc. (Franciscan), a passenger stage corporation and charter-party carrier, requests authority to increase its passenger stage fares for a 20-ride commuter ticket between Livermore and San Francisco and between Livermore and Oakland by 70 percent and between Danville/Alamo and San Francisco by 30 percent. The application was protested in part by Nancy E. McKinley, (McKinley), a rider of Franciscan's Livermore route. The Commission's formal files in this case show that notification as required by Public Utilities Code Sections 730.3 and 730.5 was given by the Commission, but that no analysis as requested was received from any city, transit districts, or other entity served pursuant to Code Sections 730.3 and 730.5. A hearing was held on the matter in San Francisco on October 23, 1980 before Administrative Law Judge Pilling.

Franciscan's request for fare increases has been satisfied in part by Decision No. 92209 dated September 3, 1980 which authorized Franciscan to increase its fares on an interim basis by approximately 15 percent over the three routes. Apart from this interim increase the last fare increase granted Franciscan was by Decision No. 89926 in January 1979.

Franciscan was granted a certificate to operate as a passenger stage corporation between Livermore, Pleasanton, and Dublin, on the one hand, and Oakland and San Francisco, on the other hand, by Decision No. 80980 dated January 23, 1973. Franciscan originally operated six daily round trip schedules in its Livermore-San Francisco operation but subsequently lost substantial patronage when the Bay Area Rapid Transit District (BART) instituted a publicly subsidized shuttle bus service between the Livermore area and BART's Hayward rail station where passengers could make a train connection to or from Oakland or San Francisco. At the present time Franciscan provides only two daily round trips between the Livermore area and San Francisco. Both schedules make nine stops in the Livermore-Pleasanton-Dublin area with one schedule making six stops in San Francisco and the other schedule making an intermediate stop in Oakland and three stops in San Francisco. Service is presently provided with two 51-passenger buses which during September 1980

transported an average combined total of 51 passengers per day in the morning and 47 passengers in the evening. Some passengers ride both ways every day, some ride only one way every day, and others ride only intermittently.

By Decision No. 84014 dated January 21, 1975, Franciscan was granted authority to conduct operations between the Danville/Alamo area and San Francisco. It operates three daily round trips with 51-passenger buses which make 13 stops each in the Danville/Alamo area and one stop each in San Francisco.

Franciscan's present, interim, and proposed 20-ride commuter ticket fares are as follows:

20-Ride Ticket Fares

	<u>Present Fares</u>	<u>Interim Fares</u>	<u>Proposed Fares</u>
Livermore - San Francisco	\$43.50	\$50.00	\$74.00
Livermore - Oakland	36.75	42.25	62.50
Danville/Alamo - San Francisco	38.65	44.45	50.25

A comparison of the single-ride cost for a passenger between the involved points shows as follows:

Single-Ride Cost

	<u>BART</u>	<u>Franciscan Lines</u>		<u>Proposed</u>
		<u>Present</u>	<u>Interim</u>	
Livermore - San Francisco	\$2.25	\$2.19	\$2.50	\$3.70
Livermore - Oakland	1.75	1.84	2.11	3.13
Danville/Alamo - San Francisco	2.30	1.93	2.22	2.51

Franciscan claims that it has never operated either of the involved services at a profit except during 1979 when its Danville/Alamo service showed a modest profit due to the effect of BART work stoppages during part of that year which temporarily diverted a substantial number of passengers to both of Franciscan's services. It estimates that this diversion resulted in additional yearly revenue to it of \$18,000 in its Danville/Alamo service and \$16,000 in its Livermore service. Once the BART work stoppages were over most of the former BART passengers returned to riding BART.

For the year 1979, Franciscan represents that it had a net loss in its Livermore operation of \$16,281.81 and a net profit in its Danville/Alamo operation of \$9,653.27. Franciscan's income from passenger stage fares for the last three years were:

<u>Year</u>	<u>Danville/Alamo</u>	<u>Livermore</u>
1978	\$ 98,933.35	\$62,371.60
1979	123,620.94	76,739.79
1980 (3rd quarter projected)	106,185.96	57,592.45

Using 1980 projected passenger stage revenue and 1979 actual separated expenses Franciscan claims it would suffer the following losses:

	<u>Danville/Alamo</u>	<u>Livermore</u>
1980 Estimated Revenue	\$106,185.96	\$ 57,592.45
1979 Expenses	113,967.00	93,021.60
	<u>\$ (7,781.04)</u>	<u>\$(35,429.15)</u>

(Red Figure)

