

Gerald H. Trautman of McCutcheon, Thomas, Matthew, Griffiths & Greene and Douglas Brookman, for The Greyhound Corporation (Western Greyhound Lines Division) and The Greyhound Corporation (Overland Greyhound Lines Division), applicants.
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. R. 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.

FINAL OPINION

Subsequent to the issuance of Decision No. 54304 on December 19, 1956, which was the second interim opinion and order herein, further hearings were held in San Francisco on the above applications on January 9, 10, and 11, 1957, and February 7, 8 and 21, 1957, before Commissioner Ray E. Untereiner and Examiner Wilson E. Cline. The matter was taken under submission at the conclusion of oral argument on February 21, 1957.

On June 3, 1957, applicant The Greyhound Corporation filed a petition to amend Application No. 38019 by the substitution of "The Greyhound Corporation" for "Pacific Greyhound Lines" on the ground that this Commission, by its Decision No. 54875, dated April 22, 1957, in Application No. 38923, authorized The Greyhound Corporation to acquire through merger all the operative rights and properties of Pacific Greyhound Lines and that the aforesaid merger became effective on the first day of June, 1957, and since said date The Greyhound Corporation has been and now is the authorized owner and holder of said operative rights and properties of Pacific Greyhound Lines. "Western Greyhound Lines (Division of The Greyhound Corporation)" is the name assigned to the operating division of

The Greyhound Corporation concerned with Application No. 38019 herein. Said substitution will be authorized. The name The Greyhound Corporation (Western Greyhound Lines Division) will be used herein to avoid confusion with The Greyhound Corporation (Overland Greyhound Lines Division).

The exhibits and other evidence which have been introduced by the various applicants and by the Commission staff show that the financial results of the California intrastate operations of The Greyhound Corporation (Western Greyhound Lines Division) are and will continue to be the most satisfactory of any of the applicants. Between points served by The Greyhound Corporation (Western Greyhound Lines Division) in competition with other applicants, applicants have requested that the same fares be authorized for all applicants. The determination of the fares to be authorized between such points will largely be based on a consideration of the evidence pertaining to the operations of The Greyhound Corporation (Western Greyhound Lines Division). We have given careful consideration to the arguments of counsel for the applicants that in order to preserve competition the Commission should be more liberal in establishing rates than otherwise might be the case. We have concluded, however that the fares to be authorized between such points should be established at a level which will provide for the preservation of adequate service and will give full recognition to the evidence in the record pertaining to economies, efficiencies and improvements which have been made and now exist in the operations of The Greyhound Corporation (Western Greyhound Lines Division).

The fares for American Buslines, Inc., and Gibson Lines authorized in the second interim order by reason of the fact that these applicants serve between points not served by The Greyhound

Corporation (Western Greyhound Lines Division), as hereinafter modified, will be made final fares.

Results of Operations of The
Greyhound Corporation (Western
Greyhound Lines Division)

The estimated results of California intrastate operations of The Greyhound Corporation (Western Greyhound Lines Division) at present fares, including the interim 5 per cent fare increase and at proposed fares for the 12 months ending December 31, 1957, appear in said applicant's Exhibit No. P.G.L.-35 and in the Commission staff Exhibits Nos. P.G.L. 26-A and 33. The following tabulations are prepared from these three exhibits:

Estimated Results of California Intrastate Operations
of The Greyhound Corporation (Western Greyhound Lines Division
for the Year 1957)

Item	Present Fares		
	Using PGL's % Variable Method of Allocating Expenses	Using Staff's % Variable Method of Allocating Expenses	Using Staff's Equivalent Mileage Method of Allocating Expenses
Revenue	\$24,994,500	\$25,742,400	\$25,742,400
Expenses			
Equipment Maintenance	3,571,400	3,659,600	3,431,200
Transportation Expense	10,105,900	9,910,500	9,677,100
Station Expense	3,440,300	3,457,100	3,370,400
Traffic Expense	825,200	834,500	855,000
Insurance Expense	1,023,100	966,600	1,023,900
Admin. and Gen. Expense	1,978,000	1,978,500	1,931,200
Subtotal	20,943,900	20,806,800	20,288,800
Depreciation Expense	1,697,200	1,578,700	1,493,700
Operating Taxes	2,504,800	2,377,900	2,324,900
Operating Rents	(299,200)	(358,200)	(349,300)
Total	24,846,700	24,405,200	23,758,100
Operating Income	147,800	1,337,200	1,984,300
Income Taxes	79,700	700,300	1,039,200
Net Income	68,100	636,900	945,100
Estimated Rate Base	15,470,300	15,214,300	14,527,100
Estimated Rate of Return	0.4%	4.2%	6.5%
Operating Ratio after Taxes	99.7	97.5	96.3

(Red Figure)

Estimated Results of California Intrastate Operations of
The Greyhound Corporation (Western Greyhound Lines Division)
for the Year 1957

