

ORIGINAL

Decision No. 58183

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 intra-)
 state passenger fares, other than)
 local and commutation fares.)

Application No. 40057

In the Matter of the Application of)
 TRANSCONTINENTAL BUS SYSTEM, INC.,)
 a Delaware Corporation; CONTINENTAL)
 PACIFIC LINES, a California corpora-)
 tion; GIBSON LINES, a California cor-)
 poration; and 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 in-)
 crease one-way and round-trip intra-)
 state passenger fares pursuant to)
 Sections 454 and 491 Public Utilities)
 Code.)

Application No. 40336

McCutchen, Thomas, Matthew, Griffiths and Greene,
 by Gerald H. Trautman for Greyhound Corporation,
 applicant and interested party.
 Glanz and Russell, by Theodore W. Russell, for
 Transcontinental Bus System, Inc., Continental
 Pacific Lines, American Buslines, Inc., and
 Gibson Lines, applicants and interested parties.
J. T. Phelps, James S. Eddy and A. C. Porter, for
 the Commission's staff.

INTERIM OPINION

By Application No. 40057, Greyhound seeks authority to increase the basic fare per mile for distances between 50 and 100 miles by six per cent and the basic fares per mile for the mileage brackets in the rate scale for distances over 100 miles by 10 per cent. No increase is requested in fares for distances less than 50 miles. Public hearings held June 9 and 10, 1958, resulted in Decision No. 57001, dated July 15, 1958, in which, by interim order Greyhound was authorized to establish the fare increases pending

final order herein and the matter was continued for hearing to a time and place to be set in order to allow Transcontinental Bus System, Inc. and other applicants in Application No. 40336 to present evidence in support of their opposition to the fare structure resulting from the increases proposed by Greyhound.

Application No. 40336 of Transcontinental, et al., was filed August 7, 1958, seeking adjustments in their fare structures. On October 28, 1958, by Decision No. 57520, the Commission ordered the above applications consolidated for hearing.

Public hearing was held before Examiner J. E. Thompson at San Francisco on December 16, 17 and 18, 1958. With the permission of the presiding officer, Transcontinental, et al., filed an amendment to Application No. 40336 on January 7, 1959. The matters were taken under submission at that time.

The principal issue herein results from the fact that Transcontinental and Continental encounter competition from Greyhound on most of their California intrastate operations, and, for competitive reasons, have maintained the same fare structure as Greyhound. American and Gibson conduct operations between certain points as to which they are not competitive with other passenger stage corporations. Between such points American and Gibson have established higher fares than the basic fares per mile referred to above. The higher fares, called the "Gibson Scale" were authorized by the Commission in Decision No. 55226, dated July 9, 1957. The applicants do not seek increases in the "Gibson Scale".

For many years there has been a parity of the rates of Transcontinental, et al., and their predecessors, with those maintained by Greyhound. The Commission, in prior proceedings has

established a uniform fare structure for Greyhound and its competitors.^{1/} Section 730 of the Public Utilities Code provides, in part:

"Whenever two or more common carriers are furnishing service in competition with each other, the Commission may, after hearing, when necessary for the preservation of adequate service and when public interest demands, prescribe uniform rates, classifications, rules and practices to be charged, collected and observed by all such common carriers."

In Pacific Greyhound Lines, et al., 50 Cal. P.U.C. 641, 680, 681 (1951), the Commission stated:

"Greyhound competes with all the other applicants at a substantial number of points on their routes. . . The six applicants in question urgently need the full measure of relief that would be provided by increases in one-way and round-trip fares in the amounts they seek and any reduction therein would provide insufficient relief and would result in impairment of the services. This would be detrimental to the territories they serve and would not be in the public interest. On this record, it is apparent that in order to assure continuance of adequate service in these territories Greyhound's statewide one-way and round-trip fares should be on the levels authorized for the services of the other applicants."

The adjustments in fares prescribed in the above decision and in other decisions did not result in Greyhound receiving excessive earnings because non-competitive fares, such as commutation fares, were also adjusted so that Greyhound would receive an over-all reasonable rate of return.