It contends that in 1980 its fuel costs increased 17.7 percent, its drivers' wages increased 16.2 percent, and all other expenses increased 15 percent. Using 1980 projected revenue and 1980 projected expenses (1979 actual expenses increased by 15 percent) it expects the results of its passenger stage operation to show the following losses:

	<u>Danville/Alamo</u>	<u>Livermore</u>
1980 Estimated Revenues	\$106,185.96	\$ 57,592.45
1980 Estimated Expenses	<u>131,062.82</u>	<u>106,974.84</u>
	\$(24,876.86)	\$(49,382.39)

(Red Figure)

Franciscan estimates that the full requested increases will give it additional income in 1981 in the Danville/Alamo operation of \$37,000 and in the Livermore operation of \$52,600.

Based on its study of Franciscan's operations, the Commission staff presented its Separated Results of Operations for the estimated rate year 1981. The study took into account, among other things, the effect of the BART work stoppage on the number of passengers transported by Franciscan in 1979 and the probability that Franciscan would lose some passengers if the full requested increase was put into effect. With 1981 fares at the pre-interim increase level the staff estimates that Franciscan's 1981 operations will result in a net loss after taxes of \$23,580 in the Livermore operation and a net loss after taxes of \$3,390 in the Danville/Alamo operation giving it an operating ratio (OR) respectively of 135 percent and 103.2 percent. If the 1981 fares remain at the level of the interim

increase the loss in Franciscan's Livermore operation will be decreased to \$17,430 (125.1 percent OR) and its Danville/Alamo operation will show a profit of \$3,880 (99.5 percent OR). However, the staff estimates that even if Franciscan charged the full amount of the requested increase in its Livermore operation in 1981 that operation would show a net loss after taxes of \$6,300 (107 percent OR). Charging the full requested increase in its 1981 Danville/Alamo operation would result in a net profit after taxes of \$10,150 (92.3 percent OR). The staff recommends that the full amount of the requested fare increase be authorized and that Franciscan diligently petition the Metropolitan Transportation Commission and other governmental agencies to obtain subsidies to enable it to continue its vital commuter services. Last, the staff recommends that Franciscan conduct a new driver performance study, though it gave no reason for this recommendation.

McKinley presented a petition signed by herself and 51 other riders in Franciscan's Livermore commuter service. McKinley and the petition takes Franciscan to task for its activities which appear to be aimed more at discouraging, rather than at increasing, ridership in its service. They allege that Franciscan does not advertise its service in the local media, does not have a local telephone number, and gives out incomplete or incorrect information about its service in answer to telephone inquiries made to its San Francisco office. McKinley and the petition stated that the number one bus in the

Livermore service has broken down four times since this application was filed and levies criticism concerning the cleanliness of the buses. McKinley and the petition stated that at the beginning of September 1980 a notice was given to passengers informing that on September 10, 1980 service would be cut to one bus, but to date both buses are still operating. McKinley asks that no rate increase be given Franciscan in its Livermore operation until Franciscan is shown to be unable, by serious attempts, to increase its ridership and has substantially improved its service.

Discussion

Franciscan has shown that the proposed fares are necessary to maintain the present level of its services. The level of its Livermore-San Francisco service on calls for providing 202 seats per day to transport an average of about 100 passengers per day, an unnecessary luxury in a commuter operation. To make such an operation profitable premium fares must be charged to cover the expense of furnishing the empty seats or low load factor. McKinley claims that most of the empty seats are the result of Franciscan's failure to advertise its Livermore-San Francisco service and Franciscan's alleged evasive attitude toward prospective passengers. While this may be true in part, the availability of BART's 18-hour-a-day publicly subsidized service at comparatively low fares is the principal reason for Franciscan's dwindling ridership. Increasing the

Livermore-San Francisco fare to the premium level--\$163 per month-- will drive many present Franciscan riders to BART and possibly dry up Franciscan's service altogether. Hence, the proposed fare increase will not solve Franciscan's financial problems nor the riders' desire to retain the service at a reasonable fare. Instead of the requested increase between Livermore and San Francisco, we will authorize a 50 percent fare increase equal to a single-ride cost of \$3.25 (\$2.75 for Oakland), which is \$1 over BART's present single-ride cost between Livermore and San Francisco. We expect Franciscan to take immediate and aggressive steps to increase the number of passengers it transports between those points to supply it with the additional revenue it would have had if the full requested increase had been authorized. If three months after the effective date of this order Franciscan can show that it is unable by aggressive solicitation to build its ridership to at least a 90 percent load factor on both buses the Commission will entertain a request from Franciscan to eliminate one of its Livermore-San Francisco buses. Present patrons should also help to promote Franciscan's service.

