

Decision No. 31331

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
AIRLINE BUS COMPANY for a certificate
of public convenience and necessity to operate
passenger, baggage, and express service, as a
common carrier, between San Francisco and
Los Angeles and certain intermediate points,
via Coalinga.

} Application
No. 19971

In the Matter of the Application of
PACIFIC GREYHOUND LINES, INC., a corporation,
for certificate of public convenience and
necessity to operate a passenger stage service
as a common carrier of passengers, baggage and
express, between Maricopa Junction and Coalinga
via Taft and McKittrick.

} Application
No. 19972

Harry A. Encell, Joseph Miller and R. W. Zivnusca,
for Applicant, Airline Bus Company.

H. C. Lucas, for Applicant, Pacific Greyhound Lines.

H. W. Hobbs, for Southern Pacific Company, Protestant.

C. C. Haworth, for Orange Belt Stages.

Earl C. Cook, for Cook Stages, Protestant.

Arthur Blank, for the City of Coalinga.

J. J. Deuel, for the California Farm Bureau Federation,
in support of Application No. 19971.

BY THE COMMISSION:

SUPPLEMENTAL OPINION AND ORDER

The Commission, by Decision No. 29561, dated February 16,
1937, in the above entitled proceedings, granted to Airline Bus
Company a certificate of public convenience and necessity to oper-
ate as a passenger stage corporation between San Francisco and Los
Angeles, subject to certain minor restrictions, and to the major
restrictions that no passengers would be transported - (1) between
San Francisco and Hollister and intermediate points; (2) between
Maricopa Junction and Los Angeles and intermediate points; and
(3) between San Francisco, on the one hand, and Los Angeles on the
other hand. By the same decision the Commission denied to Pacific
Greyhound Lines, Inc. a certificate of public convenience and
necessity to operate a passenger stage service between Maricopa
Junction and Coalinga, via Taft and McKittrick.

ORIGINAL

Subsequent to the inauguration of the service authorized, the Airline Bus Company, on November 30, 1937, petitioned the Commission to reopen Application No. 19971 for the purpose of introducing evidence in support of its request that Decision No. 29561 be amended to permit applicant to transport passengers and their baggage between San Francisco and Los Angeles and between San Francisco and Hollister. The petition was granted (Decision No. 30521, dated January 14, 1938). Thereafter, Pacific Greyhound Lines, successor in interest to Pacific Greyhound Lines, Inc., filed its petition, on April 9, 1938, requesting a reopening of Application No. 19972. The petition of the Pacific Greyhound Lines was likewise granted (Decision No. 30787 of April 12, 1938).

Public hearings on the reopened applications were conducted by Examiners William H. Gorman and J. E. McCaffrey at Los Angeles, San Francisco, Hollister, Coalinga, Avenal, Taft and Maricopa. The matters were submitted on briefs which have been filed.

The territory which the Airline Bus Company, hereinafter referred to as the Airline Company, presently serves may be roughly described as that part of the west side of the San Joaquin Valley and adjacent territory extending from Maricopa Junction on the south to Hollister on the north. This territory, hereinafter referred to as the West side, is almost entirely dependent upon applicant for public transportation. At the present time applicant is operating one schedule daily each way between Los Angeles and San Francisco. The traffic now handled is meager. During the period from May 10, 1937, to December 31, 1937, 4, 138 passengers were transported. About 29% originated at or were destined to points north of Hollister, while approximately 53% originated at or were destined to points south of Maricopa Junction. The balance moved between points south of Hollister and north of Maricopa Junction.

The West side, with a population in excess of 25,000, is the location of the largest oil field development in California. The principal communities, however, are scattered. With the exception of Taft and Coalinga, there are no large traffic reservoirs

to tap. Moreover, it is not located on the main traveled arteries where there are areas with more traffic density to make profitable service to and from areas similar to the West side.

In its original application, the Airline Company requested authority to serve the terminal points of San Francisco and Los Angeles and between San Francisco and Hollister, in order to obtain revenue to support its proposed service on the West side. There was no showing of inadequacy of service between the terminals nor between San Francisco and Hollister; hence, the Commission restricted the service as heretofore described. This was done on the assumption that the Airline Company could provide the West side with adequate service without the terminal traffic and without traffic between San Francisco and Hollister. The assumption was incorrect, as experience has shown that the area, from a traffic standpoint, is not self-supporting. During the period from May 10 to December 31, 1937, the Airline Company sustained a net loss of \$16,223.98. Its present bus mile revenue is \$.0427 and its bus mile operating expense ⁽¹⁾ \$.0998. There is no immediate hope

(1)

