

ORIGINAL

Decision No. 44758

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of PACIFIC GREYHOUND LINES, a)
corporation, for an order authoriz-) Application No. 30868
ing increases in commutation fares.)
(Marin County and Sonoma County)
Services))

In the Matter of the Application)
of PACIFIC GREYHOUND LINES, a)
corporation, for an order authoriz-) Application No. 30869
ing increases in commutation fares.)
(Contra Costa County Service))

In the Matter of the Application)
of PACIFIC GREYHOUND LINES, a)
corporation, for an order authoriz-) Application No. 30870
ing increases in multiple-ride fares.)
(Peninsula Service))

Appearances

Allen P. Matthew, Gerald H. Trautman and Douglas
Brookman, for applicant.
Albert E. Bagshaw, Spurgeon Avakian, Fred H. Chesnut,
Jerold R. Hillesheim, Robert J. Cliphant, Francis
W. Collins, Wakefield Taylor, A. R. Linn, K. S.
Spoon, R. C. Kelly, John E. McKirahan, Arthur B.
Sullivan, Arthur J. Harzfeld, J. D. Burdick,
George F. Allen and Helen Negrin, for various
protestants.
Dion R. Holm, Paul L. Beck, Clarence J. Green,
Arthur W. Bowman, Elmer T. Hansen, Harry Foulds,
Vance W. Perry and Andrew A. Bergman, for various
interested parties.
J. T. Phelps, for the staff of the Public Utilities
Commission of the State of California.

INTERIM OPINION

Applicant is a passenger stage corporation engaged in the
transportation of passengers. In Applications Nos. 30868 and 30869,
as amended, it seeks authority to increase its commutation and one-way
and round-trip fares between San Francisco and points in Marin and

Sonoma Counties and between San Francisco and points in Contra Costa County, respectively. In Application No. 30870, as amended, it is proposed to increase only the commutation fares between San Francisco and points in San Mateo and Santa Clara Counties.

Public hearings of the application were had on a common record at San Francisco before Commissioner Potter and Examiner Jacopi. During the hearings, counsel for applicant made a motion for an interim increase in the commutation fares only. Counsel for the Commission's staff submitted a motion for consolidation of the instant proceedings with Application No. 31425 which applicant had since filed seeking advances in its state-wide one-way and round-trip fares as well as in commutation fares other than those involved herein. This opinion deals with these motions. The granting of the interim increase was opposed by counsel for the County of Marin and Federation of Marin County Commuter Clubs and by a representative of the City Attorney's Office of the City and County of San Francisco.

Applicant alleges that its operating expenses have materially advanced in recent years, that the commutation fares involved in the instant proceedings have not been increased since they were established, that the fares fail to cover the cost of operation and that the sought adjustments are necessary to avoid impairment of the various services in question.

Evidence relative to the proposals was submitted by applicant's president and vice president, by engineers from the Commission's Transportation Department and by a consulting engineer retained by the County of Marin and Federation of Marin County Commuter Clubs, protestants.

Marin County Operations

The full adjustment of commutation fares proposed by applicant in these proceedings involves advances ranging from 54 percent to 140 percent. The interim increases sought pending final disposition of the applications range from 32 percent to 100 percent. Applicant expects the interim fares to produce additional revenue amounting to about \$200,000 per year.

The record shows that applicant commenced its passenger service between San Francisco and points in Marin County on March 1, 1941, when the interurban passenger operations of the Northwestern Pacific Railroad Company were discontinued. Unlike applicant's other operations in the State, its Marin County service is mainly designed for the movement of commuters to and from San Francisco.¹ The commuter movement occurs during two peak periods from 7:00 a.m. to 9:00 a.m. and from 4:00 p.m. to 6:00 p.m., Mondays through Fridays. Of the total number of passengers handled per day in the Marin County operations, about 72 percent move during the peak periods in question.