Franciscan's Danville/Alamo operation does not seem to be plagued with the empty-seat problem of the Livermore operation. Thus, the proposed Danville/Alamo fare increase should not have a detrimental effect on the number of passengers it carries in that operation.

Findings of Fact

1. Franciscan requests a 70 percent fare increase in its passenger stage commuter operation between Livermore and San Francisco and a 30 percent fare increase in its passenger stage commuter operation between Danville/Alamo and San Francisco.

2. Franciscan has steadily lost ridership in its Livermore-San Francisco operation to BART since BART instituted publicly subsidized service between those points.

3. In September 1980 Franciscan's two 51-passenger bus schedules in its Livermore-San Francisco operation, each making one round-trip a day, transported a combined total average of 51 passengers each morning and 47 passengers each evening.

4. Franciscan operates three round-trip schedules a day in its Danville/Alamo service.

5. Franciscan was granted a 15 percent interim fare increase by Decision No. 92209 dated September 3, 1980.

6. In 1980, Franciscan's fuel costs increased 17.7 percent, its drivers' wages 16.2 percent, and all other expenses 15 percent.

7. Using 1980 projected revenue and 1980 projected expenses (1979 actual expenses increased by 15 percent) Franciscan's passenger stage operation will show a net loss in its Livermore operation of \$49,382 and a net loss in its Danville/Alamo operation of \$24,876.

8. If Franciscan charged the full amount of the requested increase in its Livermore operation in 1981 that operation would show a net loss after taxes of \$6,300.

9. If Franciscan charged the full amount of the requested increase in its Danville/Alamo operation in 1981 that operation would show a net profit of \$10,150.

10. The requested Livermore-San Francisco fare increase to \$163 a month for a passenger who makes daily round trips is necessitated primarily because of the 50 percent load factor in that operation.

11. BART's present single-ride cost between Livermore and San Francisco is \$2.25 while the single-ride cost between those points proposed by Franciscan will be \$3.70.

12. Increasing Franciscan's Livermore-San Francisco fares to the proposed level will (a) thwart any efforts on the part of Franciscan to retain or increase its present ridership and (b) encourage its riders to switch their patronage to BART's service.

13. Increasing Franciscan's Livermore-San Francisco fares to the proposed level will not solve Franciscan's financial problems nor its riders' desire to retain the service at a reasonable fare.

14. A 50 percent fare increase in Franciscan's Livermore-San Francisco service will partially satisfy its financial problems and at the same time keep its fares reasonably competitive with those of BART.

15. Franciscan has not aggressively attempted to generate business for its Livermore-San Francisco service.

16. The revenue needs of Franciscan's Livermore-San Francisco operation will be met by the combination of the fare increase authorized herein and through substantially increasing its load factor in that operation.

17. The increased fare applicable to Franciscan's Danville/Alamo-San Francisco as proposed in the application is necessary for the maintenance of that service.

18. The increases in fares authorized by this decision are justified and are reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

19. The fare increases granted by this decision will result in an insignificant decrease in Franciscan's patronage. The authorized fares will have little effect upon public transit systems.

Conclusions of Law

1. Application No. 59679 should be granted to the extent of authorizing Franciscan to raise its Danville/Alamo--San Francisco fares as requested in the application and by authorizing Franciscan to raise its Livermore-San Francisco 20-ride ticket fares equal to a single-ride cost of \$3.25.

2. In all other respects Application No. 59679 should be denied.

FINAL ORDER

IT IS ORDERED that:

1. Franciscan Lines, Inc. is authorized to establish the increased fares for its Danville/Alamo-San Francisco passenger stage service as proposed in Application No. 59679.
2. Franciscan Lines, Inc. is authorized to establish increased 20-ride ticket fares for its Livermore-San Francisco passenger stage service equal to a single-ride cost of \$3.25 between Livermore and San Francisco and equal to a single-ride cost of \$2.75 between Livermore and Oakland.
3. 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.
4. The authority shall expire unless exercised within ninety days after the effective date of this order.
5. In addition to the required posting and filing of tariffs, Franciscan Lines, Inc. 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 of the fare changes and shall remain posted for a period of not less than thirty days.

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6. In all other respects Application No. 59679 is denied.

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

Dated APR 21 1981 at San Francisco, California.

John E. Coyne President
Charles D. Howell
Thomas J. Smith
Robert C. Taylor
Lawrence C. Green Commissioners