

41104

Decision No. 41104

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
ALL AMERICAN BUS LINES, INC., for a  
certificate of public convenience and  
necessity authorizing operations as a  
passenger stage corporation between  
San Diego and San Francisco and Oakland,  
California, and intermediate points.

Application No. 27163

SIDLEY, AUSTIN, BURGESS & HARPER by JAMES F. OATES, JR., HUGH GORDON  
and WYMAN C. KNAPP; IRWIN T. QUINN; CLARENDON W. ANDERSON; LINDLEY,  
HIGGINS, LAZAR & JOHNSON by GEORGE A. LAZAR, JR., and THEODORE A.  
TWITCHELL, for Applicant.

EARL A. BAGBY; DOUGLAS BROOKMAN; ALLAN P. MATTHEW; GERALD H. TRAUTMAN  
and MILTON L. HUBER, for Pacific Greyhound Lines, Protestant.

STARR THOMAS; WILLIAM F. BROOKS; LEO E. SIEVERT; GLANZ & RUSSELL by  
ARTHUR H. GLANZ; LUCE, FORWARD, LEE & KUNZEL by FRED KUNZEL for The  
Atchison, Topeka and Santa Fe Railway Company and Santa Fe Transpor-  
tation Company, Protestants.

R. E. WEDEKIND; WILLIAM WEINHOLD; JOSEPH C. GILL and E. L. H. BISSINGER  
for Southern Pacific Company, Northwestern Pacific Railroad Company,  
and San Diego & Arizona Eastern Railway Company, Protestants.

EDWARD C. REMWICK for Union Pacific Railroad Company and Interstate  
Transit Lines, interested parties.

E. L. H. BISSINGER for Pacific Electric Railway Company, interested  
party.

EDWARD H. LAW, for City of San Diego, interested party.

FRANK S. RICHARDS and JOHN F. BALAM for Peerless Stages, interested  
party.

EDWARD STERN, for Railway Express Agency, Incorporated, interested  
party.

BEROL & HANDLER by EDWARD M. BEROL and FRED H. CHESNUT, for Air Line  
Bus Company, interested party.

OPINION

American Buslines, Inc., <sup>(1)</sup> by the instant application, as amended, seeks

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(1) Applicant will usually be referred to herein as American.

a certificate of public convenience and necessity permitting it to transport passengers intrastate from the California-Arizona state boundary near Fort Yuma to the California-Oregon state line near Crescent City, by way of San Diego and Los Angeles; then following generally the Coast highway through Santa Barbara, San Jose, San Francisco, Santa Rosa and Eureka. Authority is requested to serve most of the intermediate points along such route, but with some exceptions.<sup>(2)</sup>

Several months before American filed its application, Dave Wolzinger, operating as Pony Express Stages, made application for a certificate to render passenger stage service from the California-Nevada state boundary near Baker to Los Angeles; thence along the Coast Route to San Francisco, serving certain intermediate points. As the proposed services of Wolzinger and American were similar in many respects, the two applications were consolidated for the taking of evidence.

Public hearings were held at Los Angeles, San Francisco, San Diego, San Luis Obispo, Santa Rosa and Eureka, before Examiner Howard. They began February 25, 1946, and ended January 31, 1947, with 60 days during that period being devoted to the introduction and receipt of the evidence which comprises the record herein. Many technical and public witnesses were examined and hundreds of exhibits received.<sup>(3)</sup> Opening briefs of American and of those protesting its application were filed concurrently on June 16, 1947, and closing briefs were received August 11, 1947. Thereafter, on September 15, 1947, oral argument was presented before the Commission en banc. All issues inherent in this proceeding were thoroughly and ably presented for the consideration of the Commission.

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(2) No local service is proposed by American between (a) El Cajon and La Jolla, inclusive; (b) Newport Beach Junction and Los Angeles, inclusive, via Long Beach and Huntington Park; (c) Santa Ana and Los Angeles, inclusive; (d) Long Beach and Santa Monica, inclusive; (e) Los Angeles and Santa Monica, inclusive; (f) Los Angeles and Woodland Hills, inclusive; (g) Carpinteria and Goleta, inclusive; (h) San Francisco and San Jose, inclusive; (i) San Francisco and San Rafael, inclusive; and (j) Scotia and Arcata, inclusive.

(3) On April 7, 1947, after the receipt of all evidence, Dave Wolzinger sold his existing interstate passenger operative rights to Burlington Transportation Company, a subsidiary of American. Immediately thereafter he requested the Commission to dismiss his pending application for intrastate rights. This was done on April 22, 1947, by Decision No. 40191 in Application No. 26888. Consequently, only Application No. 27163 remains to be determined.

