

ORIGINALDecision No. 54304

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of TRANS-CONTINENTAL BUS SYSTEM, INC., a Delaware corporation, for authority to increase fares for services between points and places said Transcontinental Bus System, Inc., is presently authorized to serve as a passenger stage corporation.

Application No. 38017
As Amended

In the Matter of the Application of CONTINENTAL PACIFIC LINES, a California corporation, for authority to increase fares for services between points and places said Continental Pacific Lines is presently authorized to serve as a passenger stage corporation.

Application No. 38018
As Amended

Application of PACIFIC GREYHOUND LINES, a corporation, for an order authorizing increases in passenger fares in the State of California.

Application No. 38019
As Amended

In the Matter of the Application of AMERICAN BUSLINES, INC., a Delaware corporation, Debtor in corporate reorganization under Chapter X, by its Trustee, Richard W. Smith, and its Additional Trustee, W. F. Aikman, for authority to increase one-way and round-trip fares for services between points and places said American Buslines, Inc., is presently authorized to serve as a passenger stage corporation, as that term is defined in Section 226 of the Public Utilities Code.

Application No. 38195

In the Matter of the Application of GIBSON LINES, a California corporation, for authority to increase one-way and round-trip intercity fares for services between points and places said Gibson Lines is presently authorized to serve as a passenger stage corporation, as that term is defined in Section 226 of the Public Utilities Code.

Application No. 38196

Application of THE GREYHOUND CORPORATION (Overland Greyhound Lines Division), a corporation, for an order authorizing increases in passenger fares in the State of California.

Application No. 38218
As Amended

Appearances

Gerald H. Trautman of McCutcheon, Thomas, Matthew, Griffiths & Greene and Douglas Brookman, for Pacific Greyhound Lines, applicant.
Douglas Brookman, for The Greyhound Corporation (Overland Greyhound Lines Division), applicant.
Glanz and Russell by Theodore W. Russell, for Transcontinental Bus System, Inc., Continental Pacific Lines, American Buslines, Inc., and Gibson Lines, applicants.
John R. Worthington, for California Bus Association, and A. K. Linn, for Peninsula Bus Lines, interested parties.
Ray E. Smith, for Contra Costa County Commuters Association, protestant.
J. T. Phelps and Harold J. McCarthy, for the Commission staff.

SECOND INTERIM OPINION

Further hearings were held on the above applications on November 28 and 29, 1956, before Commissioner Ray E. Untereiner and Examiner Wilson E. Cline.

At these hearings evidence was introduced by the Commission staff witness to show that for the year 1957 present fares (including the interim 5 percent fare increase) will produce a rate of return of 7.9 percent and that the proposed fares would produce a rate of return of 12.6 percent on California intrastate operations of Pacific Greyhound Lines. As pointed out in our first interim decision, No. 53529, the exhibits of Pacific Greyhound Lines for California intrastate operations show a rate of return of 2.7 percent for the year ended December 31, 1955, and for the year ended June 30, 1957, a net operating loss of \$820,000 at fares in effect prior to the interim 5 percent fare increase and a rate of return of 4.8 percent at proposed fares.

The Commission staff studies have been based on a method of allocating expenses which is different from the method heretofore used by the staff and in substantial part approved by the Commission. Pacific Greyhound Lines requested that the hearings

be continued to a later date so that its representatives would have an opportunity carefully to review and consider the Commission staff studies relating to its operations. Further hearings have been set for January 9, 10 and 11 and February 8, 1957.

The following table is prepared from exhibits introduced in evidence by the applicants in this proceeding other than Pacific Greyhound Lines.

	Historical Period Jan. 1 to Dec. 31, 1955	Forecast Period at Proposed Fares July 1, 1956 to June 30, 1957
<u>American Buslines, Inc.</u>		
Net Operating Loss	\$ 45,663	\$ 41,959
Operating Ratio	127.11%	124.02%
<u>Gibson Lines</u>		
Net Operating Loss	\$ 55,845	\$ 53,652
Operating Ratio	109.80%	109.16%
<u>Transcontinental Bus System, Inc. (Continental Western Lines Division)</u>		
Net Operating Loss	\$308,697.24	\$268,137.24
Operating Ratio	148.06 %	138.3 %
<u>Continental Pacific Lines</u>		
Net Operating Loss	\$ 17,879.33	\$ 16,912.33
Operating Ratio	200.8 %	186.9 %
<u>The Greyhound Corporation (Overland Greyhound Lines)</u>		
Net Income	\$ 4,580.00	\$ 8,588.00
Operating Ratio	96.6 %	94.3 %
Rate of Return	.53%	1.07%

