

Decision No. 61170**ORIGINAL**

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 express charges and intra-)
 state passenger fares, except)
 commutation fares.)

Application No. 40057
 First Amendment

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)
 corporation; 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 of the Public)
 Utilities Code.)

Application No. 40336
 Second Amendment

ADDITIONAL APPEARANCES

Dion R. Holm and Robert R. Laughead,
 for the City and County of San
 Francisco, interested party.

W. R. Roche and Timothy J. Canty,
 for the Commission staff.

INTERIM OPINION

By these applications, The Greyhound Corporation (Western Greyhound Lines Division), hereinafter called Greyhound, and Transcontinental Bus System, Inc., Continental Pacific Lines, Gibson Lines and American Buslines, Inc., hereinafter called Transcontinental, et al., seek fare increases. Prior proceedings have been had in these applications resulting in two interim orders being issued by

the Commission; one on July 15, 1958 in Decision No. 57001, 56 Cal. P.U.C. 459, and the other on March 24, 1959 in Decision No. 58183, 57 Cal. P.U.C. 98. No final order has been issued in these matters.

On July 11, 1960 Greyhound filed an amendment to its application proposing greater increases in passenger fares and in express rates. On July 22, 1960 Transcontinental, et al. filed a second amendment to their application proposing a fare structure and express rate structure similar to those sought by Greyhound. The applications set forth a scale of fares proposed as a permanent fare structure. Pending consideration of the proposed permanent fare structure they seek interim relief in the form of lesser increases in fares together with the express rate increases in order to partially offset recent increases in wage and fuel costs. Further hearings were held August 24 and 25, 1960 before Examiner Jack E. Thompson regarding the requests for interim relief.

While an historical account of the fares maintained by Greyhound and Transcontinental, et al. is related in Decision No. 58183, a brief summary of findings of fact made by the Commission in prior decisions concerning Greyhound's fares is necessary to an understanding of some of the issues presented in this case and to a ruling upon the motion made by the Commission's staff for denial of the interim relief sought.

Transcontinental and Continental compete with Greyhound in California. While Gibson and American encounter competition from Greyhound at some points, they conduct operations between certain other points as to which they are not competitive with other passenger stage corporations. For many years the fares of Transcontinental, et al. and their predecessors were maintained at the same level as Greyhound's. In general, proceedings involving

Greyhound's fare structure have been consolidated with proceedings involving Transcontinental, et al., and the Commission in those proceedings has determined a uniform fare structure for Greyhound and the competing carriers based upon the revenue needs of all of the carriers. In general, Transcontinental and Continental serve between points over 150 miles distant and the greater portion of their intrastate revenues is derived from transportation over 200 miles. The fare structure is a sliding scale with the greater fares per mile for the shorter distances.

On July 9, 1957 the Commission issued Decision No. 55226, 55 Cal. P.U.C. 461, in which a sliding scale of fares representing greater increases for shorter distances than for longer distances was authorized Greyhound, Transcontinental and Continental, and a somewhat higher scale, hereinafter called the "Gibson Scale" was authorized Gibson and American. Transcontinental and Continental were dissatisfied with the order as it provided greater increases for the shorter distances than for the longer distances. Their petition for rehearing was denied.

In July 1958, Transcontinental was the subject of a strike which lasted until February 16, 1960.

On May 6, 1958, following the execution of an agreement between the Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America and Greyhound, the latter filed Application No. 40057 seeking authority to increase the basic fare per mile, for distances between 50 and 100 miles by six percent and for distances over 100 miles by ten percent. Transcontinental opposed the rate structure produced by the increases contending that the application of the percentage increase provides greater increases for the shorter distances than for the longer distances, and further depresses the fares for longer distances. The Commission granted

a continuance requested by Transcontinental and authorized Greyhound to effect the proposed increases on an interim basis.