The financial results of operation of the Airline Bus Company for the period May 10, 1937, to December 31, 1937, as shown by Exhibit No.A-4, are as follows:

	May 10, 1937 to December 31, 1937
<u>Transportation Revenue</u>	
Passenger Revenue	\$12,409.38
Baggage revenue	2.42
Other Transportation Revenue	389.69
Total Revenue	<u>\$12,801.49</u>
<u>Transportation Expenses</u>	
Operating Expenses	\$25,541.06
Depreciation of Plant & Equipment	3,198.56
Transp. & License Taxes	897.36
Unemployment & Social Security Taxes	261.00
Total Transportation Expenses	<u>\$29,897.98</u>
<u>Deductions</u>	
Leased Equipment Expense	395.60
Charter Trip Expense	476.91
Total Deductions	<u>\$ 872.51</u>
<u>Total Adj. Trans. Expenses</u>	\$29,025.47
<u>Net Loss</u>	\$16,223.98

that applicant, restricted to its present territory, can better its financial position. It contends that it must either abandon its service entirely or be permitted to participate in the Los Angeles-San Francisco traffic and the San Francisco-Hollister traffic.

Two conclusions may be clearly drawn from this record; first, public convenience and necessity require a public transportation service for the West side territory; second, the terminals of San Francisco and Los Angeles are adequately served. (2) In our original decision we also found that service was not inadequate between Hollister and San Francisco. Since then the service has been improved.

The Airline Company correctly states it must obtain additional traffic or abandon its service. In the event the latter course is forced upon applicant, the Greyhound has offered to provide a service from and to the West side, provided the Commission grants its certificate between Maricopa Junction and Coalinga (Application No.19972), and that it be granted an additional right between Hollister and Coalinga. The application requesting the latter certificate was filed during the course of the hearings on the reopened proceedings but has not been heard. (3) The application, however, was made a part of the record in these proceedings.

Thus, there are two courses which the Commission may follow, i.e., grant additional rights to the Airline Company or deny the Airline Company those additional rights and grant the Greyhound applications.

In passing, it may be fairly said that applicant is primarily concerned with the terminal business, while the Greyhound's main interest is to prevent applicant from participating

(2) Counsel for applicant so stipulated.

(3) The Greyhound requests that this application be granted exparte, in the event the Airline's application is denied.

in that business. While both carriers have adroitly drawn the battle lines in the West side territory, their main objective is the Los Angeles-San Francisco traffic. Only incidentally are they concerned with the West side territory. Eventually road conditions via the Airline route, which is now the shortest distance between Los Angeles and San Francisco, will be materially improved. The shorter distance and less traffic congestion eventually will make it a highly desirable route. Both companies realize this.

Sound regulation demands that we brush aside the private interests of these two carriers and focus our attention on the public interest and the vital need for adequate transportation in the West side territory. Viewed in this light, the struggle of the two companies over the terminal business is purely incidental to the main issue.

We have already stated that it is in the public interest to afford to the West side territory an adequate public transportation service. How then can this be best accomplished? The Airline Company offers a through service, without transfer of passengers or baggage, on schedules more frequent and faster than offered by Greyhound. The Greyhound, on the other hand, has offered a somewhat disjointed and, in some cases, circuitous service requiring transfers of passengers, with the ever present hazard of missing connections. Particularly is this true of the movement between the West side and San Francisco where, because of occasional unfavorable road conditions on the so-called "Lewis Creek route," delays will be inevitable.

In so far as service is concerned, the Airline Company's offer is superior to that of the Greyhound. But the offer of the Airline Company is conditional upon the Commission authorizing a material enlargement of their present certificate. Public interest also requires that we also look to the effect a diversion

of traffic will have upon the carriers now rendering a public service in other territories.

The Airline Company, in the event it obtains what is here requested, computes its cost of performing the service at about 15 cents per bus mile. This will amount to a total cost per year of approximately \$150,000.⁽⁴⁾ In order profitably to operate, it will be necessary to divert from existing carriers, or obtain from induced traffic, approximately 16,700 passengers per year, or 48 per day. While the Greyhound vigorously protested the application on practically every other ground, the record is silent on the question of whether a diversion of 48 passengers a day would jeopardize its ability to serve other territory. The only conclusion we can draw from this record is that Greyhound would not be vitally affected by this diversion. In reaching this conclusion, we are taking judicial notice of our decision In Re Application of Santa Fe Transportation Company, decided April 18, 1938, wherein we authorized a coordinated rail and bus service, between San Francisco and Los Angeles and other points, at fares of \$6.00 one way and \$10.80 round trip. We are also taking judicial notice of the fact that Greyhound reduced its fares to the same basis⁽⁵⁾ and that Greyhound is now before the Commission requesting a further reduction in its fares to \$5.00 one way and \$9.00 round trip to recoup part of its traffic losses to rail or rail and bus carriers.