American Buslines, Inc., is a Delaware corporation. It is the successor in interest to All American Bus Lines, Inc. It possesses interstate common carrier rights to transport passengers by motor vehicle from coast to coast, serving thirteen states. It operates approximately 7,000 route miles extending from New York to San Francisco via Chicago, Illinois; St. Louis, Missouri; Dallas and El Paso, Texas; Tucson, Arizona; and San Diego and Los Angeles. It also owns a 100 per cent stock interest in Eastern Trails, Inc., and in Burlington Transportation Company. American's acquisition of the latter gave it control also of a 50 per cent interest in the Denver-Colorado Springs-Pueblo Motorway, Inc., a 50 per cent interest in the Denver-Salt Lake Pacific Stages, Inc., and a 100 per cent interest in the Muscatine, Davenport & Clinton Bus Co. American recently was authorized by the Interstate Commerce Commission to acquire Mo-Ark Coach Lines, Inc. Burlington Transportation Company operates from Chicago to San Francisco and Los Angeles via Salt Lake City, Utah, and Reno and Las Vegas, Nevada. Mo-Ark Coach Lines, Inc., operates between Kansas City, Missouri, and Florence, Alabama, via Memphis, Tennessee. American and its subsidiaries operate a transcontinental bus system of more than 17,000 route miles, offering service in twenty-six states and the District of Columbia.

The right which American seeks from this Commission is to carry passengers intrastate along substantially the same route now followed in its interstate operations between the California-Arizona boundary and Los Angeles, but it is not seeking an intrastate right between Los Angeles and San Francisco by the San Joaquin Valley route over which it now operates in interstate service. Instead, its proposed intrastate operation from Los Angeles to San Francisco and on to the Oregon line will be by the Coast highway. It has an application pending before the Interstate Commerce Commission to render an interstate service over this same route.

American declares that it has been modernizing its bus fleet as rapidly as possible during the past two years. It has arranged for the purchase of additional Aerocoach and A.C.F. Brill buses, and is testing a new model of the Twin

Coach Company which will be used if proven satisfactory. All equipment hereafter acquired will have seating capacity for thirty-seven passengers. It declares its intention, if the application is granted, to establish terminals at San Diego, Los Angeles, San Francisco, Long Beach, San Jose, Santa Barbara, San Luis Obispo, Salinas, Santa Rosa and Eureka, and also garage facilities at Los Angeles and San Francisco. It states that it is prepared to expend in excess of \$2,000,000 for such terminal facilities.

The intrastate fares proposed by American upon beginning operations are to be at the same level as those applied by Pacific Greyhound Lines and Santa Fe Transportation Company for corresponding services in California. Along the routes involved, such fares range from 1.16 cents to 1.50 cents per mile for a one-way fare with a round-trip fare approximately 180 per cent of the one-way charge.

The granting of American's application is opposed by Pacific Greyhound Lines, Santa Fe Transportation Company, The Atchison, Topeka & Santa Fe Railway Company, Southern Pacific Company, Northwestern Pacific Railroad Company, and San Diego and Arizona Eastern Railway Company.

Pacific Greyhound Lines is a California corporation. It serves along each of the routes over which American seeks to operate. It is one of the twenty-one bus companies affiliated through the Greyhound Corporation which together operate approximately 70,000 route miles throughout the United States, including extensions into Canada and Mexico. Pacific Greyhound Lines operates in excess of 9,000 route miles, its service extending from Portland on the north to San Diego on the south, and eastward to Salt Lake City, Albuquerque and El Paso. In California it has rights permitting it to operate along most of the major highway routes and to serve all of the principal cities, although some of its rights are restricted in favor of other local bus operators.

Santa Fe Transportation Company is a California corporation whose stock is wholly owned by The Atchison, Topeka & Santa Fe Railway Company. It conducts intrastate bus operations between San Francisco and Los Angeles, and intermediate points, by way of the San Joaquin Valley, and also between Los Angeles and San Diego, and intermediate points. It operates in association with the Santa Fe

Trailways System. The Atchison, Topeka & Santa Fe Railway Company provides rail passenger service between San Diego and Los Angeles, and a coordinated rail-bus service in connection with Santa Fe Transportation Company between San Francisco and Los Angeles.

The Southern Pacific Company provides rail passenger service from Portland to San Francisco via the Sacramento Valley, and from San Francisco to Los Angeles via both the San Joaquin Valley route and the Coast route. Two of its lines extend eastward from California, one from San Francisco over the Overland Route via Reno, and the other from Los Angeles along the southern route via Imperial Valley.

Northwestern Pacific Railroad Company, a subsidiary of Southern Pacific, renders rail service along the coast between San Rafael and Eureka. San Diego and Arizona Eastern Railway Company, also a subsidiary of Southern Pacific Company, renders rail service jointly with Southern Pacific between San Diego and Yuma via El Centro.

It is the contention of the several protestants that the evidence presented by American does not furnish a basis for the certification of an additional and competitive service, they claiming it has not been shown that public convenience and necessity require the proffered service. It is argued that the present operators have been discharging and are able to discharge their full duty to the public with respect to service schedules, equipment, facilities and fares. For this reason, they contend, it may not properly be found that the public interest requires the addition of a new carrier service in this field.