On October 1, 1958 Greyhound petitioned for a final order. That petition was denied and further proceedings in Application No. 40057 were ordered to be consolidated with Application No. 40336, filed August 7, 1958 by Transcontinental, et al. Following hearings held in December 1958, the Commission issued said Decision No. 58183 on March 24, 1959, which authorized Transcontinental, et al. to increase their fares as proposed and ordered Greyhound and the Commission's staff to prepare studies necessary for a determination of the cost per passenger mile of Greyhound's operations for each of the mileage brackets set forth in the fare structure. The Commission stated in that decision that the evidence indicated that Greyhound's fare structure may provide greater earnings per mile for distances between 100 and 200 miles than for distances exceeding 200 miles.

Table I shows the last permanently authorized fares of the carriers prescribed in Decision No. 55226, 55 Cal. P.U.C. 641, the interim fares authorized Greyhound in Decision No. 57001, the interim fares authorized Transcontinental, et al. in Decision No. 58183 and the proposed interim fares.

TABLE I

BASIC FARES PER MILE

Distance (Miles) Over	<u>Permanent Fares</u> D. 55226		<u>Present</u> D. 57001	<u>Interim*</u> D. 58183	<u>Proposed Interim</u>	
	Grey/Trans:Gibson :Scale		Grey- hound	Trans- cont. #	Grey/Trans:Gibson :Scale	
0	\$0.028	\$0.030	\$0.028	\$0.028	\$0.028	\$0.030
25	.0265	.028	.0265	.0265	.0265	.028
50	.025	.026	.0265	.0250	.0265	.0265
100	.023	.024	.0253	.0230	.0253	.0253
150	.021	.022	.0231	.0225	.0231	.0231
200	.020	.021	.0220	.0220	.0220	.0220
250	.019	.020	.0209	.0215	.0215	.0215
300	.018	.019	.0198	.0210	.0210	.0210
350	.017	.018	.0187	.0205	.0205	.0205
400	.016	.017	.0176	.0202	.0202	.0202

* Gibson Scale was not increased in D.57001 or D.58183.

Not yet accepted and published by Transcontinental, et al.

It may be seen from Table I that no interim increases are proposed for distances not over 50 miles, that Greyhound proposes to increase the fares for distances over 250 miles to the same level as the Commission in Decision No. 58183 authorized Transcontinental, et al., that the latter propose to increase their fares for distances between 50 and 200 miles to the same level as the fares authorized Greyhound by the Commission in Decision No. 57001 and that American and Gibson propose that the Gibson Scale be increased for distances over 50 miles to the same level as the interim fares proposed by Greyhound and Transcontinental.

All of the applicants propose to adopt the express rates published by the National Bus Traffic Association. Adoption of said rates would result in increases and reductions. The greater increases would be in the lower weights for shorter distances and the greater reductions would be in the larger weights for the longer distances.

Table II compares the present express rates and the proposed rates for certain distances and certain weights.

TABLE II
EXPRESS RATES

Miles	<u>Shipment Weight in Pounds</u>							
	5		25		55		85	
Over - Not Over	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
0 - 25	\$0.75	\$0.90	\$0.90	\$1.00	\$1.00	\$1.15	\$1.20	\$1.30
50 - 75	0.80	1.00	1.10	1.20	1.30	1.60	1.70	2.00
100 - 125	0.85	1.15	1.30	1.45	1.60	2.15	2.20	2.85
175 - 200	0.90	1.40	1.50	1.75	1.90	2.55	2.70	3.40
250 - 300	1.00	1.60	1.90	2.00	2.50	2.90	3.70	3.80
300 - 350	1.05	1.70	2.10	2.25	2.80	3.20	4.20	4.20
350 - 400	1.10	1.70	2.30	2.25*	3.10	3.20	4.70	4.20**
450 - 500	1.20	1.80	2.70	2.45*	3.70	3.55*	5.70	4.60**
600 - 650	1.35	1.95	3.30	2.85*	4.60	4.40*	7.20	6.00**

Column (1) shows present rates
Column (2) shows proposed rates
* reduction

The proposed express rates are the same as the rates maintained by applicants in other states and, according to applicants, have been adopted by most of the major bus lines in the United States. Greyhound sent letters to patrons of its package express service notifying them of the proposed changes in rates. No protests were received by them in response to those letters. The present express rates were made effective January 7, 1952 and there have been no changes since that date. According to Greyhound's General Traffic Manager, Greyhound's cost per bus mile was around 34.5 cents in 1951 and presently is about 50.3 cents.