Item	Proposed Fares		
	Using PGL's % Variable Method of Allocating Expenses	Using Staff's % Variable Method of Allocating Expenses	Using Staff's Equivalent Mileage Method of Allocating Expense
Revenue	\$26,404,700	\$27,244,400	\$27,244,400
Expenses			
Equipment Maintenance	3,571,400	3,638,500	3,410,100
Transportation Expense	10,105,900	9,848,500	9,615,100
Station Expense	3,512,400	3,524,700	3,438,000
Traffic Expense	825,200	834,500	855,000
Insurance Expense	1,023,100	961,200	1,018,500
Admin. and Gen. Expenses	1,978,000	1,978,500	1,931,200
Subtotal	21,016,000	20,785,900	20,267,900
Depreciation Expense	1,697,200	1,578,700	1,493,700
Operating Taxes	2,547,100	2,423,000	2,370,000
Operating Rents	(299,200)	(358,200)	(349,300)
Total	24,961,100	24,429,400	23,782,300
Operating Income	1,443,600	2,815,000	3,462,100
Income Taxes	778,400	1,481,000	1,821,400
Net Income	665,200	1,334,000	1,640,700
Estimated Rate Base	15,470,300	15,214,300	14,527,100
Estimated Rate of Return	4.3%	8.8%	11.3%
Oper. Ratio after Taxes	97.5	95.1	94.0

(Red Figure)

Revenues

The Greyhound Corporation (Western Greyhound Lines Division) in its Exhibit No. 35 has estimated its revenues on the basis of a down trend in California intrastate traffic of approximately 1.7 per cent per year. The Commission staff has based its estimate of revenues on an up trend in California intrastate traffic of .8 per cent per year.

Applicant's Exhibit No. P.G.L.-37 which is based upon various special tests made during 1955 and 1956 shows that the intrastate percentage of the traffic over certain interstate routes and over the

major zones in California, excluding certain local operations, is declining. Applicant's Exhibit No. 38 shows a decline of 1.91 per cent in the number of passengers carried in the specified zones which are entirely within the State of California, through a comparison of the total passengers carried in these zones during the periods January 1 to November 30, 1956, and during the same period in 1955.

The Commission staff Exhibit No. 44-A shows a 1.0 per cent increase in California intrastate passenger miles for the recorded year 1956 over the recorded year 1955. The California intrastate passenger miles for the year 1956 totaled 838,421, and for the year 1955 totaled 827,513. If the special operations passenger miles are deducted, the adjusted totals are 797,298 for 1956, and 802,312 for 1955, respectively.

The staff Exhibit No. P.G.L.-46 makes a comparison of passengers, passenger miles, and revenue, excluding guaranteed and special operations, of 51 main-line zones operating entirely within California. Of the total passenger miles of these 51 main-line zones, 86.7 per cent are California intrastate passenger miles, and these intrastate passenger miles are 84.3 per cent of all main-line California intrastate passenger miles excluding special and guaranteed operations. This Exhibit No. P.G.L.-46 shows for the year 1956 compared to 1955 an 0.6 per cent decline in passengers, a 3.2 per cent increase in passenger miles and a 5.5 per cent increase in revenue. As pointed out by applicant, however, the severe weather and flood conditions during the latter part of 1955 resulted in a substantial reduction in traffic at that time. A comparison of the months January to August, 1956 with the same months of 1955 eliminates the period of severe storm and flood. For these two periods Exhibit No. P.G.L.-46 shows a 2.0 per cent decline in the number of

passengers, a 1.6 per cent increase in passenger miles, and a 2.7 per cent increase in revenue.

The evidence shows that the local traffic of The Greyhound Corporation (Western Greyhound Lines Division) is declining, and the Commission staff witness testified that short-haul traffic generally is declining. The evidence also shows that the short-haul traffic of other carriers, particularly of Gibson Lines, is declining.

The Commission has carefully considered all the evidence relative to the trend of traffic and finds it reasonable to conclude that a level trend should be used for California intrastate traffic for purposes of this decision. Such trend will be used.

The applicant The Greyhound Corporation (Western Greyhound Lines Division), in its estimate of revenue under proposed fares, computed diminution on the basis of 20 per cent of the effective percentage increase in fares. The Commission staff, in its estimate, used the factors of 10 per cent on interstate traffic, 15 per cent on intrastate traffic, 20 per cent on local traffic and 25 per cent on minimum fare traffic. The staff witness testified that in the last state-wide bus fare increase case the diminution factors which were used by the staff ranged from 26.7 per cent to 0 per cent and that the over-all average of such factors was 18 per cent. In the Marin commute application the staff used a diminution factor of 25 per cent and in the Peninsula commute application a diminution factor of 20 per cent.

Applicant introduced evidence regarding the effect of the 15 per cent increase in Oregon intrastate fares, which showed that for a period of five months traffic had declined 9.37 per cent compared to the previous year. A 20 per cent diminution factor applied to the 15 per cent fare increase would account for only 3 per cent of the decline in traffic. Some portion of the decline, of course,

was attributable to normal down trend which would have occurred even though the Oregon fares had not been increased.

