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ORIGINAL

Decision No. 57001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of The Greyhound Corporation (Western Greyhound Lines Division) for an order authorizing increases in intrastate passenger fares, other than local and commutation fares.	Application No. 40057

McCutchen, Thomas, Matthew, Griffiths & Greene by Gerald H. Trautman, for applicant.
Glanz & Russell by Theodore W. Russell, for Transcontinental Bus System, Inc., Continental Pacific Lines, American Buslines, Inc., and Gibson Lines, interested parties.
J. T. Phelps, for the Commission staff.

INTERIM OPINION

Applicant is a passenger stage corporation engaged in the transportation of passengers in the State of California and elsewhere in the United States. Applicant's present fares are based upon a rate scale prescribed by the Commission in Decision No. 55226, dated July 9, 1957, in Application No. 38017 and related applications.

By this application, Greyhound seeks authority to increase its intrastate passenger fares other than local or commutation fares. It proposes to increase the basic fare per mile for distances between 50 and 100 miles by six percent and the basic fare per mile for the mileage brackets in the rate scale for distances over 100 miles by ten percent. Applicant does not propose to increase the basic fare per mile for distances not exceeding 50 miles. The present and proposed fare structures are set forth in the margin.[1]

Public hearings on the application were held June 9 and 10, 1958, before Examiner Jack E. Thompson at San Francisco. The matter was taken under submission subject to a ruling by the Commission on a motion for a continuance.

Greyhound requests authority to effect the proposed increases without delay through issuance of a conversion table, which table was introduced in evidence as Exhibit No. 1. According to its traffic manager the reissuance of its tariffs to establish the proposed fares on a point-to-point basis would require some five months to accomplish.

Exhibit No. 2 is a copy of the agreement between the applicant and the Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, setting forth the wages, hours and working conditions of applicant's drivers effective March 2, 1956. On May 1, 1958, applicant and the union entered into a new agreement

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1 The following tabulation shows the present rate scale prescribed by the Commission in Decision No. 55226, the rate scale proposed by the applicant in this proceeding, and the resulting amounts and percentages of increase in each mileage bracket:

One-Way Fares for Distances Over	But Not Over	Present Rate Per Mile	Proposed Rate Per Mile	Amount of Increase	Percent of Increase
0	25	$0.0280	$0.0280	$ 0	0%
25	50	0.0265	0.0265	0	0
50	100	0.025	0.0265	0.0015	6
100	150	0.023	0.0253	0.0023	10
150	200	0.021	0.0231	0.0021	10
200	250	0.020	0.0220	0.0020	10
250	300	0.019	0.0209	0.0019	10
300	350	0.018	0.0198	0.0018	10
350	400	0.017	0.0187	0.0017	10
400		0.016	0.0176	0.0016	10

setting forth new wages, hours and working conditions which became effective retroactively on March 1, 1958. A copy of this agreement was received in evidence as Exhibit No. 3.

Applicant's assistant controller prepared analyses of the dollar impact of the wages, hours and working conditions set forth in Exhibit No. 3 and the dollar effect of the proposed fare increases. The analyses are summarized in Exhibits Nos. 4, 5 and 6. According to these exhibits, the new labor agreement will result in additional costs of conducting California intrastate passenger operations of $797,300 during the year March 1, 1958-1959, and $1,176,300 during the second contract year beginning March 1, 1959. Applicant's breakdown of its cost figures shows the following percentage increases in wage and salary costs under the new agreement:

	First Year Increase over Costs under Previous Contract	Second Year Increase over Costs under Previous Contract
Drivers' wages	7.877%	11.556%
Station employees' salaries	8.932	13.219
Office employees' salaries	8.156	12.776

These percentages were derived from a special study of the effect of the new contract on operations for the month of October, 1957, considered by applicant to be a normal or average month. After these percentages were derived from this special study, they were applied to California intrastate wage and salary costs accepted by the Commission in Decision No. 55226. In this manner the dollar amount of increased costs attributable to California intrastate operations under the new contract was ascertained.

