Decision No. 43981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Santa Fe Transportation Company, a California corporation, for authority to increase passenger fares	Application No. 29599
and	
Related Applications of West Coast Bus Lines, Ltd., Pacific Greyhound Lines, Peerless Stages, Inc., Gibson Lines, and Interstate Transit Lines, for authority to increase passenger fares.	Applications Nos. 29605, 29608, 29626, 29655 and 29677

Appearances

J. M. Souby, Jr., Allan P. Matthew, Gerald H. Trautman, Douglas Brookman, John F. Balaam, Robert E. Gocke, Reginald L. Vaughan, John G. Lyons, Edward C. Renwick, Glanz & Russell by Arthur Glanz, for applicants.

Perry Woodcock, for Richmond Chamber of Commerce; Daniel Ciucci and W. P. Carpenter, for Rollingwood Improvement Association; Mrs. Helen Negrin, in propia personna; Francis Guido and G. Rosekilly, for Western Addition Association; protestants.

A. J. Kirk and Wallace L. Ware, for Airline Bus Company; C. W. White, City Attorney, for City of Hayward; Arthur Carden, City Attorney, for City of San Leandro; Douglas Brookman, for Orange Belt Stages; Dion R. Holm, City Attorney, by Paul Beck, for City of San Francisco; Melvin Pinkham, for Humboldt Motor Stages; interested parties.

O P I N I O N

Applicants are passenger stage corporations engaged in the transportation of passengers within California.[1] By these applications, they seek authority to increase their intrastate passenger fares.

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[1] With the exception of Peerless Stages, Inc. and Gibson Lines, applicants also operate via interstate routes between points in California and points in other states.

The applications were heard on a consolidated record at San Francisco. The matters were submitted at oral argument.[2] By Decision No. 42422 of January 12, 1949, in these proceedings, applicants were granted an interim increase in one-way and round-trip fares for distances not exceeding 200 miles pending final disposition of the more extensive adjustments sought on a permanent basis.[3] This opinion deals with the permanent proposals.

Prior to the interim adjustment, applicants' one-way fares were generally based upon a mileage scale providing basic rates ranging from 1.5 cents per mile for distances not exceeding 300 miles to 1.25 cents per mile for distances over 400 miles. Round-trip fares were 180 per cent of the one-way fares. With the exception of Pacific Greyhound Lines, applicants would now adjust the permanent one-way fares under a mileage scale of rates varying with each 50-mile block and ranging from 2.0 cents per mile for distances of 50 miles or less to 1.65 cents per mile for a distance of 400 miles.[4] Greater distances would be charged for at the rate of 1.65 cents per mile for the first 400 miles plus 1.25 cents per mile for the additional distance. Greyhound would observe the foregoing scale in so far as it applies for distances not exceeding 200 miles. Fares for greater distances would be advanced by 10 per cent, a lesser increase than proposed by the other applicants for like distances. Round-trip fares of all applicants would be 180 per cent of the sought one-way fares.

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[2] During six days of hearing, 20 witnesses testified and 159 exhibits were received in evidence. The testimony of the witnesses and the oral argument comprise a total of 829 pages of transcript.

[3] The interim increase was authorized upon a showing that operations in 1949 under the then existing fares would be conducted at substantial losses.

[4] The term "permanent fares" as used throughout this opinion refers to the fares applicable prior to the effectiveness of the interim fares on February 1, 1949. The interim fares are currently in effect pending further order of the Commission.

Except for Gibson Lines and Peerless Stages, Inc., applicants would make no change in existing commutation fares.[5]

The record shows that applicants are the major bus lines operating in California and that as a group they serve virtually every section of the state. It also indicates that the permanent bus fares that they now seek to increase are the lowest ever maintained in California on a state-wide basis and that they are also the lowest in the nation. The record further shows that, while reductions in the fare structure have been made in the past, this is the first general advance in intrastate fares ever sought by Pacific Greyhound Lines and Santa Fe Transportation Company.