In this application applicant The Greyhound Corporation (Western Greyhound Lines Division) is also requesting authority for a 15 per cent increase in fares of which 5 per cent has already been authorized in the interim order. We are of the opinion that the diminution factor of 20 per cent is the one which should be used in computing revenue under the proposed fares and the fares which will be authorized herein. Such facts we find to be reasonable. ✓

The Commission staff allocated all the mail revenue to California intrastate because the mail is handled by The Greyhound Corporation (Western Greyhound Lines Division) between points wholly within California. The Greyhound Corporation (Western Greyhound Lines Division) proceeded on the basis that, as some of the mail was interstate mail and some intrastate mail, only a part of the revenue should be allocated to intrastate revenue. The mail revenue was allocated according to the ratio of California intrastate passenger miles to total California passenger miles. Applicant's method of allocating mail revenue will be adopted as reasonable in this proceeding.

Expenses

The staff used the year of 1957 as a rate year for estimating expenses and in computing wage costs the staff included the increases in the basic wage rates effective March 1, 1957, for five sixths of the rate year, whereas the applicant The Greyhound Corporation (Western Greyhound Lines Division) included such increased wage costs for the full year. The record shows that wage costs were also increased effective March 1, 1957, by 3.1414 per cent by reason of a cost of living clause in the labor contract. Wage costs will be adjusted to reflect both the increase in the basic rate and the cost of living adjustment effective March 1, 1957, on a full year basis.

The fuel cost estimates of the Commission staff will be adjusted to reflect the increase of $\frac{1}{2}$ cent per gallon of fuel effective January 17, 1957. The Commission staff estimates of California intrastate expenses will also be adjusted for the understatement of fuel taxes in the amount of \$80,400, and the increase in federal excise tax on tires which amounts to \$17,200.

The Commission staff based its estimates of maintenance expense on an assignment of average maintenance expense on main-line buses to the various operations in accordance with the number of bus miles operated. This was in accordance with the method which was approved by the Commission in Decision No. 52813 issued March 27, 1956. In making its allocation of maintenance expense, applicant assigned such expenses in accordance with the maintenance expense applicable to the particular types of buses used in the operation for which the allocation was made. Applicant maintains records from which it is possible to determine the maintenance expense on each of the various classes of buses operated in its service and which of the various classes of buses are operated over designated intrastate and interstate routes.

Contrary to conclusions made in the above-mentioned Decision, No. 52813, the record in this proceeding shows that new buses are assigned to both intrastate and interstate main-line service. However, the percentage of mileage operated by newer buses in interstate service is much higher than in intrastate service. The latter fact results because the newer buses are normally operated in longer zones where the greatest utilization can be realized. The average length of the interstate zones is considerably longer than the average length of the California intrastate zones. As the buses become older they are transferred from the main-line service, whether interstate or intrastate, to secondary service, most of which consists of intrastate zones. The record shows that even though the company

maintains an efficient program of maintenance the actual out-of-pocket expense increases with the age of the equipment. The Commission staff method of assigning maintenance expense allocates a smaller portion of the higher maintenance expense, incurred by the older buses, to the intrastate operation than the method used by the company which allocates the expense to the service in which the buses are operating at the time the maintenance work is performed. The record also indicates that the accumulated maintenance on the equipment is no greater than normal for the age of the equipment at any time, and that the assignment of the older equipment to the secondary service is in the interest of over-all efficiency of operation.

After careful consideration of all the facts in this proceeding, the method of equipment maintenance allocation used by The Greyhound Corporation (Western Greyhound Lines Division) will be adopted as reasonable for this proceeding. Even though the maintenance expense on the older buses may be higher, there are factors of an offsetting nature such as more fully depreciated equipment being included in the rate base and lower taxes and depreciation expense being charged for the older buses.

As in previous rate applications The Greyhound Corporation (Western Greyhound Lines Division) computed depreciation on its Scenicrulers at the rate of 12 per cent per year for the first six years and at the rate of 4.8 per cent per year for the next five years and on its other buses at the rate of 14 per cent per year for the first five years and at the rate of 6.5 per cent per year for the next four years. An allowance of 4 per cent was made for salvage on all types of buses.

The Commission staff used the remaining-life method of computing depreciation which was approved by the Commission in

Decision No. 52813 issued March 27, 1956. The staff assigned a life of 10 years to new buses. On buses which had been in service for more than five years the total life was increased to 12 years and the remaining unaccrued depreciation was spread over the remaining seven years. The staff used 4 per cent salvage on Scenicruisers, 5 per cent salvage on most of the other main-line equipment and the older transits, and 10 per cent salvage on the newer transits and the new Macks to be delivered in 1957.

Counsel for The Greyhound Corporation (Western Greyhound Lines Division) has criticised the method of computing depreciation used by the staff on the grounds that it assigns a higher percentage of the depreciation expense to the new buses which, in turn results in a greater amount of depreciation expense being assigned to the interstate operations. It is interesting to note, however, that the method used by The Greyhound Corporation (Western Greyhound Lines Division) also provides for the charging of depreciation expense at a considerably higher rate during the first five or six years, as the case may be, than during the succeeding four or five years. Both the staff method and the method used by The Greyhound Corporation (Western Greyhound Lines Division) tend to equalize the depreciation expense per bus mile throughout the entire life of the equipment. The method used by the Commission staff, in our opinion, is more in accord with the actual operating experience of The Greyhound Corporation (Western Greyhound Lines Division). The depreciation estimates of the Commission staff will be adopted as reasonable in this proceeding.