Thy The Marin County service was ~~said~~^{shown} to be unusually expensive to perform because of the concentration of most of the passenger movement in two relatively short periods of the day. The record shows that the service during the off-peak periods is performed with a total of 25 buses and that the peak-period operations require about 105 buses to handle the traffic. It was indicated that but little use can be made of the peak-period equipment during the off-peak periods because of the small amount of traffic handled. ~~Assertedly,~~ Applicant's contracts with labor organizations require payment for the idle time of the drivers between the two peak periods.

¹ Applicant's Marin County operations referred to in this opinion include service between San Francisco and Santa Rosa, inclusive. This service is operated in part through Marin County to Santa Rosa and intermediate points.

The witnesses for applicant asserted that the present commutation fares were materially out of line with current cost levels. According to the testimony, the fares are now about 21 percent lower than those in effect in the year 1941 when applicant's service was commenced. Evidence was submitted showing that this was attributable to three reductions that had been made in the fares since that time. The first reduction, effective December 1, 1941, resulted from downward adjustments of Golden Gate Bridge tolls for a period of one year. Applicant matched the amount of the reduction and the fares were adjusted accordingly. At the end of the one-year period, the bridge authorities declined to continue the lower bridge tolls in effect. According to the witnesses, applicant absorbed the increased tolls rather than advance the fares. On September 1, 1944, reductions were made in most of the fares due to adjustments based on a uniform rate per mile in lieu of the varying bases theretofore used. A further decrease in the fares was made effective May 1, 1948, which reflected a downward adjustment of the bridge tolls. At the same time, monthly 5-day week fares were also established.

~~Asserted~~, ^{according to the witnesses} the cost of operation had increased from 27 cents per bus-mile in the year 1941 to 51 cents per bus-mile in the year 1949. The witnesses pointed out that operating expenses had further advanced under a labor contract that was recently negotiated in which the wage rate of \$1.45 per hour for drivers had been increased to \$1.49 per hour. It was also pointed out that favorable long-term contracts covering applicant's gasoline and diesel fuel requirements would expire October 31, 1950. Evidence was submitted showing that new contracts had been made which provide for material advances in the prices of the fuels effective January 1, 1951. In

the meantime, the expiration date of the present contracts has been extended to December 31, 1950.

Evidence relative to the estimated annual results of operation under the present fares was offered by applicant's vice president, by a Commission engineer and by the consulting engineer retained by the protestants. They submitted and explained a substantial number of exhibits dealing with analyses of revenues, expenses, depreciation, traffic trends and other operating data. Estimates of the results of operation under the present fares for the twelve months from February 1, 1949, to January 31, 1950, were introduced by applicant's vice president and ^{also by} protestants' engineer. ² The vice president's calculations were based upon applicant's book records. In instances where the expenses were incurred in common with other operations, the costs were apportioned under various bases developed by the witness. He submitted separate calculations of the results of the operations between San Francisco and points in Marin County and of the service that is operated through Marin County into Sonoma County as far as Santa Rosa, hereinafter referred to as the Sonoma County service. The estimates submitted by protestants' engineer dealt with the Marin County operations exclusive of the Sonoma County service. The exhibit introduced was designated as an out-of-pocket cost study but it was claimed by protestants' engineer that the expenses shown approached full costs. The figures used in the calculations were derived from various sources as hereinafter discussed. The estimated results of operation for the period in question as calculated from the exhibits offered by the witnesses

are summarized in the table below:

Estimated Revenues and Expenses for
the 12 Months February 1, 1949 to
January 31, 1950, under the Present Fares