Evidence in support of the applications was introduced by officers of each applicant. Their testimony showed that the basic mileage scale used in constructing the permanent fares was developed from costs prevailing more than ten years ago. The witnesses also showed by oral testimony and exhibits that operating expenses had steadily advanced since that time to a point where they were now 60 per cent greater. Increases in wages and in the cost of maintenance, materials and supplies were said to account for a substantial proportion of the greater expenses. Despite these upward trends, operations during the war years were said to have been profitable because of the large volume of traffic which produced at times load factors as favorable as 80 per cent. The volume of traffic, however, was shown to have declined substantially from the peak reached during the war. The downward trend of traffic and the sharp advances in expenses, it was indicated, have operated to render the permanent rates insufficient to cover the cost of performing the service.

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[5] Gibson proposes to increase family and cancel monthly commutation fares and Peerless would increase monthly and cancel family commutation fares. Other proposals of various applicants involve increasing the minimum fare from 10 cents to 15 cents, addition of 3 miles to fare-making distances between points involving payment of bridge tolls, and construction of fares from or to points on branch lines by combination of local fares over the interchange point.

The estimated effect of the changed conditions upon applicants' financial position for the year 1949 was exhaustively treated by witnesses for applicants and by a transportation research engineer from the Commission's Transportation Department. They submitted a substantial number of exhibits dealing therewith, including balance sheets, operating studies, estimates of anticipated revenues and expenses under various bases, studies of the downward trend of traffic, and forecasts of the future volume of traffic. Senior accountants from the Commission's Department of Finance and Accounts, introduced analyses of balance sheets, income, surplus, operating property less depreciation, and operating accounts as of June 30 and September 30, 1949, for Gibson Lines, and as of August 31, 1948, for Pacific Greyhound Lines. These figures were in substantial agreement with applicants' records.

One group of exhibits portrayed estimated operating results for the year 1949 based on the assumption that operations would be conducted throughout the year under the permanent fares which applicants propose to increase. The exhibits also reflected advances in operating expenses known to have been experienced and the downward traffic trends considered appropriate by the witnesses under conditions existing when the exhibits were prepared. The conclusions of the witnesses are summarized in Table No. 1.

TABLE NO. 1

Estimated Operating Results for the year 1949
under permanent fares applicable
prior to effectiveness of interim fares.

	Revenues	Expenses	Net Operating Income	Operating Ratio
Pacific Greyhound Lines:				
Engineer	$19,883,500	$21,302,200	($1,418,700)	107.10
Santa Fe Transportation Co.:				
Applicant	2,021,688	2,430,336	(408,648)	120.2
Engineer	2,114,380	2,624,700	(510,320)	124.1
Gibson Lines: (1)				
Engineer	878,690	861,524	(2) 17,166	98.05
Peerless Stages: (1)				
Applicant	664,500	665,150	(600)	100.09
Engineer	660,400	655,700	(2) 4,700	99.3
West Coast Bus Lines:				
Engineer	34,975	48,695	(13,720)	139.20
Interstate Transit Lines:				
Engineer	48,960	82,050	(33,090)	167.60

(   ) - Indicates loss.

(1) Carrier's fares were on a higher level than those of other applicants by reason of increases authorized the latter part of 1947.

(2) Before provision for income taxes.

In considering this matter the operating results of Pacific Greyhound Lines have been reviewed on a state-wide basis, including all of the operations conducted.

Another group of exhibits submitted by the witnesses showed the estimated operating results for the year 1949 under the permanent fares proposed by each applicant. Effect was given in the calculations to known advances in operating expenses and to the anticipated decrease in the volume of traffic. The data are summarized in Table No. 2.