In allocating California total expenses as a portion of system expenses applicant The Greyhound Corporation (Western Greyhound Lines Division) made special allocations for Account 4100, Equipment and Garage Expense; Account 4200, Transportation Expense; Account 4500, Insurance and Safety Expense; Account 5000,

Depreciation; Account 5200, Operating Taxes and Licenses; and Account 5300, Operating Rents. The per cent variable method previously used and approved in proceedings before this Commission was used in allocating Account 4300, Station Expense. Account 4400, Traffic and Advertising Expense, was allocated on the basis of passenger revenue. The allocation of Account 4600, Administrative and General Expense, was based on the sums of Accounts 4100 through 4500.

The Greyhound Corporation (Western Greyhound Lines Division) used the per cent variable method to allocate California expenses to California intrastate traffic for all expense accounts except Accounts 4400 and 4600. Account 4400 was allocated on the basis of passenger revenue and Account 4600 was allocated on the basis of the sum of Accounts 4100 through 4500.

In allocating California total expenses as a portion of system expenses the Commission staff assigned Accounts 4100 and 4200 generally on a direct basis through the use of bus miles. Account 4300 was assigned on a weighting basis of 50 per cent passengers and 50 per cent passenger miles and Account 4400 on the basis of 100 per cent passenger miles. Subaccount 4531 was assigned mainly on a special study of costs by divisions. Other 4500 subaccounts were assigned by special allocation. Accounts 4600 and 5300 were allocated on the basis of the sum of Accounts 4100 to 4500, inclusive. Accounts 5000 and 5200 were allocated by direct assignment.

In allocating California intrastate expenses as a portion of California total the Commission staff developed and used a new formula referred to as the equivalent passenger-mile method for Accounts 4100 and 4200. Accounts 4300, 4400, 4600 and 5300 were assigned in the same manner as the California total expense for these accounts were assigned from the system expenses. Account 4500 was

assigned on the basis of 50 per cent passengers and 50 per cent passenger miles. For Account 5000, the allocation of revenue equipment depreciation was based on Account 4100, the allocation of station and garage depreciation was on the basis of station and garage expense, and other depreciation was on the basis of special allocations. For Account 5200, vehicle licenses were allocated on the basis of Account 4100, fuel taxes on the basis of Account 4200, and station and garage taxes on the basis of station and garage expense.

Revenue was an important factor used by applicant The Greyhound Corporation (Western Greyhound Lines Division) in making several of its allocations of expenses. The Commission staff, however, has discontinued the use of revenue as a factor in allocating expenses. The staff witness pointed out that expenses are of prime importance in establishing rates. If revenue were used as a basis of allocating expenses, then the increase in revenue resulting from a fare increase would result in a further allocation of expenses. In this manner a rate increase alone might be used as the basis for justifying a further increase in rates even though all other factors remained the same. For that reason we are of the opinion that a reasonable method of allocating expenses which is not substantially based on revenue is generally more satisfactory than a method which uses revenue as an important factor in allocating expenses. The only expense which the record shows is independently related to revenue is commissions on ticket sales which are a percentage of the sales price of the tickets.

Account 4200, Transportation, is by far the largest expense account of applicant The Greyhound Corporation (Western Greyhound Lines Division). For purposes of discussing and comparing the per cent variable method and the equivalent passenger miles method of

allocating expenses we shall consider only this one account. Account 4200 is directly assigned to California total expense as a portion of system expense. The allocation methods were developed and used in assigning Account 4200 to California intrastate expense as a portion of California total expense.

The passenger miles, passenger revenue, and passenger relationship per cents which are used in the per cent variable formula are based on system figures, excluding Division 5, the San Francisco Bay area local operations, and are derived, respectively, (1) by dividing California intrastate passenger miles by California total passenger miles, (2) by dividing California intrastate passenger revenue by California total passenger revenue and (3) by dividing California intrastate passengers by California total passengers. The three weighting base per cents are derived from special studies of The Greyhound Corporation (Western Greyhound Lines Division) system operations which have been prepared by the Commission staff. These per cents represent the per cents of transportation expense which are variable in relation to revenue, passengers and passenger miles reduced so that the sum of the three weighting base per cents total 100 per cent. A composite per cent is then computed by multiplying each of the three weighting base per cents by its respective relationship per cent and then totaling the three products. This composite per cent which equals 76.8 per cent is the per cent used to compute the California intrastate transportation expense. Other per cent variable composite per cents are derived in a similar manner.

The equivalent passenger mile allocation formula is based on the relationship of the length of ride of a passenger and the corresponding costs related to the transportation of that passenger. The average lengths of ride for various segments of the operation are available from regular checks made by The Greyhound Corporation

(Western Greyhound Lines Division). For example, it has been determined that the average length of ride for the year ended June 30, 1956, for all system passengers is 105 miles; for all California passengers, 98 miles; for California intrastate passengers, 76 miles; and for California interstate passengers, 219 miles.

