

Decision 08-06-010 June 12, 2008

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of CUSA CC LLC to Abandon scheduled passenger stage corporation service between points in Los Angeles and San Francisco and to abandon service to intermediate points Oakland and San Jose (PSC 16907).

Application 08-04-018  
(Filed April 10, 2008)

**O P I N I O N**

**Summary**

This decision grants the application of CUSA CC, LLC (Applicant), a limited liability company, to abandon its passenger stage corporation (PSC) service between Los Angeles (L.A.) and San Francisco.

**Background**

Applicant conducts two distinct PSC services. The first has been in operation since 2004, pursuant to authority granted by D.04-07-016. It involves the transportation of passengers between Bakersfield and L.A. International Airport, L.A. Harbor, and Long Beach Harbor.

The second was commenced in late 2007 when Applicant assumed responsibility for operating a service originally started by Megabus USA in July 2007. From the inception, Applicant had been the actual operator of the buses used in the service as a sub-carrier for Megabus USA. However, after a short period of operation under this arrangement, the two parties determined that for operational and insurance-related reasons it would be advantageous for

Applicant to hold the PSC operating authority. The Commission approved a request to transfer the Megabus USA certificate to Applicant by D.07-10-005

Upon completion of the transfer, Applicant initially operated the Megabus service (1) between L.A. and San Francisco, stopping at Oakland, San Jose, and/or Millbrae; and (2) between L.A. and San Diego. Subsequently, D.08-03-013 approved Applicant's request to abandon the L.A. to San Diego service and to discontinue the stop at Millbrae due to low passenger demand.<sup>1</sup>

Applicant has been conducting the service using the same computerized ticket sale system that was established by Megabus USA.<sup>2</sup> Under this system, passengers are offered discounted fares as low as \$1 based on the time of ticket sale relative to the date of travel and other factors associated with yield management. The Commission specifically approved this method of selling tickets when it granted Megabus USA its PSC certificate by D.07-06-033.

The application seeks approval to abandon the L.A. to San Francisco service, ending all of Applicant's operations under the Megabus trade name.<sup>3</sup> Applicant states that passenger demand on this route has been much lower than expected. Moreover, the route is not proving to be remunerative due to intense competition from other motor carriers, as well as Amtrak and low cost air service. Applicant operates four trips per day in each direction. It reports that

---

<sup>1</sup> D.07-12-012 authorized Applicant to add service between Los Angeles and Oceanside. That service was never instituted, however, and it was deleted from Applicant's PSC certificate by D.08-03-013.

<sup>2</sup> After the transfer, Megabus USA continued to market and sell tickets for the Megabus service under an agreement with Applicant.

<sup>3</sup> Applicant's service from Bakersfield to L.A. International Airport, L.A. Harbor, and Long Beach Harbor is not affected by this request.

during February and March of 2008, a total of 6,658 passengers (an average of 111 per day) used the service to travel from Los Angeles to the Bay Area. The passenger count by cities was: San Francisco - 3,266; Oakland - 1,989; and San Jose - 1,403. Roughly the same number of passengers traveled in the opposite direction.

By Applicant's calculations, if the service continues to operate serving this same number of passengers, revenue for the year will be approximately \$1.61 million. Annual expenses are estimated at \$2.69 million, resulting in a projected loss of \$1.08 million. Given the ample transportation options in the L.A. to San Francisco/Oakland/San Jose corridor, Applicant does not believe public convenience and necessity requires continued service on this route.

### **Discussion**

In the decision that granted a PSC certificate to Megabus U.S.A. we noted the company's experience in operating similar services between Chicago and other major Midwestern cities and in the United Kingdom. Later, in approving the request to transfer the certificate, we cited Applicant's experience providing passenger transportation services under both Commission and federal operating authorities. Accordingly, it does not appear the low ridership is attributable to lack of experience or ability on the part of Megabus USA or Applicant to market and operate the Megabus service. Other more likely factors are the abundance of other means of transportation available to passengers (as Applicant claims) and perhaps a reluctance of Californians to fully embrace bus service for long distance travel. In any event, we agree with Applicant that cessation of the Megabus service will not materially impact the public. Applicant's revenue and expense figures demonstrate that it will suffer significant financial losses if the service continues. We therefore will grant the application.

Notice of filing of the application appeared in the Commission's Daily Calendar on April 16, 2008. Applicant served a copy of the application to the Cities of L.A., Oakland, and San Jose, the City and County of San Francisco, the County of L.A, and the involved public transit operators and transportation planning agencies.

In Resolution ALJ 176-3212 dated April 24, 2008, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protest has been received. Given this status, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3212.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

### **Assignment of Proceeding**

Richard Clark is the assigned Examiner in this proceeding.

### **Findings of Fact**

1. Applicant is authorized to operate as a PSC pursuant to D.04-07-016 and D.07-10-005.
2. The certificate granted by D.07-10-005, as revised by D.08-03-013, authorizes passenger transportation services between L.A. and San Francisco via the intermediate points of Oakland and San Jose.
3. The L.A. to San Francisco service is conducted under the trade name Megabus.
4. The application requests authority to abandon the Megabus service.
5. Demand for service on the L.A. to San Francisco route has been much less than Applicant expected.

