

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Resolution TL-18904  
Rail Safety and Carriers Division  
October 21, 1999

RESOLUTION

**RESOLUTION GIVING PASSENGER STAGE CORPORATIONS  
TEMPORARY AUTHORITY TO ADJUST THEIR FARES  
WITHOUT SPECIFIC APPROVAL OF THE COMMISSION**

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SUMMARY

This resolution gives passenger stage corporations (PSCs) temporary authority to adjust their fares without specific Commission authorization. Under this temporary 180-day authority, the majority of carriers will be able to increase fares a maximum of 15 percent from their current fares. This action is being taken in response to the significant increases in fuel prices that have occurred in California.

BACKGROUND

Approximately 220 motor carriers of passengers hold a passenger stage corporation certificate from the Commission pursuant to Public Utilities (Pub. Util.) Code § 1031 et seq. PSCs provide passenger transportation services to the public, primarily scheduled fixed-route bus service or on-call airport shuttle van service. They are required to file tariffs with the Commission showing their fares and charges. (Pub. Util. Code § 486.) PSCs generally may increase fares only upon approval of the Commission. (Pub. Util. Code § 454.) The Commission is authorized by Pub. Util. Code § 454.2 to grant the request of a PSC to establish a "zone of rate freedom" (ZORF) when the Commission finds that the carrier is operating in competition with a substantially similar PSC or other means of transportation and that the carrier's charges will result in reasonable rates. Fare adjustments made within the zone of rate freedom are deemed just and reasonable.

Some PSCs have contacted the Commission's Rail Safety and Carriers Division (RSCD or staff) expressing a need to raise fares due to significant increases in their fuel costs. Generally, carriers advise that they would rather not go through the lengthy process of making formal application for a permanent fare increase, particularly given the possible

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transitory nature of the higher fuel costs. A formal application would require 30 days' notice and a specific Commission decision authorizing an increase.

RSCD has examined all of the PSC tariffs on file with the Commission and determined that about 25 percent of the carriers hold a ZORF. These carriers are able to make fare adjustments by filing a tariff amendment on 10 days' notice. Some of these carriers, though, were already at or near the upper limit of their ZORF prior to the fuel price increases.

Staff has reviewed price information on gasoline and diesel fuel published by various government agencies and private organizations. The information shows a spike in prices in April of this year, rising to a level ranging generally 30 to 45 percent above prices in effect at the beginning of the year. By early summer prices dropped as much as 15 to 20 percent below the April high. However, it was not long before prices started to climb again, approaching the levels experienced in April.

RSCD recommends that PSCs be given temporary authority to increase fares as much as 15 percent. Staff advises that it considered making a similar recommendation after the major increases in April, but the subsequent fall in prices appeared to make PSC fare relief a moot issue. However, with prices again elevated and absent any clear sign of a downward trend, RSCD now recommends that the Commission act to give PSCs a convenient mechanism to quickly adjust their fares to recover the increased costs.

### DISCUSSION

The reasons behind the price increases have been the subject of considerable scrutiny, speculation and debate. We need not make a finding regarding the underlying causes of the increases, however. The fact is that PSCs, like virtually every other operator of a motor vehicle in the state, have experienced substantial fuel price increases. Carriers have not all been impacted to the same degree. They operate various kinds and sizes of vehicles in various types of road and traffic conditions. Fuel costs as a percentage of total costs vary from carrier to carrier. The magnitude of the increases has not been uniform throughout the state. The many variables notwithstanding, we believe that authorization to temporarily increase fares up to 15 percent will provide adequate relief for the great majority of PSCs. Competitive pressures should keep carriers from applying any more of the increase than is necessary to recover their own higher fuel costs. Accordingly, we are authorizing PSCs for a 180-day period to make fare changes within a "zone of reasonableness" whose upper limit is 15 percent above their current fares. For those PSCs who have been granted a ZORF pursuant to § 454.2, the upper limit of the "zone of reasonableness" will be 15 percent above their authorized zone of rate freedom. Tariff changes under this temporary increase authority should be made in the form of a surcharge supplement, which may be made effective upon one day's notice.