For Account 4200, Transportation Expense, the subaccounts for Drivers' Wages, Account 4220, and Fuel, Account 4230, represent more than 85 per cent of the total account. Accounts 4220 and 4230 can be directly assigned to California and other segments of the system operation. When the expenses for these accounts are related to the passenger miles for the various segments, a variation of cost in cents per passenger mile can be determined. When this cost per passenger mile is related to the length of ride for the various segments, the result is a general relationship between length of ride and cost per passenger mile. Chart 1-A of Exhibit 26-A represents this relationship and shows the variation of cents per passenger mile with the length of ride for Accounts 4220 and 4230 for California Local, Oregon, California Mainline, Utah, Nevada, New Mexico and Arizona. From the curve which has been drawn to fit these points the cost to handle a passenger for any given length of ride can be determined. Exhibit 48-A is a similar chart which shows the variation of Account 4220 with lengths of ride for the various California zones. A close comparison exists between the curve which was drawn to fit the points on Exhibit P.G.L. 48-A of Exhibit P.G.L. 26-A for the distances 76 miles through 220 miles.

The equivalent passenger mile allocation per cent for Account 4200 for California intrastate operations as a portion of California total operations is determined in the following manner. The table on page 31 of Exhibit No. P.G.L. 26-A shows the California

intrastate passenger miles to be 64.9 per cent of the California total passenger miles. From the formula for the Account 4200 curve on Chart 1-A the cents per passenger mile for a California intrastate length of ride of 76 miles is computed to be 0.647 cents per passenger mile and for a California total length of ride of 98 miles it is determined to be 0.585 cents per passenger mile. Relating the California intrastate cost of 0.647 cents to the California total cost of 0.585 cents produces a factor of 1.106. The actual California intrastate passenger mile relationship of 64.9 per cent increased by this factor results in an equivalent passenger mile percentage of 71.78 per cent for Account 4200. In a similar manner the allocation per cent for Account 4100 is derived.

Exhibit No. P.G.L.-33 reviews the principal factors which lead to a revision of the allocation formula by the Commission staff.

The basic per cent variable factors have been developed for several different 12-month periods. The various factors are shown in a table on page 7 of Exhibit No. P.G.L.-33. There is little correlation between the variable per cents computed for the different periods. This table shows that the variable portion of Account 4200 as it relates to bus miles ranges from a low of 73 per cent to a high of 114 per cent. The per cent variable for bus miles for Account 4200 should be approximately 90 per cent as approximately 90 per cent of the wages and costs in Account 4200 are related almost directly to the bus miles operated. It is difficult to justify a per cent variable factor greater than 100 per cent which occurs in several instances.

In the development of the per cent variables it has been assumed that a straight-line relationship exists for the full range of traffic volume even though from the available data it is not possible to determine whether the relationship is linear or curved.

It is possible that a different type of curve or line relationship exists for each of the four factors used in connection with Accounts 4200 and 4300. Furthermore, as the range of available data for The Greyhound Corporation (Western Greyhound Lines Division) is limited a large amount of extrapolation, or extension of the line beyond the available data, is required in the determination of the per cent variable.

As previously stated the four factors involved in the per cent variable method of allocation are bus miles, revenue, passengers and passenger miles. The formula gives equal weight to the variable per cents of each factor. Exhibit No. P.C.L.-33 shows that quite possibly more weight should be given passenger miles than passengers.

The per cent variable method allocates the expense of Account 4100, Maintenance, on the same basis as Account 4200, Transportation. During the months of low traffic, maintenance work is scheduled at a relatively high level so that the maximum use of the equipment can be obtained during the peak traffic months of the year. Therefore, no reliable correlation between Account 4100 and traffic obtains.

As previously discussed generally it is improper to use revenue as a factor in allocating expenses since expenses are an important factor in determining the amount of revenue that should be derived from an operation.

The per cent variable formula contains a passenger percentage based on the relationship of the California total passenger count and an unrelated system passenger count. Passengers carried on interstate service ride in more than one state within the system. Such passengers will appear once on the system statement and two or more times in the individual state passenger totals. Therefore, the total of the number of passengers carried in the individual states

exceeds the system passenger total. The relationship of the California total passengers to the system total results in a relationship per cent which will finally allocate too much system expense to California total expense.

The table on page 13 of Exhibit No. P.G.L.-33 shows a comparison of assigning system expense of Accounts 4100 and 4200 to the California total operation directly, by the per cent variable method, and by the equivalent passenger mile method. A comparison of the direct assignment method with the per cent variable method shows per cent errors of 5.4 per cent for Account 4100, 4.7 per cent for Account 4200, and 4.9 per cent for both Accounts 4100 and 4200. A similar comparison of the direct assignment method with the equivalent passenger mile method shows per cent errors of only 0.4 per cent for Account 4100, 0.6 per cent for Account 4200, and 0.3 per cent for both Accounts 4100 and 4200. Neither of the two formulas has been used to segregate California total expense from system expense for Accounts 4100 and 4200 since it is possible to assign such expenses on a direct basis, but such direct assignment makes a comparison of the accuracy of the two formula methods possible. It is noted that system data is used in the development of the percentages under both formulas.

If The Greyhound Corporation (Western Greyhound Lines Division) estimates rather than staff estimates are used in comparing California total expense computed by direct assignment and California total expense computed by the per cent variable method, for Account 4200 the per cent error is 5.4 per cent.