6. During March and April 2008, 6,658 passengers (an average of 111 per day) utilized the service to travel between L.A. and the three involved Bay Area cities, and approximately the same number traveled in the opposite direction.

7. Applicant will incur a significant financial loss if it continues to operate the L.A. to San Francisco service.

8. Public convenience and necessity does not require continuation of service between L.A. and San Francisco.

9. No protest to the application has been filed.

10. A public hearing is not necessary.

11. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

### **Conclusions of Law**

1. Public convenience and necessity no longer require Applicant's service between L.A. and San Francisco.

2. The application should be granted.

3. Since the matter is uncontested, the decision should be effective on the date it is signed.

## **O R D E R**

### **IT IS ORDERED** that:

1. The certificate of public convenience and necessity (CPCN) granted to CUSA CC, LLC (Applicant), a limited liability company, authorizing it to operate as a passenger stage corporation (PSC), as defined in Pub. Util. Code § 226, to transport passengers and their baggage is revised by replacing First Revised Title Page with Second Revised Title Page, First Revised Pages 1 and 2 with Second Revised Pages 1 and 2, and Second Revised Page 3 with Third Revised Page 3.

2. Applicant is authorized to discontinue its PSC service between Los Angeles and San Francisco, and the intermediate points of Oakland and San Jose.

3. Applicant shall file revised tariffs and timetables reflecting the authorized service changes on not less than 10 days' notice to the Commission and the public.

4. Applicant shall post a notice of the cessation of service on its Internet Web site commencing at least 10 days prior to instituting the changes.

5. The Application is granted as set forth above.

6. This proceeding is closed.

This order is effective today.

Dated June 12, 2008, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners

CERTIFICATE  
OF  
PUBLIC CONVENIENCE AND NECESSITY  
AS A PASSENGER STAGE CORPORATION  
PSC-16907

-----  
Showing passenger stage operative rights, restrictions,  
limitations, exceptions, and privileges.

-----  
All changes and amendments as authorized by  
the Public Utilities Commission of the State of California  
will be made as revised pages or added original pages.

-----  
\*Supersedes the authority heretofore granted to  
Airport Bus of Bakersfield, Inc., a corporation,  
and Antelope Valley Bus, Inc., a corporation.

Issued by California Public Utilities Commission.

\* Revised by Decision 08-06-010, dated June 12, 2008, in Application 08-04-018.

**I N D E X**

	<b>Page</b>
SECTION I. GENERAL AUTHORIZATIONS, RESTRICTIONS, LIMITATIONS, AND SPECIFICATIONS.....	2, 3
SECTION III. SERVICE AREA .....	3
SECTION III. ROUTE DESCRIPTIONS .....	3

SECTION I. GENERAL AUTHORIZATIONS, RESTRICTIONS, LIMITATIONS,  
AND SPECIFICATIONS.

\*This certificate supersedes all passenger stage operative authorities granted to Airport Bus of Bakersfield, Inc., a corporation, and Antelope Valley Bus, Inc., a corporation.

CUSA CC, LLC, a limited liability company, by the revised certificate of public convenience and necessity granted by the decision noted in the foot of the margin, is authorized to transport passengers, their baggage, and express on a scheduled and on-call basis between the points described in Section II, over the routes described in Section III, subject, however, to the authority of this Commission to change or modify this authority at any time and subject to the following provisions:

- A. When a route description is given in one direction, it applies to operation in either direction unless otherwise indicated.
- B. Service will be provided only at the points described in Section II and over the routes described in Section III. A description of all the stop points and the arrival and departure times from such points shall be indicated in the timetable filed with the Commission.
- C. The term "on call," as used, refers to service which is authorized to be rendered dependent on the demands of passengers. The tariffs shall show the conditions under which each authorized on-call service will be provided, and shall include the description of the boundary of each fare zone, except when a single fare is charged to all points within a single incorporated city.

Issued by California Public Utilities Commission.

\* Revised by Decision 08-06-010, dated June 12, 2008, in Application 08-04-018.

SECTION I. GENERAL AUTHORIZATIONS, RESTRICTIONS, LIMITATIONS,  
AND SPECIFICATIONS (CONTINUED).

- D. This certificate does not authorize the holder to conduct any operation on the property of any airport unless such operation is authorized by the airport authority involved.

SECTION II. SERVICE AREA. \*

Bakersfield	Palmdale
Los Angeles Harbor	Lancaster
Long Beach Harbor	Los Angeles International Airport

SECTION III. ROUTE DESCRIPTIONS. \*

Scheduled Service

Route 1 - Commencing from Bakersfield, then over the most convenient streets and highways to Los Angeles International Airport.

Route 2 - Discontinued

Route 3 - Discontinued

Route 4 - Deleted

On-Call Service

Route 5 - Commencing from Bakersfield, then over the most convenient streets and highways to Los Angeles Harbor and Long Beach Harbor. Carrier may at its option operate this service via Lancaster and Palmdale.

Issued by California Public Utilities Commission.

\* Revised by Decision 08-06-010, dated June 12, 2008, in Application 08-04-018.