Describing now in more detail the extent of the bus service offered by American along the above generally delineated highway routes over which it seeks authority to conduct an intrastate service, it will be of aid to summarize not only the schedules it proposes to establish, but to note also the extent of the passenger service presently afforded by each of the existing carriers, both highway and rail. Such a comparison of American's proposed services with those now available will serve to simplify our subsequent analysis of the facts upon which

American relies in justification of its application for a certificate of public convenience and necessity, and will also aid our review of the contentions advanced by the several protestants.

Between Fort Yuma and San Diego

American proposes to operate three bus schedules in each direction daily between these points. It now has three interstate schedules along the same route, but offers to render intrastate service on such schedules to the extent that seats are available. The services presently afforded by existing carriers between the same terminals, or to points intermediate or beyond, are as follows:

Bus service is afforded by Greyhound along the whole of the route. This carrier operates nine schedules daily in each direction between San Diego and El Centro and eleven between El Centro and Yuma. Greyhound also provides nine schedules each way daily between El Centro and Los Angeles over another but shorter route by way of Indio.

Rail service is rendered jointly by Southern Pacific and San Diego and Arizona Eastern between San Diego and Yuma, via El Centro, with one train each way daily, and also one train daily operated between San Diego and Calexico. Southern Pacific operates six trains daily each way between Los Angeles and Yuma, via Niland.

Between San Diego and Los Angeles

American proposes to institute seventeen schedules each way daily between these two cities. Three would operate by way of Santa Ana, and fourteen would follow the coast highway via Long Beach.

Bus service is presently afforded between the same termini by Greyhound, Santa Fe Transportation Company, and Inland Stages. Greyhound provides thirty-seven schedules each way, three of which are routed through Santa Ana and the remainder through Long Beach. Santa Fe Transportation has nineteen daily schedules in each direction. Inland Stages operates three schedules each way over a more circuitous route through Elsinore.

Five passenger trains are operated by Santa Fe each way daily between San Diego and Los Angeles.

Between Los Angeles and San Francisco

American's application, as noted above, is for a right to carry passengers intrastate between Los Angeles and San Francisco only over the coast highway by way of Santa Barbara, Paso Robles and Salinas. It does not propose to operate intrastate by way of the San Joaquin Valley. It proposes to establish ten schedules each way daily over the full route, with one additional schedule between Los Angeles and Santa Barbara and between San Francisco and Salinas. No local service is offered between San Francisco and San Jose, inclusive:

Bus service is presently afforded between these termini, over both the coast route and valley route. Greyhound service between Los Angeles and San Francisco by way of the coast route consists of nineteen northbound schedules daily and eighteen southbound. Greyhound service from Los Angeles to Santa Barbara consists of twenty-two schedules, with one less schedule operated in the reverse direction; from Los Angeles to Paso Robles, eighteen schedules, with one less returning. From San Francisco to Salinas, Greyhound has twenty-four schedules, with one schedule less in the reverse direction; from San Francisco to Santa Barbara, it has nineteen schedules, with one less returning. It has sixty-five schedules each way daily between San Jose and San Francisco.

Southern Pacific's rail passenger service over its Coast line between Los Angeles and San Francisco consists of five trains in each direction daily. Between San Francisco and San Jose it operates twenty-seven local trains each way daily.

The existing bus and rail services between Los Angeles and San Francisco by way of the San Joaquin Valley are as follows:

Santa Fe Transportation provides fifteen bus schedules each way daily by the valley route, and this carrier, together with Santa Fe, operates four coordinated rail-bus schedules each way. Greyhound operates over the valley route with twenty northbound schedules daily and with eighteen southbound. Southern Pacific has three trains in each direction daily over this route.

The Airline Bus Company operates between Los Angeles and San Francisco

with three schedules each way daily, its route traversing the southern part of the San Joaquin Valley.

At the time evidence was taken in this proceeding there were forty-six airplane schedules each way between these two cities.

Between San Francisco and California-Oregon Line

American's proposed service over the coast highway northbound from San Francisco would consist of five schedules daily as far as Santa Rosa, three to Eureka, and two to Crescent City, with the same number of schedules respectively southbound. It does not offer service between San Francisco and San Rafael.

Greyhound now provides five schedules daily to Crescent City, eight to Eureka, ten to Ukiah, and thirty-one to Santa Rosa, with a like southbound service. Between San Francisco and San Rafael it has fifty-nine schedules each way.

A comparison of the volume of service thus offered by American, with that being supplied by the protesting bus carriers along the same route will be perceived more readily by expressing the scheduled runs of each in terms of bus miles that must be operated daily, without allowance for the running of extra sections. The approximate scheduled miles of each, by routes, is set forth below.

