

ORIGINAL

Decision No. 64370

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE GREYHOUND CORPORATION, WESTERN GREYHOUND LINES DIVISION, for an order authorizing a statewide increase in intrastate passenger fares other than fares in the Peninsula, Contra Costa and Marin services.

Application No. 44489
Filed May 28, 1962

Gerald E. Trautman, for applicant.
Russell & Schureman, by Theodore W. Russell,
for Transcontinental Bus System, Inc.,
American Buslines, Inc., Continental
Pacific Lines, and Gibson Lines, protes-
tants.
Henry E. Jordan, for City of Long Beach,
Bureau of Franchise and Public Utilities,
interested party.
W. R. Roche, for the Commission staff.

O P I N I O N

Public hearing on this application was held before Examiner J. E. Thompson, at San Francisco, on July 18, 1962, and was then submitted. Copies of the application were served upon officials of all counties and cities served by applicant. Notices of the hearing were posted by applicant in all buses and terminals in California. Notice of the hearing was also published in newspapers of general circulation in all counties served other than in San Diego County. Failure to publish notice of hearing in newspapers published in San Diego County resulted from circumstances beyond control of applicant. The examiner ruled that notices of hearing were posted and published in substantial compliance with the Commission's procedural rules. We affirm that ruling.

Protestants are passenger stage corporations in competition with applicant. They do not oppose the granting of an increase

in fares but object to the fact that the proposed fares for longer distances are not greater. No one else appeared in opposition to the granting of the authority sought.

Greyhound proposes the establishment of increased fares which, generally, are about 5 percent higher than the present fares. The present fare structure and the proposed fare structure are set forth in Table I.

TABLE I
Western Greyhound Lines
One-Way Fares for Distances

<u>Miles</u>		<u>Rates per Mile</u>		<u>Increases</u>	
<u>Over</u>	<u>But Not Over</u>	<u>Present</u>	<u>Proposed</u>	<u>Cents</u>	<u>Percent</u>
0	25	\$0.03	\$0.0315	0.15	5.00
25	50	0.0280	0.0294	0.14	5.00
50	100	0.0265	0.0278	0.13	4.91
100	150	0.0240	0.0252	0.12	5.00
150	200	0.0230	0.0242	0.12	5.22
200	250	0.0225	0.0236	0.11	4.89
250	300	0.0220	0.0231	0.11	5.00
300	400	0.0215	0.0226	0.11	5.12
400	-	0.0210	0.0221	0.11	5.24

Applicant does not propose to increase the minimum fare of 25 cents nor to increase any commutation fares. It does not propose herein to increase local fares on the following service routes, San Francisco Peninsula, Contra Costa County, Marin County and San Francisco-Half Moon Bay. The fares on the first two services are zone fares and on the latter are a form of block fare. According to applicant, those fares are the subject of a special study now being made.

Applicant seeks authority to put the proposed increased fares into effect by means of a conversion table until such time as its tariffs can be reissued naming the fares on a point to point basis. It was estimated that it would take approximately six months to complete the appropriate tariff changes necessary to show all

fares. During the time the conversion table would be in effect, there would be no increases in the present one-way fares of 60 cents or less, which means that fares for 20 miles or less would not be increased until the tariffs are reissued.¹

Applicant also proposes to make some changes in its tariffs which would not in themselves result in any increases or reductions but which would simplify the computation of applicable fares to branch line points. This proposal was made in response to suggestions by the Commission staff.

Applicant's present fares were made effective January 18, 1962 pursuant to authority from the Commission granted in Decision No. 62959, dated December 19, 1961, in Application No. 40057. Applicant contends that increases in fares are now necessary to offset increases in expenses incurred by applicant by reason of increases in wages and fringe benefits to drivers, station employees and office employees provided for in a contract, effective March 1, 1962, entered into by applicant and the collective bargaining agent for said employees.

Applicant showed the amounts of increases in expenses that would have been incurred if the wages and working conditions specified in the aforesaid contract had been in effect for the 12 months ended June 30, 1962. For the operation conducted by Western Greyhound Lines Division, the additional expense amounts to \$2,355,100. Using the procedures approved in Decision No. 62959 for separating and allocating system expenses to California operations and to California intrastate operations, applicant showed that \$1,603,300 is assignable to total California operations and

¹ For example: The present fare for 20 miles is 60 cents. If the authority sought is granted, the fare under the conversion table would remain at 60 cents but when the tariffs are reissued would be increased to 63 cents.