Greyhound presented a condensed balance sheet for its system operations as of July 31, 1960 and a profit and loss statement for the seven months ended July 31, 1960. The latter shows a net income after taxes of 2-3/4 million dollars. Greyhound is not in a critical financial condition.

Greyhound's two-year contract covering its drivers, station personnel and office employees expired March 1, 1960 and, after negotiations, was renewed in June 1960 for a period of two years retroactive to March 1, 1960. The new contract calls for retroactive wage increases and increases in fringe benefits and for additional wage increases effective March 1, 1961. Applicant estimates that the increase in expenses as a result of that contract and other increases is approximately 1-1/2 million dollars annually after the full amount of the wage increase becomes effective March 1, 1961. Greyhound used the results determined by the Commission in said Decisions Nos. 55226 and 57001 to arrive at an estimate of the effect the wage increases and proposed fares will have upon its earnings. The estimate is set forth in Table III.

TABLE III

Estimated Results of California Intrastate Operations
of The Greyhound Corporation
As Per Decisions Nos. 55226 and 57001 With Ad-
justments for Proposed Interim Fare Increases
And for Increase in Wages and Other Costs

	Results Per Decisions Nos. 55226 & 57001	Adjustments	Adjusted Results
Revenue	\$27,027,100	\$ 814,400	\$27,841,500
Expenses	25,100,400	1,543,300	26,643,700
Operating Income	\$ 1,926,700	\$(728,900)	\$ 1,197,800
Income Taxes	1,006,100		625,300
Net Income	\$ 920,600		\$ 572,500
Estimated Rate Base	\$14,527,100		\$14,527,100
Estimated Rate of Return	6.3%		3.9%
Estimated Operating Ratio	96.6%		97.9%

(Red Figure)

Transcontinental offered evidence showing that Transcontinental, Continental Pacific Lines and Gibson have operated at a loss in 1960. Transcontinental resumed operations February 16, 1960 after a strike but did not get into full service until May 15. American's operations for the six months ended June 30, 1960 resulted in an operating ratio of 97.4 percent before income taxes. It was estimated that the increases in fares and express rates would increase its California intrastate revenues by \$70.

Effective September 1, 1960 drivers' wages were increased 3½ mills per bus mile and the wages of mechanics, helpers, servicemen and foremen increased a total of 30 cents per hour. The proposed increases will not remove the losses of Transcontinental, Continental and Gibson but will improve their financial position.

Counsel for the Commission's staff moved for a dismissal of Greyhound's application insofar as it relates to the interim fare

increases here under consideration on the grounds that Greyhound has not shown the necessity for an emergency increase in fares and because Greyhound did not provide estimates of the effect of the wage increases and fare increases based upon results of operations of a recent period but related those wage increases and increased fares to estimated results for the year 1957.

The Commission is mindful of the rule which underlies the staff's motion to deny an interim rate increase. However, we find that the special facts and circumstances of this case make the rule in question inapplicable. Therefore, the staff's motion is denied.

An associate transportation engineer of the Commission's staff presented an exhibit setting forth estimates of the results of operations of Greyhound for a rate year ending February 28, 1961 under present fares and proposed fares. The engineer developed his estimates by taking the recorded revenues and expenses for the year ended March 31, 1960, as shown on the company's books and accounts

for its system operations, to which adjustments were made in equipment rents, motor coach depreciation, dues and donations and California Franchise Tax accruals. The revenues and expenses for operations over California segments were extracted from the adjusted system results either directly or by separation formulae previously used by the staff in proceedings culminating in said Decision No. 55226 of July 9, 1957. The results so obtained purportedly reflect the revenues received from transporting interstate and intrastate passengers and express over the bus miles operated in California during the year ended March 31, 1960 and the expenses of performing such services. From the revenues and expenses so computed, the amounts assigned to "intrastate" were separated or allocated according to a formula developed by the staff. The results are intended to reflect the operating results of Greyhound in the intrastate transportation of persons and property in California for the year ended March 31, 1960. The engineer then adjusted the expenses to reflect the additional expenses resulting from the recent wage contract and an increase in federal fuel tax. The end result of those computations are the estimates by the engineer of the results of Greyhound under present fares for a rate year ending February 28, 1961. The estimates of the results under proposed fares were obtained by adding the amount of additional revenue it is estimated will accrue from the fare and rate increases and making adjustments in certain expenses which are related to revenue, such as commission expense and taxes.