DAILY SCHEDULED BUS MILES \*

<u>Routes</u> <u>Between</u>	<u>Existing Bus Carriers</u>			: Proposed : by : <u>American</u>	: Total, after : addition of : <u>American</u>
	<u>Pacific</u> <u>Greyhound</u>	<u>Santa Fe</u> <u>Transp.</u>	<u>Total</u>		
Fort Yuma and San Diego	3,454		3,454	1,074	4,528
San Diego and Los Angeles	9,250	4,750	14,000	4,500	18,500
Los Angeles and San Francisco					
Coast Route	18,243		18,243	10,164	28,407
Valley Route	<u>15,275</u>	<u>15,710</u>	<u>30,985</u>		<u>30,985</u>
Both Routes	33,518	15,710	49,228	10,164	59,392
San Francisco and Crescent City	<u>3,354</u>		<u>3,354</u>	<u>2,320</u>	<u>10,674</u>
Total Scheduled Miles Daily	54,576	20,460	75,036	18,058	93,094

\* Not included in this tabulation are approximately 2,394 scheduled miles operated daily by Airline Bus Company between Los Angeles and San Francisco, nor about 1,038 miles operated by Inland Stages between Los Angeles and San Diego.



The scheduled bus miles of Santa Fe Transportation in its operations between Los Angeles and San Francisco, as indicated in the above table, include approximately 3,680 bus miles operated only between Los Angeles and Bakersfield in coordination with Santa Fe rail service. Evidence was presented by both Santa Fe Transportation and Greyhound to show that the actual bus miles operated along all such routes considerably exceed the scheduled mileages indicated, for the reason that frequently one or more extra section runs must be supplied. Along all its routes in California, Greyhound operated 59,289,684 bus miles in 1945, and 72,641,380 bus miles in 1946, which when reduced to an average daily operation, equaled about 162,437 and 199,017 bus miles daily during these respective years.

American offers to initiate its proposed service with the schedules above indicated, and commits itself to the acquisition of new equipment and construction of terminal facilities by the year 1951. It will be seen that the service offered on that segment between Fort Yuma and San Diego would amount to about 31 per cent of that presently given by Greyhound. On the route between San Diego and Los Angeles the offered service would constitute more than 32 per cent of that given by both Greyhound and Santa Fe Transportation. Between Los Angeles and San Francisco its proposed service over the Coast route would equal more than 55 per cent of that afforded by Greyhound over the same route, and fully 20 per cent of the total bus service afforded between these cities by both Santa Fe Transportation and Greyhound over the Coast and Valley routes together. Along the Coast highway north of San Francisco, it offers to render service equivalent to over 27 per cent of that afforded by Greyhound. Comparing the total quantum of bus service offered and that now supplied between the points affected, it is seen that American's proposed operations would add more than 24 per cent to that now furnished.

The testimony and argument which American has presented before the Commission in support of its application may be reviewed sufficiently by summarizing the evidence of record upon the four major propositions which it advances, namely:

That with the continued growth of the California cities which it seeks to serve, sufficient potential bus traffic will be available by 1951 to make its undertaking economically feasible;

That the applicant corporation possesses the experience and the financial ability to fulfill the service commitments given;

That the intrastate bus service rendered in California today does not adequately meet the public need;

That there exists a lack of competitive bus services today, justifying the entrance of a new carrier into the field.

Traffic Potential and Revenues

Estimates of the traffic load that American might realize, together with the expected revenues and expenses of operation, were given by its witness, Mr. C. G. Anthony, a consulting engineer. The material presented by this witness constitutes substantially all of applicant's technical evidence with respect to travel potential and anticipated operating results. Before commenting upon his estimates of revenues and expenses, his basic assumptions relating to prospective traffic should be explained in some detail.

Mr. Anthony's study of bus traffic trends and potentials was founded mainly upon operating statistics of certain bus carriers in the so-called Ninth Region, including the states of Washington, Oregon, California, Nevada and Arizona. After giving consideration to both national and local trends of population, business activity, and bus travel, he concludes that there will be a large increase in intercity bus travel over prewar levels, but that the greatly increased business of the war years would not continue. He referred to the bus travel of these recent years as hothouse traffic that cannot long endure and must disappear.

Mr. Anthony then adopted a figure to represent his estimate of the potential intercity bus passenger miles available to all carriers in the year 1951 when prewar trends will be reestablished. The figure of 16.87 billion passenger miles was adopted for the nation as a whole. Of this, ten and one-half per cent, or 1.8 billion passenger miles, were assigned to ten selected carriers in the Ninth Region, including the protesting bus carriers. He next assigned 0.27 billion passenger miles to American Buslines, Inc., upon beginning operations in California and Oregon, leaving 1.53 billion for the remaining Ninth Region carriers. His

next step was to divide the traffic thus remaining between Pacific Greyhound and the nine other carriers, giving 67 percent to Greyhound and 33 per cent to the others, a division, he stated, which follows the historical percentage trend.

Upon such estimate of potential passenger bus traffic assumed by Mr. Anthony to be available to American by 1951, should it procure both the interstate and intrastate rights in California and Oregon that are now applied for, he calculates the revenues it will then receive and the expenses incurred. Revenues are estimated at 1.51 cents per passenger mile, he stating that such passenger mile income is confirmed by American's actual operating experience west of El Paso. Then, after applying various bus load factors from 50 to 65 per cent, he finds that American's gross operating passenger revenue in 1951 will be \$4,197,527 with a 65 per cent bus occupancy, and \$3,228,865 with a 50 per cent occupancy. He believed the load factor would not be less than 65 per cent. Expenses are calculated at 27.85 cents per bus mile, a total of \$3,090,553. Hence, the net revenues of American are expected to be from \$138,312 to \$1,106,974, depending upon the bus load factor obtained. Mr. Anthony expresses his conclusion in the following words:

"Such analysis discloses that the granting of certificates to American Buslines, Inc., by the Interstate Commerce Commission, The Railroad Commission of the State of California, and the Oregon Public Utilities Commissioner will permit the dominating carrier in the field, Pacific Greyhound Lines, and other bus transportation companies to enjoy a profitable operation within the predictable future. Similarly, it demonstrates that American Buslines will likewise prosper."