	<u>Applicant</u>		<u>Protestants'</u> <u>Engineer</u>
	<u>Marin</u> <u>County</u> <u>Service</u>	<u>Sonoma</u> <u>County</u> <u>Service</u>	<u>Marin</u> <u>County</u> <u>Service</u>
<u>Revenues:</u>			
Passenger	\$1,364,950	\$ 394,332	\$1,364,950
Other Revenues	<u>19,082</u>	<u>3,961</u>	<u>19,082</u>
Total Revenues	\$1,384,032	\$ 398,293	\$1,384,032
<u>Operating Expenses:</u>			
Equipment Maintenance	\$ 289,190	\$ 79,359	\$ 199,218
Transportation	858,089	158,253	767,486
Station	101,334	42,410	74,013
Traffic	37,173	10,233	17,843
Insurance & Safety	108,740	33,729	93,923
Administrative & General	142,355	32,809	93,518
Depreciation	155,848	27,438	66,493
Operating Taxes	118,369	34,416	127,800
Operating Rents	<u>1,050*</u>	<u>5,076*</u>	<u>79*</u>
Total Operating Expenses	\$1,810,048	\$ 413,571	\$1,440,305
Net Operating Revenue	<u>(\$ 426,016)</u>	<u>(\$ 13,278)</u>	<u>(\$ 56,273)</u>
Operating Ratio	130.8	103.8	104.1
Bus Miles	3,200,529	1,034,837	2,929,000

() -Indicates Loss * Indicates Credit

For the twelve months from June 1, 1950, to May 31, 1951, estimates of the results of operation under the present fares were presented by applicant's vice president and by a Commission engineer. The figures submitted by the vice president were segregated by means of apportionments as between the Marin County and Sonoma County services. The Commission engineer introduced a single set of figures that covered both operations. The estimated results of operation under the present fares as calculated from the exhibits in question are set forth in the tabulation that follows:

Estimated Revenues and Expenses for the 12-Month
Period Ending May 31, 1951, for Operations in Marin and
Sonoma Counties under the Present Fares

	<u>Applicant</u>		<u>Commission Engineer</u>
	<u>Marin County Service</u>	<u>Sonoma County Service</u>	<u>Marin and Sonoma Counties Services</u>
<u>Revenues:</u>			
Passenger	\$1,276,000	\$393,100	\$1,613,700
Other Revenues	<u>18,000</u>	<u>4,000</u>	<u>24,700</u>
Total Revenues	\$1,294,000	\$397,100	\$1,638,400
<u>Operating Expenses:</u>			
Equipment Maintenance	\$ 290,200	\$ 87,900	\$ 359,800
Transportation	850,300	166,400	997,000
Station	95,000	41,000	136,900
Traffic	35,000	10,300	45,700
Insurance and Safety	94,000	32,450	118,500
Administrative and General	141,500	34,600	175,800
Depreciation	147,000	27,700	98,500
Operating Taxes	127,800	37,850	167,000
Operating Rents	<u>600*</u>	<u>5,100*</u>	<u>6,200*</u>
Total Operating Expenses	\$1,780,200	\$433,100	\$2,093,000
Net Operating Revenue	<u>(\$486,200)</u>	<u>(\$36,000)</u>	<u>(\$454,600)</u>
Operating Ratio	137.6	109.1	127.7
Bus Miles	2,929,000	1,035,000	3,946,700

() - Indicates Loss * Indicates Credit

The estimated operating results calculated by protestants' engineer were challenged in various respects by counsel for applicant. On cross-examination, it was developed that maintenance expenses were based on historical costs with adjustments for various subsequent increases. The counsel contended that this resulted in average maintenance costs applicable to the equipment at the average age of 3.7 years whereas its age now averaged 7.4 years. It was also contended by the counsel that the engineer's use of revenues for one 12-month period and calculation of various costs on the basis of the number of bus miles anticipated for a future period produced understated ~~the~~ operating losses. It was pointed out that the engineer's lower estimates of personnel required for supervision of transportation were not based upon surveys of the actual operations. The counsel also challenged the engineer's calculation of bus depreciation on the basis of 20-year life involving operation of 800,000 miles per bus. The engineer admitted that he did not know of any operation where such a depreciation schedule was used. It was also developed that in some instances various unit costs based on expenses for the year 1948 were used in the engineer's calculations without adjustment for current levels.