TABLE NO. 2

Estimated Results of Operation For the Year 1949
Under Permanent Fares Proposed By The Individual
Applicants

(In Thousands of Dollars)

		Revenues	Expenses	Net Operating Income	Net Income After Taxes	Operating Ratio (1)	Rate of Return
GREYHOUND							
Applicant	(2)	21,684	19,830	1,854	1,149	94.70	(3)
Engineer	(4)	23,692	21,428	2,264	(5)	90.40	(5)17.0
SANTA FE							
Applicant		2,418	2,430	(11)	--	100.49	--
Engineer	(6)	2,705	2,640	65	39	98.56	3.0
Engineer	(7)	2,741	2,641	100	60	97.82	4.3
GIBSON							
Applicant	(8)	920	865	55	32	96.42	12.5
Engineer	(9)	894	863	31	21	97.59	7.33
PEERLESS							
Applicant		700	654	46	29	95.76	6.99
Engineer		703	658	45	29	95.80	6.7
INTERSTATE							
Engineer		63	82	(19)	--	131.3	--
WEST COAST							
Engineer		43	49	(6)	--	113.7	--

(________) - Indicates loss.

(1) After provision for income taxes unless otherwise indicated.

(2) Revenue and expenses for San Francisco-Marin County commutation service not included.

(3) Rate of return was not submitted.

(4) Including revenues and expenses for all intrastate operations.

(5) Rate base not submitted. Rate of return was computed under a formula submitted by the Commission engineer hereinafter discussed. The formula was said to provide for income taxes.

(6) Revenues based upon no increase being applied to fares competitive with rail.

(7) Revenues based upon increase being applied to all fares.

(8) Figures shown are based upon application of increase to all fares. It was shown, however, that fares at competitive points could not be increased as proposed.

(9) Revenues based upon no increase in competitive fares.

The bases of the foregoing estimates and the conclusions of the witnesses were explained in considerable detail. The Commission engineer pointed out that certain operating expenses included in his estimates for Greyhound for the year 1949 were computed on the basis of the calendar year. In view of this, the amount shown in the expenses for a new employee pension system effective July 1, 1949, covered a period of only six months. Depreciation expense was based upon the amount of equipment including rebuilt units expected to be in operation in 1949, with no allowance on a substantial amount of equipment shown in Greyhound's books as being fully depreciated. The engineer indicated that on this basis the expenses probably would not be representative of those that would obtain for a full year in connection with establishment of increased fares for future operations. According to his exhibits "normalization" of these items would add about $498,000 to the annual expenses. This figure was based upon (1) increasing the amount allowed for the pension system to the basis of a full year, (2) depreciation expense taken on all equipment and with all equipment priced at historical cost new, and (3) equipment maintenance costs determined on the basis of the equipment being 50 per cent depreciated. Under the so-called "normalized" basis, the operating ratios and rates of return for Greyhound shown in Table No. 2 would be changed as indicated in the following tabulation:

	"Table No. 2" Basis		"Normalized" Basis	
	*Operating Ratio	Rate of Return	*Operating Ratio	Rate of Return
Proposed Fares	90.4	17.0	92.5	13.0

*Before provision for income taxes.

A witness for Greyhound testified that the company's costs for fuel and tires were subnormal. He explained that these items are purchased under contracts which provide for prices that are favorable in relation to current prices. It was urged that fuel and tire costs should also be "normalized" on the basis of current price levels.[6]

Exhibits were submitted by a witness for Greyhound in which the estimated operating results for the years 1948 and 1949 were segregated in accordance with traffic transported for distances of 200 miles and under and for distances over 200 miles. The figures for 1948 were based upon the permanent fares sought to be increased; those for 1949 reflected the effect of the proposed fares. The exhibits purported to show that the permanent fares in question were insufficient to cover the cost of performing service for distances of 200 miles and under and that the proposed fares would not be excessive. The estimates shown in Table No. 3 were taken from the exhibits.

Table No. 3

(In Thousands of Dollars)

	All Traffic*		Traffic 200 Miles and Under*		Traffic Over 200 Miles*	
	Year 1948	Year 1949	Year 1948	Year 1949	Year 1948	Year 1949
Revenues	$18,551	$21,684	$14,529	$17,445	$ 4,022	$4,238
Expenses	18,140	19,830	14,745	16,123	3,395	3,707
Net Operating Revenue	411	1,854	(216)	1,322	627	531
Income Taxes	156	705	**82	503	238	202
Net Income	255	1,149	(133)	819	389	329
Operating Ratio After Taxes	98.63	94.70	101.49	95.30	90.33	92.22

*Exclusive of the San Francisco-Marin County commutation service.
**Credit. This amount is that by which the deficit on traffic for 200 miles and under reduced the total income tax otherwise applicable.