In 1956, the applicants herein filed applications seeking a 15 per cent increase on the basic fares per mile established in the aforesaid decision. Following extensive hearings and several

^{1/} Santa Fe Transportation Co., et al., 48 Cal PUC 383 (1949)
Santa Fe Transportation Co., et al., 48 Cal. PUC 779 (1949)
Pacific Greyhound Lines, et al., 50 Cal. PUC 650 (1951)
Transcontinental Bus System, Inc., et al., 55 Cal. PUC 641 (1951)

interim orders, the Commission issued Decision No. 55226 in said applications in which it established a new scale of state-wide fares for Greyhound and its competitors and also authorized the "Gibson Scale" hereinbefore referred to. The fare structure consisted of various fares per mile ranging from 2.8 cents per mile for distances of 0-25 miles to 1.6 cents per mile for distances exceeding 400 miles. Transcontinental, in petition for rehearing, objected to the scale thus established to the extent that the basic fare per mile for distances exceeding 200 miles was below two cents. Rehearing was denied by the Commission.

Greyhound accepted the fare structure without protest and, as stated above, in Application No. 40057 sought certain percentage increases in the basic fares per mile so established. The effect of the application of a 10 per cent increase in the basic fares for distances exceeding 100 miles is a widening of the spread in the fare structure. Transcontinental is opposed to the resulting fare structure because, in terms of dollars and cents, the increase in the basic fare per mile for distances exceeding 400 miles is less than the increase in the basic fare for 150 miles. It is in the longer distances that Transcontinental and Continental have most of their traffic.

The following is a summary of the fare structures in effect since 1949 and those proposed by Transcontinental. Greyhound's proposed fares are tabulated under Decision No. 57001.

Distance Over	Basic Fares Per Mile				
	D43081 1949	D45785 1951	D55226 1957	D57001 1958	Transcontinental Proposed
0	\$0.02	\$0.025	\$0.028	\$0.028	\$0.028
25	0.02	0.0235	0.0265	0.0265	0.0265
50	0.0188	0.0225	0.025	0.0265	0.025
100	0.017	0.020	0.023	0.0253	0.023
150	0.0165	0.01815	0.021	0.0231	0.0225
200	0.0165	0.01815	0.020	0.0220	0.022
250	0.0165	0.01733	0.019	0.0209	0.0215
300	0.0154	0.01617	0.018	0.0198	0.0210
350	0.0143	0.01502	0.017	0.0187	0.0205
400	0.01375	0.01444	0.016	0.0176	0.0202

Exhibits were presented showing the operating results of Transcontinental, Continental, American and Gibson. Estimates were made of the California intrastate results after separation and allocations of revenues and expenses were made from system operations. Forecasts were made by the auditor of Transcontinental of the effect of the fare proposal upon the above carriers.

A summary of the estimates and forecasts of California intrastate operations follows:

	<u>Transcontinental</u>	<u>Continental</u>	<u>American</u>	<u>Gibson</u>
For Year Ended	<u>Apr. 30, 1958</u>	<u>Apr. 30, 1958</u>	<u>Dec. 31, 1957</u>	<u>Dec. 31, 1957</u>
Revenues	\$ 510,934	\$ 11,855	\$289,285	\$535,643
Expenses	727,414	16,805	344,603	597,391
Net Income	\$(216,480)	\$ (4,950)	\$(55,318)	\$(61,748)
Add. Rev. Forecast	62,800	2,300	500	-
Forecast Net Rev.	\$(153,680)	\$ (2,650)	\$(54,818)	\$(61,748)

(Red figure)

The allocation of transportation expense and equipment maintenance and garage expense from system operations to California intrastate operations was made on the basis of passenger miles. In Decision No. 55226, the Commission approved the use of an equivalent passenger mile formula developed by the staff for the allocation of these expenses. The evidence clearly shows, however, that had the separations been made according to the method approved by the Commission in said decision, the actual, as well as the forecasted results would have been larger losses. The record leaves no doubt that the proposed fare structure would not be unreasonably high for Transcontinental, Continental, American and Gibson and that the increases resulting therefrom would be justified.