Counsel for protestants objected to various items in the estimates submitted by applicant's vice president for the twelve-month period ending May 31, 1951. The vice president allowed depreciation charges for all bus equipment based on 10-year life, including that fully depreciated on applicant's books, on the ground that such charges had never been earned in the service because of continual operating losses over the years. The counsel urged that depreciation should not be allowed on fully depreciated equipment. The estimated fuel costs were challenged on the ground that they were

based upon increased prices for the entire year whereas the present lower prices would prevail for at least one-half of the period. Administrative and general expenses shown in the estimates were claimed to be excessive. Objections were also raised relative to the propriety of the bases for a number of apportionments of the expenses. It was also contended that the amount of the downward trend in traffic used in the estimates was excessive.

In regard to the estimated operating results submitted by the Commission engineer, counsel for protestants questioned the propriety of apportioning certain station expenses on the basis of the number of bus schedules handled at the points. It was pointed out by the engineer that no depreciation charges were allowed in his figures hereinabove reproduced for equipment that is fully depreciated. He also pointed out that the fuel costs were calculated for the entire 12-month period ending May 31, 1951, on the basis of the present contract prices and that no effect was given in these particular calculations to the higher prices in the contracts that will take effect January 1, 1951.

Contra Costa County and San Mateo-
Santa Clara Counties Operations

Applicant's vice president offered exhibits showing the estimated results of operation under the present fares for the 12-month period ended January 31, 1950, and for that ending May 31, 1950. The exhibits showed that a loss amounting to \$78,375 was experienced in the former period and that operations in the latter period would result in a loss of \$143,700. The Commission engineer estimated that the loss for the 12-month period ending May 31, 1951, under the present fares would amount to \$82,600.

On the San Mateo-Santa Clara Counties service, applicant's vice president calculated that the present fares returned net operating revenue amounting to \$1,600, before provision for income taxes, for the 12-month period ended January 31, 1950. For the 12-month period ending May 31, 1951, he estimated that operations under the present fares would result in a loss of \$123,300. On the other hand, the Commission engineer calculated that for the latter period, the present fares would return net revenue amounting to \$38,300, after provision for income taxes. Protestants' engineer estimated that net revenue of \$354,192, before provision for income taxes, would be earned.

The evidence shows that the bulk of the traffic handled in the services in question is comprised of passengers traveling under one-way and round-trip fares. In view of the conclusion hereinafter reached concerning the sought interim increase in the commutation fares in these areas, it is not necessary at this time to discuss the differences in the calculations of the witnesses.

Protestants' Position

The granting of the sought interim increase was opposed by a number of interested parties. Counsel for the County of Marin and Federation of Marin County Commuter Clubs contended that applicant had not shown a need for an interim fare adjustment. He asserted that the record showed that the net earnings of the Greyhound System, of which applicant is a part, were unusually favorable and that the System was well able to meet the financial needs of the local operations involved herein. He argued that applicant's calculations of a number of the operating expenses, particularly depreciation, were questionable. Under these conditions, he said, interim relief should not be authorized.

A representative of the City Attorney's Office of the City and County of San Francisco also opposed the granting of the interim adjustment, particularly with respect to the service in San Mateo and Santa Clara Counties. He urged that the evidence submitted ^{by} ~~to~~ the Commission engineer indicated that these operations were not being operated at a loss under the present fares and that an interim increase was not justified. An individual residing in the territory in question also contended that no need had been shown for the sought adjustment.

Motion for Consolidation
of Proceedings

Counsel representing the Commission's staff pointed out that during the course of the hearings in these proceedings applicant had filed with the Commission Application No. 31425 seeking increases in its state-wide one-way and round-trip fares, including those in the San Mateo-Santa Clara Counties territory. He made a motion for consolidation of the instant proceedings with the state-wide application. He stated that the consolidation appeared to be necessary in order that a properly integrated state-wide fare structure might be developed. The motion was supported by the protestants.