Exhibit No. P.G.L.-67 which was introduced by the Commission staff compares Account 422C expenses for the month of October, 1953, for 16 main-line zone groups assigned directly with

those computed by the equivalent passenger-mile method through reference to Exhibit P.G.L.-48. The total for the 16 main-line zone groups by direct assignment amounted to \$479,274, whereas the total resulting from the formula computations amounted to \$478,780, a difference of 0.1 per cent. This close comparison of results proves the reliability of the curve shown on Exhibit P.G.L.-48 and P.G.L.-48-A, as well as the reliability of the curve on Chart 1-A of Exhibit P.G.L.-26-A for distances 76 miles through 220 miles. Since Exhibit No. P.G.L.-67 is based both on the intrastate and interstate length of ride the results of this exhibit shows that the equivalent passenger-mile formula is valid not only for the allocation of California total out-of-system expense but also for the allocation of California intrastate out of California total expenses.

The equivalent passenger-mile method makes appropriate allowance for the variation in load factor which has been referred to in the opposite sense as vacant seat liability, since load factor is one of the important elements which produces the higher cost per messenger mile for the shorter average trip per intrastate passenger as compared to the lower cost per passenger mile for the longer trip per interstate passenger.

In our opinion the methods of allocating expenses used by the Commission staff are more reliable than those used by the applicant The Greyhound Corporation (Western Greyhound Lines Division) and such methods will be adopted as reasonable and used by the Commission in this proceeding.

Adjusted Estimated Results of Operation
Under Present and Proposed Fares

The following is a tabulation showing the estimated results of California intrastate operation of The Greyhound Corporation

(Western Greyhound Lines Division) for the year 1957 after making the adjustments in revenues and expenses discussed above:

Adjusted Estimated Results of California Intrastate
Operations of
The Greyhound Corporation (Western Greyhound Lines Division)
for the Year 1957

Item	Present Fares	Proposed Fares
Revenue	\$25,468,900	\$26,868,700
Expenses		
Equipment Maintenance	3,440,300	3,419,100
Transportation Expense	9,824,900	9,761,500
Station Expense	3,339,100	3,455,500
Traffic Expense	855,000	855,000
Insurance Expense	1,023,900	1,018,500
Administrative and Gen. Expense	1,931,200	1,931,200
Subtotal	20,414,400	20,440,800
Depreciation Expense	1,493,700	1,493,700
Operating Taxes	2,316,700	2,456,300
Operating Rents	(349,300)	(349,300)
Total	23,875,500	24,041,500
Operating Income	1,593,400	2,827,200
Income Taxes	832,300	1,484,600
Net Income	761,100	1,342,600
Estimated Rate Base	14,527,100	14,527,100
Estimated Rate of Return	5.2%	9.2%
Operating Ratio after Income Taxes	97.0	95.0

(Red Figure)

Authorized Fares

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 per cent of the one-way fares. Transcontinental Bus System, Inc., Continental Pacific Lines, The Greyhound Corporation (Western Greyhound Lines Division) and The Greyhound Corporation (Overland Greyhound Lines Division) will be authorized to base their one-way fares, including joint fares maintained by any of such applicants with any other of such applicants or with

American Buslines, Inc., and/or Gibson Lines, on the following revised mileage table with minimum fares, round-trip fares, and 10-ride family fares of The Greyhound Corporation (Western Greyhound Lines Division) as indicated below:

<u>One-Way Fares for Distances</u>		<u>Rates per Mile</u>	<u>With No Fare Less than Fare for</u>
<u>Over</u>	<u>But Not Over</u>		
0 - 25	miles	\$0.028 with min.fare \$0.20	25 miles
25 - 50	miles	0.0265	50 miles
50 - 100	miles	0.025	100 miles
100 - 150	miles	0.023	150 miles
150 - 200	miles	0.021	200 miles
200 - 250	miles	0.020	250 miles
250 - 300	miles	0.019	300 miles
300 - 350	miles	0.018	350 miles
350 - 400	miles	0.017	400 miles
400 -		0.016	

Round-trip fares 180% of 1-way fares

10-ride family fares on
The Greyhound Corporation
(Western Greyhound Lines
Division) where 1-way fare
is \$0.60 or less 900% of 1-way fares

10-ride family fares on
The Greyhound Corporation
(Western Greyhound Lines
Division) where 1-way fare
is more than \$0.60 950% of 1-way fares

Any increased one-way fares resulting in figures less than 60 cents and not ending in "0" or "5" cents and any increased round-trip fares resulting in figures less than \$1.10 and not ending in "0" or "5" cents may be further increased to the next higher figure ending in "0" or "5" cents, as the case may be.

Any increased one-way fares resulting in figures greater than 60 cents, any increased round-trip fares resulting in figures greater than \$1.10, and any increased 10-ride family fares of The Greyhound Corporation (Western Greyhound Lines Division) shall be

rounded to the nearest cent, "0.5" cent being considered nearest to the next higher cent.