( ) - Indicates Loss

The witness pointed out that the net income under the proposed fares for distances over 200 miles would amount to about $60,000 less than that under the permanent fares in effect in 1948. This was said to be due to the fact that the sought 10 per cent increase in fares for such distances would not fully cover the advances in operating expenses experienced on that traffic.

Five alternate basic scales of rates per mile were offered by the Commission engineer for consideration in determining the level

6 According to the witness, the contracts were made prior to the war. The contracts will expire in 1951.

of increased fares. The scales in question provided rates per mile varying with each 50-mile block as shown in the margin below.[7] The witness also submitted exhibits showing the rates of return that would obtain for each applicant for the year 1949 under fares developed from the several scales. The estimated rates of return shown in the exhibit are as follows:

(Rates of return in percentages)

	Scale "B"	Scale "C"	Scale "D"	Scale "E"	Scale "F"
Greyhound	4.6	6.5	5.4	6.5	1.6
Santa Fe	(Loss)	(Loss)	(Loss)	(Loss)	(Loss)
Gibson	6.53	6.53	6.53	6.53	6.53
Peerless	5.9	5.9	5.9	5.9	4.7
Interstate	(Loss)	(Loss)	(Loss)	(Loss)	(Loss)
West Coast	(Loss)	(Loss)	(Loss)	(Loss)	(Loss)

The estimated effect of the interim fares upon applicants' financial position for the year 1949 was indicated in exhibits introduced by the Commission engineer. His estimates were based on the studies of 1949 traffic trends used in connection with the

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Alternate Basic Rate Scales

(Rates In Cents Per Mile)

Mileage Blocks	Scale "B"	Scale "C"	Scale "D"	Scale "E"	Scale "F"
0- 25	2.0	2.0	2.0	2.0	2.0
26- 50	2.0	2.0	2.0	2.0	Grad.
51-100	Grad.	Grad.	Grad.	Grad.	Grad.
101-150	1.575	Grad.	1.575	Grad.	1.56
151-200	1.575	1.605	1.575	1.575	1.56
201-250	1.575	1.605	1.575	1.575	1.56
251-300	1.575	1.605	1.575	1.575	1.56
301-350	1.47	1.498	1.47	1.54	1.46
351-400	1.365	1.391	1.43	1.43	1.35
Over 400	1.312	1.338	1.375	1.375	1.30

NOTE--Where "Grad." is shown fares are graduated on a uniform basis between the distances shown.

A witness for Santa Fe Transportation Company also submitted an alternate basic rate scale. Subsequently, however, counsel for the company indicated that the rates therein were inadequate and he requested that the scale not be considered.

anticipated results under the proposed permanent fares. The engineer's estimates are summarized in the table shown below:

TABLE NO. 4

Estimated Operating Results For The Year 1949 Under
The Interim Fares
(In Thousands of Dollars)

	Revenues	Expenses	Net Operating Income Before Taxes	Operating Ratio(1)	Rate of Return
Greyhound	22,418	21,356	1,062	(3) 95.3	(2) 8.5
Santa Fe	2,220	2,628	(408)	118.4	--
Gibson	889	863	26	97.84	6.53
Peerless	695	659	38	96.26	5.9
Interstate	53	82	(27)	148.3	--
West Coast	37	49	(12)	132.2	--

(1) After provision for income taxes unless otherwise indicated.
(2) Rate of return computed under a formula submitted by the Commission engineer which was said to provide for income taxes.
(3) Before provision for income taxes. See reference (2).

The rates of return shown above for Greyhound reflect expenses that were not "normalized." Based on "normalized" expenses, the rate of return would amount to 4.5 per cent.