The protesting bus carriers challenge the figures accepted by Mr. Anthony in his computation of revenues and expenses, they claiming that the passenger mile revenue he adopted exceeds that which they actually realize at the rates they apply, and that a passenger load factor of 65 per cent cannot be realized throughout the routes American will traverse. They likewise challenge the sufficiency of his assumed operating costs per bus mile operated.

Although further comment with respect to protestants' challenge of the soundness of Mr. Anthony's operating revenue and cost studies will be deferred, his testimony with respect to the travel potential in 1951 should at once be fully examined, for protestants contend that the basic premise accepted by this witness,

and the premise underlying American's application, is not that its offered service will either enlarge or improve the service now given by the existing carriers, but presupposes a mere substitution of American's service for a like quantity of service presently available. They assert that the assumptions underlying Mr. Anthony's study reveal that the traffic which he makes available to all bus carriers in 1951, after American has entered the field, would obviously be less than that rendered today.

We have already adverted to Mr. Anthony's testimony relating to the prospective passenger traffic available in 1951 to all bus carriers in the Ninth Region, and to his allocation of a part of that traffic to American. He did not study separately the traffic potential for California or upon the particular routes involved. It is clear that his forecast of total bus traffic for that year, whether expressed in bus miles operated or revenues received, is greatly below that actually realized by the existing carriers in the years 1942 to 1945 inclusive. In effect, he disregarded the war years by the development of a trend based on prewar years only. This may be illustrated by selecting for comparison the figures employed in his exhibit A-73 to indicate the vehicle miles actually operated, and the passenger miles and revenues realized in the years 1940 and 1945, together with his corresponding figures for the year 1951 after American becomes a participant in the total traffic accepted as being available to all at that time.

#### DIVISION OF BUS TRAFFIC AND REVENUES

##### Applicant's Comparison of 1940, 1945 and 1951.

	<u>Ninth Region Carriers, including Greyhound</u>	<u>Greyhound Lines only</u>	<u>American Buslines</u>
<u>Inter-city Passenger Miles</u>			
1940	1,011,755,000	624,099,000	
1945	2,938,312,000	1,890,713,000	
1951	1,799,000,000	1,026,000,000	266,894,000
<u>Vehicle Miles</u>			
1940	60,534,387	37,348,813	
1945	124,167,265	80,437,710	
1951	91,000,000	53,143,274	11,097,460
<u>Passenger Revenue</u>			
1940	\$ 15,094,623	\$ 9,658,161	\$
1945	53,354,670	34,823,733	
1951	32,741,800	18,878,400	3,100,075 to 4,030,099

Mr. Anthony stated that his forecast of potential bus traffic in 1951 was conservative. It is clear, however, that at the time he testified in October, 1946, he considered the volume of service then being rendered by Greyhound and Santa Fe Transportation along the routes American would follow in California to be definitely in excess of that reasonably required in the four or five years to come. It seems fair to conclude, therefore, that his prediction of a very substantial reduction in the bus miles operated by all western carriers in 1951, compared with 1945, was intended to apply with equal force to the California operations of the protesting bus carriers. When questioned with respect to his indicated decrease of 34 per cent in the bus miles that Greyhound might be expected to operate in that year, as well as a decline of 46 per cent in its passenger revenue, he stated that such a reduction in vehicle miles would apply to the protesting bus carriers, and that the potential traffic available to them would be greatly less than in 1945. Calling his attention to the 56 daily bus schedules each way then available between San Diego and Los Angeles, and American's offer to establish 17 schedules, he agreed that prudent management on the part of the existing operators would dictate a reduction in their service after American begins its operations, although he assumed that American would not make any reduction in its schedules, for he considered its schedules to be frozen by its offer.

Protestants contend, therefore, that the Commission should appraise American's offer of service by applying Mr. Anthony's forecast of future traffic to each of the routes over which it proposes to operate in California in competition with them. By applying such a test, the net effect of its offer would be revealed as an expected diminution of the service presently afforded. This is illustrated in the computation which follows.