By reason of increase in rail passenger fares previously authorized by this Commission, it is contemplated that certain depressed bus passenger fares will be increased to a higher level than would be the case had such rail passenger fares not been authorized. It is estimated that the additional revenue resulting from raising these depressed fares will amount to \$135,000. It is also estimated that the fares authorized in this decision will produce for The Greyhound Corporation (Western Greyhound Lines Division) approximately \$600,000 additional intrastate revenues (including the \$135,000 additional revenue from raising the depressed fares) over the revenues being produced from the interim fares authorized by Decision No. 53529 herein. This \$600,000 additional revenue together with the estimated additional revenue realized from the interim increase granted in said Decision No. 53529 is approximately the same amount of additional revenue as a 10.5 per cent increase on the tariff fares in effect prior to the interim decision would have produced.

The following table sets forth the estimated results of operation of The Greyhound Corporation's (Western Greyhound Lines

Division) California intrastate operations for the year 1957 under the fares authorized herein, which operating results, rate base and rate of return we hereby find to be reasonable:

Estimated Results of Operation of
The Greyhound Corporation (Western Greyhound Lines Division)
for the Year 1957 under Authorized Fares

	<u>California</u> <u>Intrastate</u>
Revenue	\$26,068,900
Expenses	
Equipment Maintenance	3,440,300
Transportation Expense	9,824,900
Station Expense	3,369,700
Traffic Expense	855,000
Insurance Expense	1,023,900
Admin. and General Expense	1,931,200
Subtotal	20,445,000
Depreciation Expense	1,493,700
Operating Taxes	2,334,700
Operating Rents	(349,300)
Total	23,924,100
Operating Income	2,144,800
Income Taxes	1,119,600
Net Income	1,025,200
Estimated Rate Base	14,527,100
Estimated Rate of Return	7.1%
Oper. Ratio after Income Taxes	96.1

(Red Figure)

Both The Greyhound Corporation (Western Greyhound Lines Division) and the Commission staff based their operation studies on traffic checks made through periodic ticket lifts in the various zones. So that reliable information will be made available to the Commission for purposes of subsequent operations studies, the Commission is hereby requesting that at least three such ticket lifts and traffic-check analyses based thereon be made by each applicant herein each year in zones having more than 10,000,000 passenger miles in the preceding year and at least two such ticket lifts and traffic-check analyses based thereon be made by each

applicant herein each year in zones having less than 10,000,000 passenger miles in the preceding year.

The interim fares authorized for American Buslines, Inc., and Gibson Lines in Decision No. 54304 issued December 19, 1956, with certain modifications set forth below will be made permanent.

American Buslines, Inc., and Gibson Lines will be authorized to base their one-way fares, including joint fares maintained between American Buslines, Inc., and Gibson Lines, on the following mileage table with minimum fares and round-trip fares as indicated:

<u>One-way Fares for Distances</u>		<u>Rates per Mile</u>	<u>With No Fare Less than Fare for</u>
<u>Over</u>	<u>But Not Over</u>		
0 - 25	miles	\$0.030 with min.fare \$0.20	
25 - 50	miles	0.028	25 miles
50 - 100	miles	0.026	50 miles
100 - 150	miles	0.024	100 miles
150 - 200	miles	0.022	150 miles
200 - 250	miles	0.021	200 miles
250 - 300	miles	0.020	250 miles
300 - 350	miles	0.019	300 miles
350 - 400	miles	0.018	350 miles
400 -		0.017	400 miles

Round-trip fares 180% of 1-way fares

Any increased one-way fares resulting in figures less than 60 cents and not ending in "0" or "5" cents and any increased round-trip fare resulting in figures less than \$1.10 and not ending in "0" or "5" cents may be further increased to the next higher figure ending in "0" or "5" cents, as the case may be. Any increased one-way fares resulting in figures greater than 60 cents and any increased round-trip fares resulting in figures greater than \$1.10 shall be rounded to the nearest cent, "0.5" being considered nearest to the next higher cent.

The Commission hereby finds the increase of fares herein authorized to be justified and fares in excess of those authorized herein to be unjust and unreasonable.

Although applicants requested that increased fares based on conversion tables be authorized for a period of time before the newly authorized increased fares based on mileage tables are placed in effect such fares based on conversion will not be authorized.

The Commission's decision in the complaint of the Contra Costa Commuters Association v. The Greyhound Corporation (formerly Pacific Greyhound Lines), Case No. 5623, is being issued concurrently herewith. The increase in minimum fares authorized herein also will be made applicable to minimum fares between Lafayette or Acalanes Junction, on the one hand, and points in the Pleasant Hills area on Pleasant Hill Road along The Greyhound Corporation's Martinez bus route on the other hand.

FINAL 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 Greyhound Corporation (Western Greyhound Lines Division) is hereby substituted for Pacific Greyhound Lines in Application No. 38019 herein.
2. 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 with minimum fares and round-trip fares as indicated.

a. One-way Fares
for Distances

<u>Over</u>	<u>But Not Over</u>	<u>Rates per Mile</u>	<u>With No Fare Less than Fare for</u>
0 - 25	miles	\$0.030 with minimum fare of \$0.20	
25 - 50	miles	0.028	25 miles
50 - 100	miles	0.026	50 miles
100 - 150	miles	0.024	100 miles
150 - 200	miles	0.022	150 miles
200 - 250	miles	0.021	200 miles
250 - 300	miles	0.020	250 miles
300 - 350	miles	0.019	300 miles
350 - 400	miles	0.018	350 miles
400 -		0.017	400 miles

Round-trip fares 180% of 1-way fares.