At the hearings on November 28 and 29, applicants American Buslines, Inc., Gibson Lines, Transcontinental Bus System, Inc. (Continental Western Lines Division), and Continental Pacific Lines introduced evidence to show that certain of their costs of operations have increased considerably since July of 1956. At the close of the hearings on November 29 these applicants moved that the Commission issue a second interim order granting increased fares as originally proposed in their applications. Counsel for these

applicants stated that such request for further interim relief was conditioned on similar authority being granted to their competitor Pacific Greyhound Lines. Pacific Greyhound Lines and The Greyhound Corporation joined in the motion.

Counsel for the applicants other than the two Greyhound carriers has urged that higher interim fares are necessary in view of the considerable revenue needs of the carriers he represents and in order to maintain the present competitive situation. He has stated that the inability of the carriers which he represents to operate profitably does not necessarily arise as a result of inefficiency on their part. He pointed out that Greyhound was earlier in the field of passenger carriage, serves more points, and enjoys wider customer acceptance than the other carriers. Also, it serves between many points without competition from other passenger stage carriers.

The arguments of Counsel are well made, and have had our careful consideration. The preservation of competition is a desirable objective, particularly if it should ultimately prove true that Greyhound's present advantages are temporary in nature and that its competitors can, in the long run, operate profitably at the same rates as those required by Greyhound. The basic function of competition is to assure the public of satisfactory service at reasonable rates. However, in a regulated industry, competition is not indispensable to protect the public interest. We may, in our final order in these proceedings, give further consideration to the question of whether, and to what extent, we may be justified in setting rates for the purpose of preserving competition. For purposes of this interim order, however, based upon an assertion by applicants of an emergency situation and with all the facts not yet before us, it is our conclusion that

we are not justified in requiring customers to pay fares higher than are necessary to provide for the continuance of good service by Greyhound, in those areas where Greyhound serves.

No evidence of the need for further interim relief has been offered by Pacific Greyhound Lines. As previously stated the Commission staff testimony is that the present fares including the 5 percent interim increase will produce a rate of return of 7.9 percent for the year 1957. For purposes of this interim order, in which the evidence should be read in the light least favorable to the applicants, this estimate will be accepted, even though, after cross-examination and further evidence, it may be modified or rejected by this Commission. The Commission hereby finds that no emergency exists which entitles Pacific Greyhound Lines to further interim rate relief. The motion for such relief, therefore, will be denied as to Pacific Greyhound Lines.

The competitive situation is such as to Transcontinental Bus System, Inc., Continental Pacific Lines and The Greyhound Corporation (Overland Greyhound Lines Division) that they cannot avail themselves of any authorization to increase their fares beyond those which Pacific Greyhound Lines is authorized to charge. The condition in the motion for interim relief itself requires us also to deny the motion as to these applicants.

American Buslines, Inc., and Gibson Lines have certain California intrastate operating rights which are not competitive with those of Pacific Greyhound Lines. No evidence has been offered by the Commission staff with respect to the operating results of American Buslines, Inc. A Commission staff witness testified that he had reviewed the operating results of Gibson Lines and that his examination substantially confirmed the actual and estimated results of operation of Gibson Lines set forth in the table above. As to Gibson Lines the record clearly indicates a necessity for

further interim relief. American Buslines, Inc., and Gibson Lines will be authorized to increase their fares as hereinafter provided. It is evident that these two applicants will be able to increase their fares pursuant to such authorization only as to that part of their service where they are not in competition with Pacific Greyhound Lines.

In their applications American Buslines, Inc., and Gibson Lines have requested that their one-way and round-trip fares be increased by 15 percent, and they have proposed that if the increased fares result in a figure not ending in "0" or "5" the fares be adjusted to the next higher figure ending in either "0" or "5", as the case may be.

The one-way fares authorized in Decision No. 45785, issued May 29, 1951, were based on a mileage table. The round-trip fares were established at 180 percent of the one-way fares. In order to prevent distortion of the relationship of the fares established by such decision, American Buslines, Inc., and Gibson Lines will be authorized to base their increased one-way fares, including joint fares maintained between American Buslines, Inc., and Gibson Lines, on the following revised mileage table with the round-trip fares and minimum rates as indicated below:

<u>One-Way Fares For Distances</u>		<u>Rates in Cents per Mile Except as Shown</u>
Over	But Not Over	
0 Miles	25 Miles	\$.030
25	50	.028
50	100	.026
100	150	.024
150	200	.022
200	250	.021
250	300	.020
300	350	.019
350	400	.018
400	-	.017
Round-trip Fares		180 percent of one-way fares
Minimum Rate		20 cents

If the increased fares result in a figure not ending in "0" or "5" cents the fares may be adjusted to the nearest figure ending in either "0" or "5" cents, as the case may be.