Table IV sets forth the estimates of the engineer of the California intrastate operations of Greyhound.

TABLE IV

Estimates by Associate Transportation Engineer
Of Results of California Intrastate Operations
Of The Greyhound Corporation

	For Year Ended 3/31/60	For Year Ending 2/28/61	
		Present Fares	Proposed Fares
Revenues	\$31,292,900	\$31,292,900	\$32,162,400
Expenses	27,854,900	28,681,400	28,681,400
Operating Income	\$ 3,438,000	\$ 2,611,500	\$ 3,481,000
Income Tax	1,753,400	1,316,200	1,775,300
Net Operating Income	\$ 1,684,600	\$ 1,295,300	\$ 1,705,700
Rate Base	\$14,545,300	\$14,545,300	\$14,545,300
Rate of Return	11.6%	8.9%	11.7%
Operating Ratio	94.6%	95.9%	94.7%

The separations and allocations of intrastate expenses from total California expenses were made by the staff as follows: transportation expense and maintenance expense were separated according to the equivalent passenger mile formula described in Decision No. 55226 dated July 9, 1957. The formula was adopted by the Commission in that decision for allocation of transportation expense, but not for maintenance expense. Station expense was allocated on the basis of a formula only recently developed by the staff. Traffic and advertising expense was allocated on the basis of the ratio of intrastate passenger miles to California total. Insurance expense was allocated on the basis of a special formula approved by the Commission in said Decision No. 55226. Administrative and general expense and operating rents were allocated upon the basis of the ratio of the sums of the transportation, maintenance, station, traffic and insurance expenses allocated to intrastate. Transportation, maintenance, station and administrative expense comprise over 75 percent of total expense. The allocations formulae, therefore, have a substantial influence upon the estimated results of operation.

Applicants ask that the estimates of the staff, particularly with reference to the allocations made under the separations formula not be accepted or adopted by the Commission on the grounds that said formula has not been tested and because the twelve months ended March 31, 1960, which is the base period from which the staff's estimates were developed, was not a normal period of operations because Greyhound's competitors were not in full operation. Transcontinental resumed operations on a limited basis on February 16, 1960 and American in August 1959. Greyhound presented Exhibit No. 49 which shows that the number of passengers carried decreased for the period March 1 to July 1, 1960 as compared to the same period in 1959.

From the evidence we find, that as compared to the level of expenses prior to the recent wage increases and fuel tax increases,^{2/} on February 28, 1961, Greyhound will have incurred increases in expenses totaling \$825,000 for the twelve-month period commencing March 1, 1960. Thereafter, the increases in expenses will be on the order of \$115,000 per month. The proposed interim fares and increased express rates should produce an average increase in monthly revenue of about \$70,000.^{3/} If the proposed fares are made effective December 1, 1960, Greyhound could not hope to recover even one half of the increased expenses prior to the establishment of permanent fares. This is illustrated in Table V.

^{2/} Federal tax on diesel fuel was increased from 3 cents to 4 cents on October 1, 1959.

^{3/} The estimates by the staff and by Greyhound of the amounts of annual increases in revenues are:

	<u>Greyhound</u>	<u>Staff</u>
Passenger fare increases	\$551,000	\$596,800
Express rate increases	<u>263,400</u>	<u>272,700</u>
	\$814,400	\$869,500

TABLE V

Estimated Increases in Revenues and Expenses
Of The Greyhound Corporation
As of the Dates Shown

	<u>Increased Revenues</u>	<u>Increased Expenses</u>
February 28, 1961	\$210,000*	\$ 825,000
March 31, 1961	280,000	940,000
April 30, 1961	350,000	1,055,000
May 31, 1961	420,000	1,170,000
June 30, 1961	490,000	1,285,000

* Assuming proposed fares and express rates
are made effective December 1, 1960.