- b. 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. Three miles are to be added to cover bridge tolls where applicable.
- c. Fares from or to points on main lines to or from points on branch lines are to be constructed on combination over the junction point.
- d. Fares to, from, or between directly intermediate points not named as fare points in the tariff will be computed on the basis of \$0.030 per speedometer mile between origin or destination and nearest published fare point in direction of travel plus the published fare to or from the nearest fare point named. In cases where no intermediate fares are published, the fare will be computed on the basis of \$0.030 per speedometer mile from origin to destination. Fares so made shall not exceed the published fare to or from the next more distant fare point named.
- e. No stop-over privileges are to be allowed where one-way fare is \$1.15 or less.
- f. Any increased one-way fares resulting in figures less than 60 cents and not ending in "0" cent or "5" cents and any increased round-trip fares resulting in figures less than \$1.10 and not ending in "0" or "5" cents may be further increased to the next higher figure ending in "0" or "5" cents, as the case may be. Any increased one-way fares resulting in figures greater than 60 cents and any increased round-trip fares resulting in figures greater than \$1.10 shall be rounded to the nearest cent, "0.5" cent being considered nearest to the next higher cent.

- g. Except to the extent herein modified existing rules and regulations shall be applicable.
- h. This authorization to increase fares applies to local intercity fares (excluding Gibson Lines Local Passenger Tariff No. 33-A, 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.

3. Transcontinental Bus System, Inc., Continental Pacific Lines, The Greyhound Corporation (Western Greyhound Lines Division), 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, increased fares based on mileage rates as follows with minimum fares, round-trip fares and 10-ride family fares of The Greyhound Corporation (Western Greyhound Lines Division) as indicated:

a. One-way Fares for Distances

<u>Over</u>	<u>But Not Over</u>	<u>Rate per Mile</u>	<u>With No Fare Less than Fare for</u>
0 - 25	miles	\$0.028 with minimum fare \$0.20	
25 - 50	miles	0.0265	25 miles
50 - 100	miles	0.025	50 miles
100 - 150	miles	0.023	100 miles
150 - 200	miles	0.021	150 miles
200 - 250	miles	0.020	200 miles
250 - 300	miles	0.019	250 miles
300 - 350	miles	0.018	300 miles
350 - 400	miles	0.017	350 miles
400 -		0.016	400 miles

Round-trip fares 180% of 1-way fares

10-ride family fares of The Greyhound Corporation (Western Greyhound Lines Division) where 1-way fare is \$0.60 or less 900% of 1-way fares

10-ride family fares of The Greyhound Corporation (Western Greyhound Lines Division) where 1-way fare is more than \$0.60 950% of 1-way fares

- b. These mileage rates shall be applied to the route miles operated by Transcontinental Bus System, Inc., Continental Pacific Lines, The Greyhound Corporation (Western Greyhound Lines Division), and The Greyhound Corporation (Overland Greyhound Lines Division) on the effective date of this order. Three miles are to be added to cover bridge tolls where applicable.
- c. Fares from or to points on main lines to or from points on branch lines are to be constructed on combination over the junction point.
- d. Fares to, from or between directly intermediate points not named as fare points in the tariff will be computed on the basis of \$0.028 per speedometer mile between origin or destination and nearest published fare point in direction of travel plus the published fare to or from the nearest fare point named. In cases where no intermediate fares are published, the fare will be computed on the basis of \$0.028 per speedometer mile from origin to destination. Fares so made shall not exceed the published fare to or from the next more distant fare point named.
- e. No stop-over privileges are to be allowed where one-way fare is \$1.10 or less.
- f. Any increased one-way fares resulting in figures less than 60 cents and not ending in "0" or "5" cents and any increased round-trip fares resulting in figures less than \$1.10 and not ending in "0" or "5" cents may be further increased to the next higher figure ending in "0" or "5" cents, as the case may be. Any increased one-way fares resulting in figures greater than 60 cents, any increased round-trip fares resulting in figures greater than \$1.10 and any increased 10-ride family fares of The Greyhound Corporation (Western Greyhound Lines Division) shall be rounded to the nearest cent, "0.5" cent being considered nearest to the next higher cent.
- g. Except to the extent herein modified existing rules and regulations shall be applicable.
- h. This authorization applies to local intercity fares of the applicants listed in this paragraph 2 and to joint intercity fares of all of the applicants to this proceeding other than those maintained between American Buslines, Inc., and Gibson Lines, but does not apply to commute fares, school fares and fares for mileage books.

4. The applicants to this proceeding shall, within thirty days after the effective date of this order, cancel any fares which exceed the fares herein authorized. The provisions of this paragraph do not apply to Gibson Lines Local Passenger Tariff No. 33-A, Cal. P.U.C. No. 55, commute fares, school fares and fares for mileage books, all of which fares are not affected by this order.

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

Dated at San Francisco, California, this 9th day of July, 1957.

Ray B. Lawrence President
William J. Dale
R. H. Davis
E. Lynn Fox Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.