The fares based on the mileage rates in the above table will produce substantially the same amount of additional revenue as fares based on the 15 percent increase as requested by the applicants. These fares for American Buslines, Inc., and Gibson Lines are found to be justified and will be authorized.

The language of the interim order of Decision No. 53529, issued August 3, 1956, will be revised so as to make clear that the round-trip fares therein authorized are to be 180 percent of the increased one-way fares and the fares for 10-ride family books issued by Pacific Greyhound Lines are to be 900 percent of such one-way fares, with a rounding off of the round-trip fares and the 10-ride family fares so computed where necessary. The fares provided by such ordering paragraph as revised in paragraph 4 of the second interim order herein are found to be justified.

SECOND INTERIM ORDER

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

IT IS HEREBY ORDERED that:

1. The motion for further interim fare increase is denied as to applicants Transcontinental Bus System, Inc., Continental Pacific Lines, Pacific Greyhound Lines, and The Greyhound Corporation (Overland Greyhound Lines Division).

2. Such motion for further interim fare increase is granted as to applicants American Buslines, Inc., and Gibson Lines only to the extent hereinafter provided, and in all other respects said motion is denied.

3. American Buslines, Inc., and Gibson Lines are hereby authorized to publish and file, on not less than five days' notice to this Commission and to the public, increased fares based on mileage rates as follows:

<u>One-Way Fares For Distances</u>		<u>Rates in Cents per Mile Except as Shown</u>
Over	But Not Over	
0 Miles	25 Miles	\$.030
25	50	.028
50	100	.026
100	150	.024
150	200	.022
200	250	.021
250	300	.020
300	350	.019
350	400	.018
400	-	.017
Round-trip Fares		180 percent of one-way fares
Minimum Rate		20 cents

These mileage rates shall be applied to the route miles operated by American Buslines, Inc., and Gibson Lines on the effective date of this order. Any increased fares which result in a figure not ending in "0" or "5" cents may be adjusted to the nearest figure ending either in "0" or "5" cents, as the case may be. This authorization to increase fares applies to local intercity fares (excluding Gibson Lines' Local Passenger Tariff No. 33A, Cal. P.U.C. No.55) and to joint intercity fares maintained between American Buslines, Inc., and Gibson Lines, but does not apply to commute fares, school fares and fares for mileage books.

4. The ordering paragraph of the interim order of Decision No. 53529, issued August 3, 1956, is hereby revised to read as follows:

IT IS HEREBY ORDERED that Transcontinental Bus System, Inc., Continental Pacific Lines, Pacific Greyhound Lines, and

The Greyhound Corporation (overland Greyhound Lines Division) are hereby authorized to publish and file, on not less than five days' notice to this Commission and to the public, supplements to their tariffs employing conversion tables which increase their minimum one-way fares (excluding the minimum fares of Pacific Greyhound Lines between Lafayette or Acalanes Junction, on the one hand, and points in the Pleasant Hills area on Pleasant Hill Road along said applicant's Martinez route, on the other hand) from 15 cents to 20 cents, and other one-way fares in effect prior to August 3, 1956, by five percent. Round-trip fares shall be 180 percent of the one-way fares herein authorized and the fares for 10-ride family books issued by Pacific Greyhound Lines shall be 900 percent of such one-way fares. Any increased fares which result in a figure not ending in "0" or "5" cents may be adjusted to the next higher figure ending either in "0" or "5" cents, as the case may be. This authorization to increase fares shall not apply to commute fares and school fares.

5. American Buslines, Inc., and Gibson Lines are authorized to charge fares pursuant to the provisions of paragraph 4 of this order in those instances where the corresponding fares pursuant to paragraph 3 of this order would be lower and in the case of joint fares other than those maintained between American Buslines, Inc., and Gibson Lines.

The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco California, this 19th day of December, 1956.

W. E. Mitchell
President
John J. ...
...
Rex Hardy
Commissioners

Commissioner Rex Hardy being necessarily absent, did not participate in the disposition of this proceeding.