Witnesses for applicants subsequently testified that actual operating results for the first three months of 1949, which had become available since the aforesaid estimates were prepared, showed that the volume of traffic had further declined below 1948 levels. According to exhibits offered by a witness for Greyhound, the company's revenues for February and March, 1949, under the interim fares amounted to only 92.66 per cent of the aforesaid estimates.[8] The exhibits also showed that the further downward trend of the traffic indicated that Greyhound's annual revenues would fall about $1,800,000 short of previous estimates.[9] These calculations were

[8] The interim fares became effective February 1, 1949. The 1949 revenues on which the computations were made included the beneficial effect of the interim fares.

[9] The estimate of the revenue shortage was developed on a monthly basis extracted from an exhibit submitted by the Commission engineer showing only annual figures.

based upon applicant's total interstate and intrastate traffic in California. It was shown, however, that the interstate revenues reflected a 10 per cent increase effective the latter part of 1948.

Considerable testimony was introduced by applicants urging that economic conditions had become generally adverse and that the decline in traffic indicated by the months of February and March, 1949, would continue throughout the year. Greyhound's president testified that changes in business conditions are usually reflected at once in the volume of bus travel. He explained that he had inquired into the amount of bus traffic prevailing in the Middle West and in California during a trip made for that purpose in March of this year. According to his testimony, bus travel has generally shown a steady decline in the first three months of 1949. The witness said that bus line representatives in attendance at a meeting of their national association had indicated that like conditions generally prevailed throughout the nation. Santa Fe's general manager testified that his investigation in the East disclosed that bus operators were concerned about the falling off of bus travel. The witness further pointed out the month of March usually marked the commencement of the upward trend of traffic for each year after the winter period. It was asserted that the drop in intrastate traffic shown for March 1949, indicated that the decrease in traffic would continue. The Commission engineer stated that applicants' traffic levels in February and March, 1949, had decreased an average of about 8 per cent below those obtaining in the same months of 1948. Assuming that this reduction in traffic obtained throughout 1949, the engineer calculated that his previous estimates of the rates of return for Greyhound under the interim and proposed fares would be affected as follows:

(Rates of Return in Percentages)

	Previous Estimates (Table No. 4)		Estimates Under 8% Decrease in Traffic	
	(1)	(2)	(1)	(2)
Interim Fares	8.5	4.5	4.5	0.2
Proposed Fares	17.0	13.0	14.0	10.2

(1) Based on operating expenses not "normalized."
(2) Based on "normalized" operating expenses.

The engineer expressed the opinion, however, that Greyhound's volume of traffic would not decline throughout the year at the rate experienced for the two months in question.

Rate base figures were not submitted for Greyhound and the other applicants who engage in both interstate and intrastate operations. Counsel for Greyhound stated the company's intrastate rate base was not prepared because of the unusually difficult nature of the allocations involved and because it was believed to be a doubtful approach to the problems presented in these proceedings. He claimed that applicant's fixed capital was small in relation to the substantial cost of providing the services. He urged that in such circumstances the operating ratio provided a more reliable index for determining revenue needs. Counsel asserted that there was ample precedent for this procedure, citing in particular 47 CRC 497, in re Wilmington Bus Company, 42 MCC 633, in re Middle West General Increases in Truck Rates, and 49 MCC 4, in re Central Territory General Increase in Truck Rates. In addition, he said, recognized rate-making factors should be given effect in determining revenue needs. Otherwise, counsel urged, the rate-making function resolves itself into a mechanical process which limits earning power and is not responsive to unusual conditions.

The Commission engineer testified that accurate allocations were practically impossible to make in determining an intrastate rate base for carriers of this type engaged in both interstate and intrastate commerce. In lieu of conventional rate base figures, he offered a formula entitled "Operating Ratio As A Measure of Rate of Return for Passenger Stage Corporations," under which the rate of return would be determined from the operating ratio when related to the investment per 1,000 annual coach miles operated. The formula was developed from a study of the operating data of all bus lines operating in California in the year 1947. The witness testified that in his opinion the formula would be applicable to current operations.