Applicant presented a study showing that under its proposed fares it would receive additional revenue of $958,200 per year. To arrive at the amount of the increase, applicant used the revenue figures from Decision No. 55226. The estimated annual intrastate revenue under present fares as shown in that decision is $26,068,900. Applicant deducted from this figure the nonpassenger revenue to arrive at total intrastate passenger revenue of $22,799,700. Since no increases are proposed in local fares, applicant made a further deduction of $6,479,700 attributable to revenue from local services within the State of California. The resulting figure of $16,320,000 representing California intrastate main line revenue was spread to the various mileage brackets upon the basis of statistical figures maintained by the applicant, and the amount of revenue allocated to each mileage bracket was then increased by the amount of the proposed increase in that bracket, namely, six percent in the 50-100 mile bracket, and ten percent in each mileage bracket over 100 miles. This gave a total gross increase of $1,214,200, which after diminution at the rate of twenty percent of the percent of increase gave a net or effective increase of $958,200.

The assistant controller testified that studies made for management purposes by his department disclosed that as of February 28, 1958, which is prior to the effective date of the recent wage increases, the cost per bus mile of Western Greyhound Lines Division was 1.6 cents greater than the cost estimates reflected in Exhibit No. 26-A in Application No. 38019 and related applications. Said exhibit was presented by the Commission's staff in the proceeding which culminated in Decision No. 55226 and the revenue and expense estimates set forth therein were, in large part, adopted by the Commission in that proceeding for rate making purposes. He testified that the only cost reductions of a substantial nature experienced by the company are in the cases of fuel expense and transportation taxes. He estimated a savings of $400,000 per year in the Board of Equalization gross receipts tax because of amendment to the tax law and a reduction in fuel expense of $75,000 per year applicable to California intrastate operations.

Applicant's vice president testified that it is not requesting authority to increase commutation fares or local fares at this time. He stated that whether Greyhound will seek further increases in such fares will depend upon the results of studies and analyses which are being commenced by the company. He testified that, in this proceeding, the applicant only is seeking to offset the additional labor costs resulting from the increases in wages set forth in the agreement between applicant and the union.

Transcontinental Bus System, Inc., Continental Pacific Lines, American Buslines, Inc., and Gibson Lines are passenger stage corporations operating in California and between certain points compete with Greyhound. These competitive carriers were not opposed to an increase in Greyhound's fares but were opposed to the fare structure proposed by applicant. They contend that in order to remain competitive, they must meet the fares of Greyhound at points where they compete. They are primarily concerned with the fares for the longer distances. It is their position that there is little or no decline in the cost per mile of operations for distances beyond 200 miles, that the schedule of mileage rates established in Decision No. 55226 for distances in excess of 200 miles is unduly depressed in relation to actual cost, and that the application of a percentage increase over the mileage brackets as proposed by applicant distributes a greater portion of the increased costs to the shorter distances and further depresses the fares for the longer distances.

Counsel for the competing lines moved for a continuance and requested applicant to furnish evidence as to the number of passengers transported in each mileage bracket and the number of miles operated in each mileage bracket for the specific period used as a basis of determination of the allocation of revenues in the period shown in Column 1 of Sheet 2 of Exhibit No. 4. He also requested that the Commission direct its staff, before this case is concluded, to make an investigation and develop data from which the relationship of the proposed mileage scale of rates to Greyhound's cost by mileage brackets could be determined. If the applicant or the staff does not prepare this information, counsel stated that the competing lines would put in such evidence of these matters as they can. He suggested that the applicant be authorized to establish the proposed fares on an interim basis while further proceedings are had on this application.

In response to the motion, Greyhound stated that it was opposed to a continuance in that the wage increases result in an additional cost of approximately $2,000 per day and that, while it had the basic data from which the number of passengers and miles requested by the competing carriers could be developed, it would require several months to prepare summaries as requested.

The counsel for the Commission's staff stated that it had made independent analyses of the revenue effect of the proposed fares, had made an independent analysis of the cost effect of the wage increases that have been recently negotiated and had also made certain other studies pertaining to other categories of cost. As a result of those studies the staff has not deemed it necessary to make any affirmative showing in this case. He stated that the staff is disinclined to make any further studies at this time, and particularly any study of the cost of service by mileage brackets, because of the comprehensive evidence on all matters affecting these rates the Commission had before it in the proceeding culminating in Decision No. 55226.