Transcontinental's auditor estimated that under the Greyhound fares authorized in Decision No. 57001, Transcontinental would receive additional revenue in the amount of \$45,600 rather than the \$62,800 estimated under the Transcontinental proposal.

Transcontinental avers that applicants in Application No. 40336 could not place the proposed fares into effect unless Greyhound is required to adopt the same fare structure. The auditor estimated the effect of the proposed fare structure on the results of Greyhound and also prepared an analysis of the cost of the California intrastate operations of Greyhound by the mileage brackets set forth in the fare structure. It was estimated that the additional revenue which would be earned by Greyhound at Transcontinental's proposed rates would be \$1,214,100 more than that based upon the fare structure prescribed in Decision No. 55226, while the interim increases authorized by Decision No. 57001 were estimated to result in additional revenue of \$1,214,200. Both of these estimates are before adjustment for the diminution factor.

The cost analysis indicates that Greyhound receives higher net earnings per mile for the shorter distances than for longer distances. The auditor estimated that for distances exceeding 350 miles, Greyhound's costs per passenger mile exceed the basic fares per mile prescribed in Decision No. 57001. We cannot accept the analysis as accurately reflecting the cost of operation by Greyhound as it was predicated in some respects upon the performance and operating conditions of Transcontinental. The analysis, however, is the best possible estimate that could be made by Transcontinental in that it did not have access to statistical data and book records of Greyhound

which would be required for an accurate analysis. While it is not sufficiently reliable to accurately reflect Greyhound's costs and thereby provide a sound basis for finding that the fare structure prescribed in Decision No. 57001 is unreasonable, it, together with other data of record, including the engineering and economic report of the operations of Greyhound introduced by the Commission's staff and received in evidence as Exhibit No. PGL-26-A in Application No. 38019, is sufficient to indicate that the aforesaid fare structure may provide greater earnings per mile for distances between 100 and 200 miles than for distances exceeding 200 miles.

Greyhound opposed the fare structure proposed by Transcontinental. Its fare structure was prescribed by the Commission and has been in effect for over six months. We cannot conclude from the evidence that the fare structure is unreasonable for Greyhound's operations. We find, however, that further proceedings should be had in these matters for the purpose of establishing such uniform fares as the public interest demands and the preservation of adequate service requires.

Inasmuch as Greyhound is the predominant carrier in the field, and fares prescribed in the past have been predicated in the main upon the operating results of Greyhound, it will be directed to present at further hearings in this proceeding data necessary for a determination of Greyhound's cost per passenger mile for the various mileage brackets set forth in the fare structure.

The Commission's staff is directed to develop data and to prepare studies necessary for a determination of the cost per passenger mile of Greyhound for each of the mileage brackets set forth in the fare structure.

While Transcontinental stated that it would not avail itself of authority to establish its proposed fares unless Greyhound is ordered to establish the same fares, the increases sought have been justified and will be authorized. Their acceptance of the authority is within the discretion of management.

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 Transcontinental Bus System, Inc., Continental Pacific Lines, American Buslines, Inc., and Gibson Lines are authorized to establish, on not less than five days' notice to the Commission and to the public, the increased fares proposed in Application No. 40336.

2. That the authority granted hereinabove shall expire unless exercised within sixty days after the effective date of this order.

3. That The Greyhound Corporation is directed to present at further hearing in these proceedings statistical data for the most recent period for which said data is available, showing the cost of operation by The Greyhound Corporation for each mileage block set forth in the fare structure prescribed in Decision No. 57001.

4. That the submissions of the above applications are set aside and further proceedings are continued for hearing at a time and place to be determined.

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

Dated at San Francisco, California, this 24th day of March, 1959.

[Signature]
President
[Signature]
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Commissioners