As previously indicated, Greyhound proposes a lesser increase in fares for distances over 200 miles than that sought by the other applicants. It was strongly urged by witnesses for applicants, however, that the Commission should authorize a uniform adjustment of fares. It was pointed out that the larger carriers operate between many of the points served by the other applicants. Greyhound in particular, it was said, competes with all other applicants at a substantial number of points on their routes. It was contended that in view of this applicants could not maintain higher fares than their competitors without serious loss of traffic at such points. The witnesses for applicants asserted that any increase authorized that was not designed to maintain parity of fares would not afford appropriate relief.

The need for parity of fares was said to be illustrated by the circumstances that confronted Orange Belt Stages and Humboldt Motor Stages prior to the interim increase. According to counsel for these carriers, they had not been able to establish authorized advances in fares in their entirety because Santa Fe and Greyhound, respectively, had maintained lower fares between common points on the routes. It was asserted that any attempt to establish the higher fares would have resulted in serious loss of traffic. Counsel for Gibson Lines pointed out that exhibits of record disclosed that his company's recent attempt to maintain fares under an authorized adjustment higher than those maintained by Greyhound had resulted in substantial loss of revenue.

Counsel for applicants also urged the Commission to give consideration to the revenue needs of all of the applicants. They asserted that a fare adjustment based solely upon carriers having the highest load factors and the lowest costs would result in a less than reasonable fare structure for the other applicants.

A number of objections were made to the granting of the applications. A representative of the City Attorney of the City of San Francisco said that any increase in applicants' short-haul fares would adversely affect retail sales in San Francisco. He urged that such fares should be maintained at the level in effect prior to the interim increase.[10] Representatives of the Richmond Chamber of Commerce and the Rollingwood Improvement Association opposed the granting of the Greyhound application. They testified that the proposed increases would result in fares from San Pablo and surrounding area that would be burdensome to the residents thereof. It was indicated that a substantial number of people residing in Rollingwood and El Sobrante, points not directly served by Greyhound, travelled daily between San Pablo and Oakland and San Francisco under round-trip fares. It was conceded, however, that lower fares were available via other routes on which the service was said to be less desirable. Another witness residing in San Mateo said that she had no objection to such fare adjustments as were found necessary. She contended, however, that the service on some routes in the San Mateo area should be improved. Witnesses for the Western Addition Association of San Mateo urged that a horizontal increase of 10 per cent would afford adequate relief for all carriers without resulting in excessive earnings. According to the witnesses, upward trends in retail sales in the Bay area for the third and fourth quarters of 1948 over 1947 did not appear to support contentions that bus traffic would continue to decline. They specifically objected to the proposed increase in one-way and round-trip fares between San Francisco and San Mateo.

[10] The testimony was in accordance with a resolution adopted by the Board of Supervisors of the City and County of San Francisco which he presented.

Notices of the hearing in these proceedings were sent to a substantial list of parties throughout the state believed to be interested. Notices were also posted in applicants' vehicles at least ten days prior to the date of the hearing.

It is clear on the record that the fares sought to be increased in these proceedings are insufficient to cover the cost of providing the service. Determination of the adjustments that should be authorized, however, presents a number of problems. The distribution of the volume of applicants' traffic in the various mileage blocks varies greatly. The bulk of the traffic of some of the applicants is primarily long-haul; that of others is almost entirely short-haul. The tabulation below shows the percentage of each applicant's total revenue that is earned according to the mileage blocks shown in the proposed rate scales.