Conclusions

The fares established by the Commission in Decision No. 55226 were calculated to produce an operating ratio of 96.1 percent and a rate of return of 7.1 percent. A reappraisal of the operating results forecast in said decision and adjustment of the revenues and expenses only by the amounts which would be produced under the proposed fares and the increased wage costs, indicates an operating ratio of 96.6 percent and a rate of return of 6.3 percent. Not included in the above estimated results are the tax and fuel cost reductions estimated at $475,000 or the increase of 1.6 cents per bus mile between the costs of Western Greyhound Lines Division as of February 28, 1958, and the costs estimated by the Commission's staff in Exhibit No. 26-A, *supra*, for the Pacific Greyhound Lines' operation. The 1.6 cents per bus mile difference in costs would indicate an additional annual expense of $850,000 for California intrastate operations.

In the conduct of operations for a twelve-month period commencing with the date hereof, Greyhound will experience wage costs for seven and one-half months pursuant to the wage rates effective March 1, 1958, and of four and one-half months under the wage rates to become effective March 1, 1959.

The Commission finds that the additional revenue which would be provided by the proposed fare increases will not exceed the amount of additional cost resulting from the recently negotiated wage agreement. We also find that operations under the proposed fares will provide applicant with an operating ratio and a rate of return not more favorable than those found to be reasonable in Decision No. 55226.

We come now to the contentions of the competing carriers regarding the fare structures. The present fare structure was prescribed by the Commission after consideration of a comprehensive record of the operations, revenues, expenses and operating costs of Greyhound and the competing carriers. The latter directed the attention of the Commission to its contentions regarding the prescribed fare structure in a petition for rehearing in that proceeding, which, after consideration, the Commission denied. Greyhound had accepted the prescribed basis of fares as just and reasonable. Requiring them to present evidence supporting said fare structure in this proceeding is not warranted.

The application was filed May 6, 1958. Notices of the filing of the application and notices of the hearing were mailed May 15, 1958. Hearings were held June 9 and 10, 1958. Counsel for the competing carriers received the exhibits offered by Greyhound several days prior thereto. The competing carriers are substantially affected by the fares maintained by applicant. Because of competition, the competing carriers have been unable to maintain fares higher than Greyhound's at competitive points without risk of a serious loss of traffic. In the circumstances the competing carriers should not be foreclosed from presenting evidence in this proceeding because they did not have it prepared at the time of the hearing. Understandably, the nature of the evidence they desire to present requires time to develop and there was not sufficient time between May 15 and June 9 for that purpose.

By the same token, however, it has been clearly demonstrated that Greyhound is experiencing additional costs daily, and it would be manifestly unjust to delay relief merely to afford competing carriers an opportunity to present evidence which would attack a fare structure which, after the proposed increases, is substantially similar to the fare structure prescribed by the Commission. The evidence proposed to be offered by the competing carriers would in no way affect the amount of revenue to be received by Greyhound, but would involve only the matter of whether Greyhound should receive a greater proportion of that revenue from long-distance trips.

The motion for continuance is granted. We find, that pending final order in these proceedings, increases in passenger fares, said increased fares not to exceed those set forth in Exhibit No. 1, are justified.

The request that the Commission direct its staff to make further investigations and studies respecting applicant's operations is denied.

Applicant requested that an order authorizing the fare increases be made effective without delay. Other than the issue of the fare structure raised by the competing carriers there was no objection to the proposed increases in fares. Counsel for the competing carriers suggested that the applicant be given authority to establish the proposed fares on an interim basis pending final order after further hearings. In view of these considerations, together with the fact that the applicant daily is experiencing additional expense in the amount of something over $2,000, the order herein will be made effective this date.

INTERIM ORDER

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

IT IS ORDERED:

1. That pending final order in this proceeding, The Greyhound Corporation, a corporation, be and it is hereby authorized to establish, on not less than five days' notice to the Commission and to the public, the increased passenger fares proposed in the application herein by use of the conversion table introduced in evidence in this proceeding as Exhibit No. 1.

2. That this application is continued for hearing to a time and place to be determined.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 15th day of JULY, 1958.

E. Lyn Fox
President

[illegible]

Ray E. Untereiner

Commissioners

Commissioner Matthew J. Dooley, Theodore H. Jenner, being necessarily absent, did not participate in the disposition of this proceeding.