DAILY SCHEDULED BUS MILES 1951

(Assuming Reduced Service as Estimated by Witness Anthony)

Routes Between	Total 1946 by existing carriers	After re- duction of 34%	To be oper- ated by American	Total Operations 1951	Increase or decrease com- pared with 1946
Fort Yuma and San Diego	3,454	2,280	1,074	3,354	- 100
San Diego and Los Angeles	14,000	9,240	4,500	13,740	- 260
Los Angeles and San Francisco					
Coast Route	18,243	12,040	10,164	22,204	+ 3,961
Valley Route	<u>30,985</u>	<u>20,450</u>		<u>20,450</u>	- <u>10,535</u>
Both Routes	49,228	32,490	10,164	42,654	- 6,574
San Francisco and Crescent City	<u>8,354</u>	<u>5,514</u>	<u>2,320</u>	<u>7,834</u>	- <u>520</u>
Total Scheduled Miles Daily	75,036	49,524	18,058	67,582	- 7,454

In reply brief, and in answer to the criticism thus made by protestants of Mr. Anthony's estimate of traffic potential, counsel for American seem to say that the testimony of this witness was not offered for the purpose of reflecting public travel needs either today or in the future, for it is stated that he was employed merely to inquire whether the introduction of American's service would constitute ruinous competition with the existing carriers. Should counsel's statement of the purpose of Mr. Anthony's study be wholly accepted, the implications inherent in such a concession make an appraisal of all parts of his testimony the more difficult. If his estimates of traffic potential are to be taken as mere hypothetical figures, then the soundness of his conclusions with respect to the expected economic results of American's proposed operations must be examined in the same light.

We shall proceed now to review other general evidence presented by American in support of its claim that public convenience and necessity demand that it be accorded the operative rights requested.

Applicant's Experience and Ability

As evidence of its experience and ability to successfully conduct an intrastate bus service of the extent and quality offered, applicant points to the remarkable growth of the American Buslines system in recent years. The bus system thus referred to comprises the operating properties of the applicant corporation together with the properties of several of the operating companies which recently were merged with it or came under its control through stock acquisition.

In the early part of 1945, the capital stock of All American Buslines, Inc., came under new ownership and the name of that corporation was changed to American Bus Lines, Inc., the applicant herein. Its operating rights then extended from New York to San Francisco by way of Pittsburg, Chicago, St. Louis, Salt Lake City, San Diego, and Los Angeles. American thereafter obtained control of other bus operating companies, mainly during the year 1946. The largest of the acquired operations was that of the Burlington Transportation Company. American states that its system operations now include about 17,000 route miles. It compares its corporate assets as of December 31, 1944 with the total corporate assets of the associated companies as of December 31, 1946 to indicate a growth in assets of from \$1,635,441 to \$9,926,055 during the two-year period. Applicant points also to arrangements made with financial concerns for the raising of additional capital to be used in the modernization of its bus equipment and establishment of adequate terminal and other service facilities.

It should be observed at once that the protesting carriers have directed much of their testimony and argument in challenge to American's representations that it is financially able to undertake the great expansion of its operations required if its pending applications before both interstate and state regulatory bodies are granted. The protestants also contend that applicant has had no experience in the conduct of bus operations of a kind that it offers to inaugurate in California, and has made its offer of service in this state without knowledge of the rates which here prevail and without making any adequate study of the financial results of such an undertaking.

The asserted remarkable growth in the assets of American and its associated companies during the last two-year period cannot be accepted as a measure of applicant's financial standing today or its ability to successfully carry out the commitments it makes in this application. An examination of its balance sheet reflecting assets and liabilities as of December 31, 1946 indicates that its financial position was then less favorable than it was at the end of either 1944 or 1945. At the end of 1945 it had cash on hand of \$1,061,582. As of December 31, 1946, it reported cash on hand of \$106,000. The margin between its total current assets and total current liabilities had also been considerably diminished and its earned surplus materially reduced. It is true that applicant, American Bus Lines, Inc., as well as the operating companies with which it merged or obtained control through stock ownership in the year 1946, had realized substantial net profits during the year 1944 and 1945, but American's income statement for the year 1946 shows a net operating loss of approximately \$830,000. Because of other income, consisting mainly of a dividend received from Burlington Transportation in the amount of \$308,528, together with a tax carry back credit, its reported net loss for that year amounted to \$171,612.

At the time the taking of evidence in this matter was completed, further evidence was made available to show American's operating income for January and February of 1947. It appears that American suffered a net operating loss of \$307,000 in those two months. It had then filed an application with the Interstate Commerce Commission for authority to issue additional common and preferred shares of stock, the proceeds of which would equal \$2,290,950. The purpose for which American proposed to apply such proceeds are revealing. All but \$898,250 of proceeds were to be used for the acquisition of the remaining 49% interest in the stock of the Burlington Company which American had agreed to acquire. Of the remaining proceeds, \$226,640 were used to pay two short term notes, and \$150,000 was for reimbursement of its treasury for payment of two installments falling due



on a note of \$1,500,000. The balance of \$520,610 was to provide American with working cash capital, it having represented in its application that it needed cash capital of an amount equal to approximately sixty days' operating expenses. However, the working cash capital thus made available was presumably reduced by the amount of the operating losses suffered during January and February 1947.