Miles	Greyhound	Santa Fe	Peerless	Gibson	Interstate	West Coast
0- 50	45.6	7.4	85.0	65.0	19.5	8.7
51-100	14.8	12.5	15.0	25.4	30.8	9.4
101-150	12.1	32.0	--	8.6	33.2	15.2
151-200	5.8	5.4	--	0.8	15.4	17.7
Over 200	21.7	42.7	--	0.2	1.1	49.0

Greyhound's annual volume of traffic and revenue far exceeds the aggregate amounts thereof for the other applicants as a group. Of the estimated aggregate revenue for 1949 for all applicants, Greyhound would earn 89.5 per cent of the total for 0-50 miles; 85.1 per cent for 51-100 miles; 77.1 per cent for 101-150 miles; 90.6 per cent for 151-200 miles; and 83.0 per cent for over 200 miles. A further problem arises from the circumstances surrounding the Gibson and Peerless operations. The bulk of their traffic is transported for distances of 50 miles and under. By adjustments authorized in 1947, their fares are already the same as or on a higher level than that sought herein for like distances.

The record indicates that all applicants are confronted with pressing revenue needs. In view of Greyhound's dominant position from the standpoint of volume of traffic and revenue, it appears that no single rate scale would provide for the full revenue requirements of each applicant without affording Greyhound fares which are not justified on this record.

The forecasts of the witnesses relative to the future volume of traffic differ. Applicants urge that all of the original estimates dealing with anticipated reductions in traffic are inadequate in the face of further decreases shown in the months of February and March, 1949. It was contended that the downward trends for the two months showed that the annual volume of traffic would drop about 11 per cent. If the indicated trend continues, this estimate would not be excessive.

Under the circumstances surrounding applicants' operations, the record is not convincing that the Commission should entirely disregard the rate of return method of measuring earnings in relation to investment as proposed by Greyhound. However, in an operation of this nature it should not be the sole measure used to determine the reasonableness of the fares.

With respect to the so-called "normalizing" of certain of Greyhound's expenses, the cost of the employee pension system which will become operative July 1, 1949, will be allowed for a full year in lieu of the period of six months included in the estimates. Under the circumstances shown here, the suggested "normalizing" of other expenses does not appear to be appropriate and should not be adopted.

Careful consideration has been given to all of the evidence of record, including decreasing traffic trends, competition, and the revenue needs of all applicants involved herein. The basic scale of rates and the related adjustments shown in the order that follows give substantial recognition to the intricate problems presented herein and would afford all applicants some relief. On this basis, the estimated annual results of operation would be as follows:

(In Thousands of Dollars)

Applicant	Revenues	Expenses	Net Operating Income	Operating Ratio	Rate of Return
Greyhound	21,111	20,151	960	* 95.5	** 7.9
Santa Fe	2,146	2,508	(362)	116.9	--
Gibson	800	861	(61)	107.6	--
Peerless	635	637	(2)	100.3	--
West Coast	36	49	(13)	136.1	--
Interstate	53	82	(29)	154.7	--

* Before provision for income taxes. The operating ratio after provision for income taxes would be 97.1.

** Computed from the formula submitted by the Commission engineer, supra.

(________) - Indicates loss.

Other related proposals remain for consideration. The sought increases in Gibson Lines' 30-ride commutation fares to the level of 1-3/4 cents per mile and in Peerless Stages, Inc.'s monthly commutation fares to the level of one cent per mile, appear to be no greater than necessary to cover increased operating expenses. Continuation of the present practice of adding 3 miles to fare-making distances for recovery of bridge tolls from passengers travelling between points involving toll crossings has been shown to be reasonable. Thereunder, the tolls would be borne only by those on whose trips such charges are incurred rather than by the whole body of traffic. The additional charges sought appear to be no greater than necessary to offset the cost of tolls.[11] A number of other changes sought involve modifications of existing tariff provisions in connection with the adjustments in fares herein authorized. They appear to be appropriate. The foregoing proposals should be authorized.

[11] The amounts that would be recovered under these proposals were included by the witnesses in their estimates of the results of operation submitted in these proceedings.

The request of Peerless for authority to cancel 30-ride family commutation fares should be denied. The record shows that 165 such tickets were sold in an average month. This is a substantial public demand for this type of ticket for a bus line the size of Peerless. The existing charges therefor, however, fail to cover the cost of performing the service. An increase in proportion to that authorized in one-way fares should afford reasonable recognition to the cost factor. This applicant's proposal to dispose of fractions involved in computing commutation fares by increasing the fare to the next fifty cents or one dollar, as the case may be, has not been justified. It should also be denied.