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During the 180-day period the Commission and staff will review possible options for permanently giving PSCs greater flexibility to adjust their fares. In this regard, we note that Assembly Bill 1658 (a bill which updates numerous sections of the Pub. Util. Code) amends § 454.2 effective January 1, 2000, to give the Commission greater latitude in granting zones of rate freedom. This amendment could play a prominent part in our examination of program options.

### COMMENTS ON DRAFT RESOLUTION

To comply with Pub. Util. Code § 311(g), RSCD commenced publication of a Daily Calendar notice on September 21, 1999, that apprised the public of the availability of its draft of this resolution and solicited submission of comments by October 12, 1999.

Comments were submitted by Daniel W. Baker, Attorney at Law. Mr. Baker recommends that any authorized surcharge be more closely tied to the individual carrier's actual fuel costs. He does not object to granting relief, but believes a surcharge of 15 percent is not justified. In support of this position he cites fuel-related rate increases of .5 to 2 percent being charged by long-haul trucking companies.

We believe Mr. Baker understates the impact of price increases on PSCs. Fuel costs as a percentage of total operating costs for a small airport shuttle van operator, for example, may be very different from those of the long-haul truckers referred to by Mr. Baker. A surcharge in the .5 to 2 percent range would result in a carrier being allowed to raise a \$20.00 fare to a maximum of between \$20.10 and \$20.40. This does not appear to be adequate to address the needs of most PSCs. We wish to provide meaningful relief, and do so with minimum regulatory burden. As a temporary measure, we believe this surcharge mechanism is a fair and reasonable method of allowing PSCs to fully recover their increased fuel costs.

### FINDINGS

1. Sudden and significant increases in gasoline and diesel fuel have occurred in California.
2. PSCs have been reporting that they are currently paying significantly higher prices for these fuels than they paid early this year, and Commission staff has confirmed these claims.
3. A number of PSCs may be unable to recover cost increases without additional Commission authority.

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4. PSCs who have not been authorized a zone of rate freedom pursuant to Pub. Util. Code § 454.2 should be temporarily allowed for 180 days to file tariffs with fare adjustments within a "zone of reasonableness" whose upper limit is 15 percent above their current fares.
5. PSCs who have been individually granted a zone of rate freedom pursuant to Pub. Util. Code § 454.2 should be temporarily allowed for 180 days to file tariffs with fare adjustments within a "zone of reasonableness" whose upper limit is 15 percent above their authorized zone of rate freedom.
6. Because PSCs may need to respond promptly to changes in fuel costs, there is good cause to authorize them to make tariff filings on one day's notice.
7. The tariff filings authorized by the following order are reasonable and justified.

**THEREFORE, IT IS ORDERED that:**

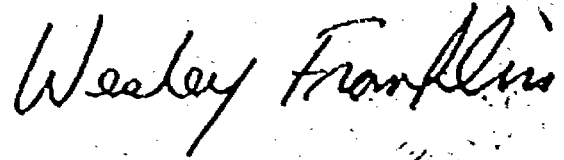
1. Until April 18, 2000, passenger stage corporations (PSCs) are permitted to file tariffs with fares that are within a "zone of reasonableness" whose upper limit is 15 percent above their current fares.
2. Until April 18, 2000, PSCs who have been individually granted a zone of rate freedom pursuant to Pub. Util. Code § 454.2 are permitted to file tariffs with fares that are within a "zone of reasonableness" whose upper limit is 15 percent above their authorized zone of rate freedom.
3. PSCs shall be allowed to exercise the actions permitted by Ordering Paragraphs 1 and 2 by making a tariff filing showing a percentage surcharge on any or all of their tariff fares and charges within the range authorized.
4. Tariff filings pursuant to this order may be made effective upon one day's notice (one day after filing with the Commission).
5. Any tariff filings authorized by this order shall expire April 18, 2000, absent further order by this Commission.
6. The Executive Director shall cause a copy of this resolution to be served on Attorney Daniel W. Baker and on every passenger stage corporation holding a certificate from the Commission.

This resolution is effective today.

RSCD/pw \*

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I certify that the foregoing resolution was duly introduced, passed, and adopted by the Commission at its regularly scheduled meeting on October 21, 1999. The following Commissioners voted favorably thereon:



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WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
JOEL Z. HYATT  
CARL W. WOOD  
Commissioners