American would be called upon to engage in additional financing of substantial proportions if it were to construct the projected terminal and garage facilities in California and acquire the bus equipment which it dedicates to these proposed operations. As this Commission does not exercise authority over applicant's financing, it would be inappropriate for us to pass upon its ability to raise the capital necessary to permit such an expansion of its existing bus operations, or to consider the merits of the contentions made by the protestants that applicant is under the control of investment banking firms who seek only to gain a profit through the marketing of its securities. But this Commission is directly concerned with the economic soundness of the particular bus operations here proposed and with applicant's ability to carry out the service commitments it has made in this proceeding. We have reviewed the facts surrounding its assertedly remarkable growth in recent years for the purpose of determining whether such facts would justify the conclusion that applicant's experience elsewhere sufficiently evidences its ability to successfully perform the service here proposed at the rates it offers to apply.

The only other testimony offered by applicant to indicate its expectation of revenues resulting from the proposed operations was that presented through its technical witnesses. However, these studies, as heretofore indicated, do not relate to the intrastate operations in California alone, but to the entire Pacific Coast operations for which applicant is seeking both interstate and intrastate certificates from the various regulatory commissions. Such studies are not of material aid to this Commission in determining whether the whole or any part of its offered service in this state would be economically justified, or in determining the extent to which any existing carrier would be adversely affected.

It appears true, as protestants assert, that American's present operations, preponderantly interstate in character, are quite dissimilar to its proposed intrastate service along large segments of the route to be traversed in this state, and that the rates it applies elsewhere are considerably higher than those effective here. American's anticipation that it will enjoy a passenger mile revenue averaging 1.51 cents for all these operations appears impossible of realization. Greyhound points out that its average yield rate over the same routes is substantially less, it being approximately 1.3 cents between the largest centers of population. It is also pointed out that the passenger load factor assumed by applicant's witness is in excess of that which protestants obtain. Likewise, it is asserted by protestants that the expenses of operation assumed by applicant, which were predicated on its 1945 costs, are considerably below those being incurred during the closing months of 1946.

Applicant's claim that existing services are inadequate

American contends that the existing bus carriers are not presently able and will not in the future be able to provide transportation services adequate to meet the traveling needs of this state's increasing population. Apart from the study of prospective bus travel presented by Mr. Anthony, applicant's showing with respect to the adequacy of existing services was made through 123 public witnesses. Many of these appeared as representatives of public bodies or promotional organizations. Forty-six resolutions adopted by such bodies in favor of applicant's proposal were received in evidence. Other witnesses expressed conclusions based on their personal observation or experience.

The testimony given by such witnesses has been carefully considered but it cannot here be reviewed in detail. The substance of the various resolutions adopted by municipalities or other local bodies was to the effect that an added transportation service would be an asset to their communities. Those appearing to testify on behalf of such bodies did not, in general, express any criticism of the service given by the existing bus carriers. To the extent that any witness expressed an opinion that the service of Greyhound or Santa Fe Transportation had

been either inefficient or inadequate, it clearly appears that in large part the conditions to which they referred were occasioned by war-time controls or post-war necessities.

The testimony given by American's officials did not manifest any criticism on their part of the service being accorded by the protesting bus carriers. Indeed, it was conceded by Mr. James, its president, that the standards of service maintained by these carriers are not surpassed elsewhere, nor could he point to any delinquency on the part of these carriers in the discharge of their public service obligations. He agreed that as to terminal facilities, operating equipment and frequency of service, these carriers have performed their full duty. As to the fares they apply, he also conceded that they have done their full duty. Though he readily made such concessions as to the high standard of protestants' bus services, Mr. James stated that he still thought there was room for two services here, and considered that to be the issue presented.

This leads us to a consideration of applicant's contention that effective competition does not exist in the bus services afforded along the route over which it proposes to operate.

Applicant's claim of needed competition

It is evident that American's showing in support of its application for a certificate of public convenience and necessity rests heavily upon the claim that Greyhound possesses a monopoly in the field of bus transportation. The argument advanced by counsel appears to be that the want of a competitive service along some part of a highway route would of itself justify the certification of another carrier over the whole route.

In neither brief nor argument has applicant referred specifically to any advantages that would accrue to the traveling public by the mere injection of a competitive bus service along this entire route. It points to the high earnings realized by Greyhound in its system operations during the past years, leaving the inference that the traveling public along the route would be better served and enjoy lower rates were American's proposed service available. But it is difficult

to reconcile such assertions with the opinion expressed by Mr. James that the protesting bus carriers have done their full duty to the public with respect to both service and rates. Nor does applicant's showing indicate that the service it expects to render will excel that of the existing carriers or be accorded at any lower rates.

The volume of transportation service being rendered by all classes of carriers between the urban centers along the route in question has heretofore been described. It is true that Greyhound alone renders intrastate service between some of these communities. But between the larger centers of population there exists real and effective competition. Not only is there competition among bus carriers for the passenger traffic originating at San Diego, Los Angeles and San Francisco, the three largest cities along applicant's proposed route, but the standards of bus service which Greyhound and Santa Fe Transportation maintain between these population centers are to a large degree the same standards expected and realized by the smaller cities which may have only one of such services available.