The evidence further shows a very substantial need for additional revenues by Transcontinental, et al. While they may partially exercise the authority granted in Decision No. 58183 of March 24, 1959 by increasing certain fares up to the level of Greyhound's fares, if they are to remain competitive, they cannot exercise that authority to take the full amount of the increases for distances over 250 miles. It is in the greater distances that Transcontinental and Continental have most of their traffic.

We stated in said Decision No. 58183 that from the standpoint of cost of service, Greyhound's present fares for distances over 200 miles may provide lesser earnings per mile than other fares in the fare structure. The evidence offered herein tends to corroborate this conclusion. On the basis of the evidence received thus far, it would appear that when a permanent fare structure for Greyhound is considered, if upward adjustments are indicated, they will probably be for the greater distances and if reductions are required they will probably be for the shorter distances.

Further proceedings in these applications for the purpose of establishing a permanent fare structure for Greyhound and Transcontinental, et al. are awaiting the development by Greyhound and by the staff of data which will reflect the cost of operation by Greyhound for each mileage block set forth in the fare structure. The analysis of such data necessitates the separation and allocation of system expenses into California intrastate expenses. Work in the development of a separations formula has been completed by the staff. Greyhound has the data used by the staff for that purpose and is in a position to test the staff's formula. If not satisfied Greyhound may develop a formula it believes suitable and proper. The staff indicated that it would be ready to proceed by January 1961. At this point, we can see no reason why Greyhound should not be ready with its presentation by March 1961.

Considering all of the above-mentioned facts we are of the opinion and find that pending consideration of a permanent fare structure for applicants in these proceedings, which it is anticipated will become effective on or before June 30, 1961, the establishment of the proposed interim increases on a temporary basis, to expire June 30, 1961, is justified. We further find that increases and reductions resulting from the establishment of the proposed express rates are justified by transportation conditions.

Applicants requested authority to effect the increases in fares by means of conversion tables. This will enable them to place the increases in effect with a minimum of delay. They also request

authority to publish the increases on less than thirty days' notice to the Commission and to the public. Further proceedings in these applications are imminent. Transcontinental, et al. are greatly in need of the increased revenues. As indicated above, Greyhound cannot hope to recover more than half of the increased expenses. In the circumstances the request will be granted.

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 The Greyhound Corporation, Western Greyhound Lines Division, is authorized to establish, on not less than five days' notice to the Commission and to the public, the increased passenger fares proposed as interim fares in its first amendment to the application herein by use of the conversion table appended to said amended application.

2. 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 passenger fares proposed as interim fares in their second amendment to the application herein by use of the conversion tables introduced in evidence in these proceedings as Exhibits Nos. 67, 68, 69, 70, 71 and 72.

3. That The Greyhound Corporation, 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 express rates proposed in their amended applications and as more specifically set forth

in Exhibit No. E appended to first amendment to Application No. 40057, including, in the cases of American and Gibson, the additional charge for shipments of flowers.

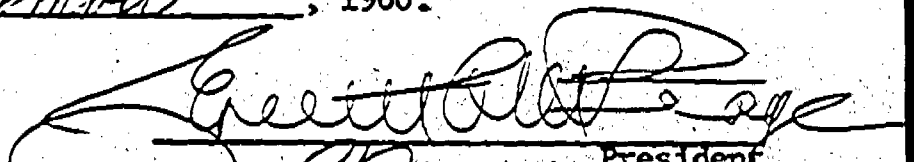
4. That the authority granted hereinabove, together with the authority granted in Decision No. 58183 dated March 24, 1959, in these proceedings shall expire unless exercised within sixty days after the effective date of this order.

5. That the authority granted in Paragraph 1 of this order shall expire June 30, 1961 unless sooner terminated or extended by further order herein.


6. That further proceedings in the above-entitled applications 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.

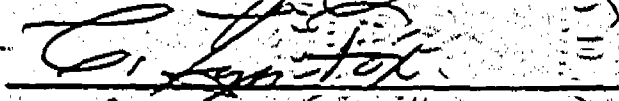
Dated at San Francisco, California, this 13th day of December, 1960.




President



Commissioner



Commissioner



Commissioner