While transportation conditions have materially changed since these matters were submitted, we are of the opinion that there is a reasonable possibility that the Airline Company, with an

(4)

Based on three schedules each way per day.

(5)

The Southern Pacific Company likewise reduced its coach fares to the same basis.

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Opportunity to participate in other traffic, can thus serve a
territory which requires public transportation service. (6)

In reaching this conclusion, we are not losing sight of the future possibility that materially improved road conditions could make the Airline Company the dominant bus carrier between Los Angeles and San Francisco. We are here concerned with the public interest, in so far as it demands an adequate transportation service to a rather limited territory. Granting the Airline Company the right to participate in other traffic is done only to insure service to the west side. The Airline Company is not entitled to now, nor in the future should it be allowed, to participate in the terminal business beyond the extent necessary to enable it to provide a reasonably adequate service to the west side territory. The number of schedules which Airline Bus Company will be permitted to operate will be limited to three each way per day (7) between San Francisco and Los Angeles and between San Francisco and Hollister, subject to the conditions in the order in these proceedings.

This certificate is granted for the purpose of providing an adequate transportation service in the west side territory. The Airline Bus Company is therefore placed on notice that an abandonment of service from and to this area will constitute sufficient grounds for the Commission to require the abandonment of service between the terminals and between San Francisco and Hollister. Applicant is also placed upon notice that the Commission will not look with favor upon an application to sell or otherwise dispose of the certificate herein granted.

(6) Airline Company proposes a \$6.25 one way fare and \$11.25 round trip. Since then, as previously stated, the fares between Los Angeles and San Francisco have been reduced below that basis. However, counsel on brief stated: "Although it is not a part of the record in this case, petitioner herein represents that it will at all times meet the lowest rail, bus, or bus and rail rate authorized by the Commission for the transportation of passengers between San Francisco and Los Angeles."

(7) The evidence shows that three schedules each way per day will provide adequate service to and from the west side territory.

Upon a full consideration of the evidence and the facts developed, as shown in the record herein, we conclude and find as a fact that public convenience and necessity require the establishment and operation by Joseph Miller, doing business as Airline Bus Company, of a passenger stage service between San Francisco and Los Angeles for the transportation of passengers, their baggage and newspapers, subject to the restrictions and conditions contained in the order herein.

O R D E R

A public hearing having been had in the above entitled proceeding, evidence having been received, the matter having been duly submitted and the Commission being now fully advised,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the establishment and operation by Joseph Miller, doing business as Airline Bus Company, of a service as a passenger stage corporation as that term is defined in Section 2-1/4 of the Public Utilities Act, for the transportation of passengers, their baggage, and newspapers between San Francisco and Los Angeles and intermediate points, as an extension and enlargement of the operative right heretofore granted by Decision No.29561, dated February 19, 1937, and as amended, subject to the following restrictions:

1. Not more than three daily round trip schedules may be operated between San Francisco and Los Angeles.
2. No local service shall be rendered between Los Angeles and Maricopa Junction.
3. No local service shall be rendered between San Francisco and Hollister, excluding Hollister.
4. No local service shall be rendered between Taft and McKittrick.

IT IS HEREBY ORDERED that a certificate therefor is granted subject to the following conditions:

1. Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed fifteen (15) days from date hereof.
2. Applicant shall commence the service herein authorized within a period of not to exceed thirty (30) days after the date hereof, and shall file in triplicate and concurrently make effective on not less than ten days' notice to the Railroad Commission and the public, a tariff or tariffs constructed in accordance with the requirements of the Commission's General Orders and containing rates and rules which in volume and effect shall be satisfactory to the Railroad Commission.

3. Applicant shall file, in duplicate, and make effective within a period of not to exceed thirty (30) days after the date hereof, on not less than five (5) days' notice to the Railroad Commission and the public, time schedules covering the service herein authorized in a form satisfactory to the Railroad Commission.
4. The rights and privileges herein authorized may not be discontinued, sold, leased, transferred nor assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has first been obtained.
5. No vehicle may be operated by applicant herein unless such vehicle is owned by said applicant or is leased by applicant under a contract or agreement on a basis satisfactory to the Railroad Commission.

IT IS HEREBY FURTHER ORDERED that Application No. 19972
be and it is hereby denied.

The effective date of this Order shall be twenty (20) days
from the date hereof.

Dated at Los Angeles, California, this 3rd day of
October, 1938.

Robert W. Phillips
Lydon C. Phillips
Frank R. Phillips
Ray L. Phillips
Commissioners.