We should briefly advert also to the accusation made in applicant's brief that the volume of service accorded by Greyhound in 1946, which was greatly in excess of that furnished in 1940, indicates that this carrier waited until competition knocked at the door before it manifested a readiness to fulfill its duty to the public. The charge is not justified. We may take cognizance of the fact, and the record shows, that this carrier, as well as Santa Fe Transportation, was diligent in attempting to improve its service after the end of war-time controls and equipment shortages. This could not be accomplished at once upon the termination of hostilities in August 1945. Yet, before the end of that year and before any application had been filed to render a competing service, Greyhound had succeeded in increasing its schedules along each segment of the route here involved. In most part its scheduled service was then fully twice that afforded in 1940. Neither can Santa Fe Transportation justly be charged with awaiting the threat of competition before supplying any needed public service.

### Conclusions

Before expressing our conclusions as to the sufficiency of the showing made by American in support of its application for certificate of public convenience and necessity to operate the intrastate bus service requested, we must direct attention to a statement made by its counsel in oral argument. It was said that this Commission should consider the application in its entirety, and indicated that if its showing be deemed insufficient to justify a finding of need for service on some part of its proposed route, while considering the showing sufficient as to another part, nevertheless, the Commission should grant the entire rights requested. Therefore, the Commission is called upon to weigh the evidence of record to determine whether in its entirety, the showing made permits of a finding that public convenience and necessity require the full operation proposed.

American's existing operations are primarily interstate. It enters California as an interstate carrier. The intrastate service that it asks to perform is designed in large part to complement its proposed interstate operations over the entire proposed route in this state and beyond. But the volume of service offered between the centers of greatest population is of a distinctly local service pattern. Transportation services of various kinds are afforded between these larger cities. One or more existing bus carriers operate between all points that American proposes to serve. The existing bus operations extend to communities on connecting routes, and also afford extensive local services between communities that American does not intend to serve although located along the proposed route. Therefore, it cannot be found that American offers to perform an intrastate bus service in a field that is not now fully occupied by existing bus carriers. Applicant's operations would be distinctly competitive with the existing carriers.

The services which American proposes to render are not of a type or pattern that is new or distinctive in character, nor are they designed to meet a new public demand. The quality of service offered with respect to operating equipment and terminal facilities cannot be taken to be of a higher standard than that now maintained by the protesting bus carriers. The rates offered are no lower than

those now applied. And applicant concedes that the bus service rendered by the protesting carriers is of a standard as high as prevails anywhere in the nation and that the rates they apply are generally the lowest. Indeed, applicant's service elsewhere has not been perfected to a like standard, and the rates it charges generally are fully one-third higher than those which it must offer in California to bring them to the level of those presently applied by the protesting bus carriers.

It does not appear that the volume of service proposed by American is designed to meet any public need for additional schedules of the number offered along various segments of its proposed route. In fact, its showing indicates that it does not expect its tendered service to continue long as a service additional to that now being given, for the testimony of its technical witness and of its president is to the effect that the volume of bus service presently rendered is more than ample for the present or for some time in the future. Moreover, in applicant's view, the protesting bus carriers should in the exercise of prudent management reduce their operations to the extent necessary to permit American to participate in the total traffic that will be available. Should it be true that there exists a surplus of bus transportation today or will be a surplus in the near future, which we do not find, the Commission could not, with consistency, find that public convenience and necessity require the certification of an additional service. The evidence does not indicate that the existing carriers will not or cannot render service along the route to the satisfaction of the Commission and to the extent justified by the public need.

Applicant claims that its competitive service would not be disastrous to the protesting carriers. It appears to the Commission that such competition would be neither healthful nor constructive. The adverse effect upon the existing bus carriers would be direct. They would be compelled either to reduce their schedules or to deteriorate the quality of their services to avoid direct and substantial losses in net revenue. The consequences would be detrimental not only to the traveling public along the particular route over which American operates,

but also, and perhaps to a greater degree, upon other communities which are dependent upon services afforded by these carriers, services which yield a lesser margin of income and necessarily would first be curtailed if financial losses compelled.

Upon considering the entire showing made by American in support of its application for a certificate of public convenience and necessity, the Commission finds that the evidence presented is inadequate and insufficient to permit the Commission to make the requisite finding that the public convenience and necessity require the proposed operation.

The protesting carriers ask the Commission to find that their services are fully adequate and that they have been and are now fully discharging their duty to the public. Such a finding is unnecessary and cannot appropriately be made in this proceeding.

### O R D E R

American Bus Lines, Inc., having filed an application with the Public Utilities Commission of the State of California for authority to operate as a passenger stage corporation as defined in Section 21 of the Public Utilities Act, public hearings having been held upon said application, the matter submitted on briefs and oral arguments, and the evidence and argument having been fully considered by this Commission, and basing this Order upon the conclusions and findings contained in the foregoing opinion;

IT IS HEREBY ORDERED that said application be and hereby is denied.

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

Dated at San Francisco, California, this 6<sup>th</sup> day of

January, 1948.

Harold P. Hule  
Justin F. Rogers  
Frank H. Howell  
R. F. Townsend  
Samuel P. Potter  
 Commissioners.