Authority for Gibson and Greyhound to discontinue the sale of mileage books providing for 700 miles of passenger transportation should be denied. They have been in effect for many years and appear to serve a useful purpose for some passengers. However, the present charges therefor are below the cost of performing the service. It appears that increases in such charges in proportion to those authorized in one-way fares would avoid breaking down the effect of the order herein and would afford reasonable recognition to the cost of the service.

Greyhound seeks authority to discontinue the sale of round-trip tickets in suburban territory where commutation fares are in effect and where cash fare boxes are used in the vehicles. A witness for applicant asserted that the proposal was mainly designed to afford faster and more efficient service. The record is not persuasive that the request should be granted. Moreover, it is doubtful that such an important and far-reaching matter should be dealt with in proceedings involving over-all revenue requirements. The proposal should be denied.

Upon consideration of all of the facts and circumstances of record we are of the opinion and hereby find that increased fares to the extent indicated above have been justified and that in all other respects applicants' proposals have not been justified.

ORDER

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that applicants be and they are hereby authorized to establish, on not less than five (5) days' notice to the Commission and the public, increased passenger fares as follows:

1. Cancel the interim fares authorized by Decision No. 42422 of January 12, 1949, in these proceedings, and establish increased fares as hereinafter provided.

2. Increase one-way passenger fares in accordance with the following bases:

For Distances	Bases for Fares
Not Over 50 miles	2.0 cents per mile
" 60 "	Fare of $1.15
" 70 "	" " $1.30
" 80 "	" " $1.45
" 90 "	" " $1.60
" 100 "	" " $1.75
" 110 "	" " $1.90
" 120 "	" " $2.05
" 130 "	" " $2.20
" 140 "	" " $2.35
" 150 "	" " $2.50

Over 150 miles - establish one-way fares on the basis of 110 per cent of the one-way fares that were in effect on January 31, 1949, but not less than the increased fare for 150 miles.

One-way fares for intermediate distances over 50 miles but not over 150 miles not shown above shall be determined by graduating the fares uniformly between those specifically set forth above.

3. Increase round-trip passenger fares on the basis of 180 per cent of the increased one-way fares authorized herein in lieu of said interim fares.

4. Increase minimum passenger fare from 10 cents to 15 cents.

5. Increase 30-ride commutation fares and cancel monthly commutation fares as proposed in the application, as amended, of Gibson Lines.

6. Increase monthly commutation fares as proposed in the application, as amended, of Peerless Stages, Inc. Also increase existing 30-ride family fares maintained by Peerless Stages, Inc. to the per trip basis of eighty-five per cent of the increased one-way fares authorized herein.

7. Increase to $13.00 the charges for 700-mile books maintained by and as described in the applications, as amended, of Gibson Lines and Pacific Greyhound Lines.

8. Establish additional charges for bridge tolls, and fares from or to points on branch lines, to the extent and in accordance with the bases shown in the individual applications, or as amended, herein.

9. Where the increased fares authorized herein end in other than "0" or "5", fractional amounts of 2.5 cents or less shall be reduced to the preceding "0" or "5"; fractional amounts over 2.5 cents shall be increased to the next "0" or "5". In connection with commutation and family fares, the provisions of this subparagraph shall be applied to the total fare.

IT IS HEREBY FURTHER ORDERED that to the extent departure from the terms and rules of General Order No. 79 is required to accomplish publication of the increases herein authorized, authority for such departure be and it is hereby granted.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED that in all other respects, the above entitled applications, or as amended, be and they are hereby denied.

IT IS HEREBY FURTHER ORDERED that concurrently with the effectiveness of tariffs naming the increased fares authorized herein, the interim increase granted by Decision No. 42422 of January 12, 1949, in these proceedings, shall be abrogated and superseded.

This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 28th day of June, 1949.

R. F. [illegible]
Justus F. Craemer
Harold P. Huls
Kenneth Potter
[illegible]

Commissioners