Counsel for applicant objected to the proposed consolidation of the proceedings. He contended that this procedure would result in a substantial delay in the final disposition of the instant proceedings. He urged that applicant had avoided seeking increases in the commutation fares as long as possible, that its operating losses under the present fares were an undue burden and that the request for full relief should be disposed of by the Commission as soon as possible.

Conclusions

The evidence of record is convincing that the present Marin County commutation fares are insufficient to cover the cost of performing the service under current cost levels. These fares are now

lower than those in effect when applicant commenced the service in the year 1941. The interim increases sought range from 32 percent to 100 percent. This record does not justify granting fare advances as great as those proposed by applicant on an interim basis. Careful consideration of the evidence of record, including the questions raised relative to cost calculations, indicates that an interim increase of 25 percent in the present fares is justified and would afford applicant reasonable relief pending final disposition of the applications. ~~The increase in question should be authorized.~~ *and the same* In many instances, the fares as so adjusted will be on a slightly lower level than those that were in effect when applicant commenced the service in the year 1941. In view of the changes in the fares, *here authorized* it appears that the expiration date maintained by applicant in connection with the present commutation fares should be eliminated and that the so-called permanent fares should be canceled.

In regard to the commutation fares from and to points in Contra Costa, San Mateo and Santa Clara Counties, the record shows that, unlike the movement in the Marin County service, the bulk of the traffic moves under one-way and round-trip fares. The evidence is not convincing that an interim increase in the present commutation fares is necessary. The proposal should be denied.

The sought consolidation of these proceedings with the application for increases in applicant's fares between other points throughout the State is desirable. Although the one-way and round-trip fares as well as the commutation fares are involved in the applications dealing with the Marin County and Contra Costa County services, the proposal involving the operations in San Mateo and Santa Clara Counties covers only the commutation fares. The one-way and round-trip fares from and to points in the latter counties are covered by the state-wide application. In addition, the latter application

also involves advances in commutation fares between points other than those covered by the instant proceedings. All of the aforesaid commutation fares would be related to the one-way fares that are sought. Under these circumstances, development of a state-wide structure that reflects appropriate relationships would be facilitated by consolidation of the proceedings as proposed.

Upon careful consideration of all of the facts and circumstances of record, we are of the opinion and hereby find that an interim increase in applicant's commutation fares to the extent indicated in the foregoing opinion and as provided by the order herein has been justified; and that in all other respects applicant's interim proposals have not been justified.

INTERIM ORDER

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

IT IS HEREBY ORDERED that pending further order of the Commission applicant be and it is hereby authorized to establish, within sixty (60) days after the effective date of this order and on not less than five (5) days' notice to the Commission and to the public, increased commutation fares as follows:

1. Increase by 25 percent the commutation fares named in applicant's tariffs as follows: Local Passenger Tariff No. 373, Cal.P.U.C. No. 743 and supplements thereto; Local Passenger Tariff No. 192, C.R.C. No. 359; and Local Passenger Tariff No. 259, C.R.C. No. 601; and maintain the increased fares without expiration date.

2. When the increased fares authorized herein end in other than "0" or "5", a sufficient amount shall be added to make the resulting fare end in "0" or "5".

3. Cancel Local Passenger Tariff No. 368, Cal.P.U.C. No. 731.

IT IS HEREBY FURTHER ORDERED that in all other respects, applicant's interim proposals be and they are and each of them is hereby denied.

IT IS HEREBY FURTHER ORDERED that the Commission shall have and it does hereby retain jurisdiction of these proceedings for the purpose of altering or amending the increase herein authorized and for the purpose of establishing or approving such other increase as may appear proper in the light of other or further evidence received herein, and said proceedings are hereby consolidated with Application No. 31425 for further hearing and decision.

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

Dated at San Francisco, California, this 15th day of September, 1950.

L. E. Ingram
Justice J. C. Quinn
Charles F. Lowell

Robert H. Potter
Commissioners