\$1,183,700 of that amount is a reasonable allocation to California intrastate operations. Applicant estimated that the proposed fares would provide additional revenues amounting to \$931,200. Because of the additional revenues, applicant estimated an increase in operating taxes of \$14,000 and an increase in commission expense amounting to \$34,500. Table II shows the results of Greyhound's California intrastate operations for a rate year as shown in Decision No. 62959 adjusted by applicant to reflect the additional revenues under the proposed fares and the above-mentioned increases in expenses.

TABLE II

Results of Operation
(Estimated by Applicant)

	<u>Per</u> <u>Decision 62959</u>	<u>Increases</u>	<u>Adjusted</u> <u>Results</u>
Revenue	\$33,551,800	\$ 931,200	\$34,483,000
Expenses	31,109,400	1,183,700 ¹ 34,500 ² 14,000 ³	32,341,600
Operating Income	<u>2,442,400</u>		<u>2,141,400</u>
Income Taxes	<u>1,212,000</u>		<u>1,046,700</u>
Net Income	<u>1,230,400</u>		<u>1,094,700</u>
Rate Base	17,582,300		17,582,300
Rate of Return	7.0%		6.2%
Operating Ratio	96.3		96.8

- 1 Increases in wages and related costs.
- 2 Commissions on additional revenue.
- 3 Operating taxes on additional revenue.

The revenues and expenses estimated by applicant appear to be lower than those which would result from operations for a future rate year. Applicant estimated the amount of additional passenger revenue that would result from the proposed fares by applying 5 percent, less diminution, to the revenues shown in Appendix C of Decision No. 62959. The proposed fares, however, represent varying amounts of increases for the different mileage blocks and because

the largest increases occur in the blocks where applicant's traffic is greatest, the proposed fares should provide more revenue than estimated by applicant. In addition, Decision No. 62959 stated that there was a trend of increasing traffic of Greyhound for the shorter distances. That trend was not considered in the revenue and expense forecasts in said decision because applicant there sought only to increase the fares for the longer distances. Here applicant proposes to increase the fares for all distances, so to the extent that more passengers may be using the services of applicant for the shorter lengths of ride, the passenger revenue estimated is understated. The amount of special bus revenue estimated by applicant is that shown in the aforesaid decision. On April 1, 1962 applicant increased its charter rates by 10 percent which should result in an effective increase in special bus revenue of about 8 percent.

Since the filing of the application herein, and the preparation of the estimates of expense, applicant and the bargaining agent for employees engaged in maintenance have entered into a new contract under which applicant will incur additional maintenance expense. We believe that any additional passenger revenues that may accrue because of increased traffic will be offset by the additional expense of operating the number of additional bus miles necessary to accommodate such increased traffic together with the increased maintenance expense referred to above. With that circumstance in mind, we find that the revenues and expenses set forth in Table III, below, reflect a reasonable estimate of the results of Greyhound's California intrastate operations for a future rate year.

TABLE III
Estimated Results of
California Intrastate Operations
by Western Greyhound Lines
under Proposed Fares for a Future Rate Year

	Per Decision 62959	Adjustment	Adjusted Results
<u>Revenue</u>	\$33,551,800		
Additional Passenger Revenue		\$ 943,000	
Additional Charter Revenue ² ✓		208,900	
Adjusted Revenue			\$34,703,700
<u>Expenses</u>	31,109,400		
Additional Labor Expense		1,183,700	
Additional Commissions		41,700	
Additional Taxes		17,300	
Adjusted Expense			32,352,100
Operating Income	2,442,400		2,351,600
Income Taxes	1,212,000		1,166,400
Net Income	1,230,400		1,185,200
Rate Base	17,582,300		17,582,300
Rate of Return	7.0%		6.7%
Operating Ratio	96.3		96.6

Protestants contend that while Greyhound should be authorized to increase fares, those increases should be greater for the longer distances and less for the shorter distances. It was argued that a flat percentage increase across all mileage brackets distorts the fare structure authorized in Decision No. 62959 and is not warranted because the driver-wage increases result in the same increase in terms of cents per mile. Protestants suggest a fare structure ~~which~~ which would provide additional passenger revenue of \$1,060,900 instead of the \$931,200 calculated by applicant under proposed fares. Table IV sets forth the fare structure suggested by protestants.

² In Decision No. 63998 in Application No. 44176, the Commission indicated that a uniform policy might be established in the near future with respect to the inclusion or exclusion of charter revenues in results of operations studies in passenger stage cases. The inclusion of charter revenues herein militates against applicant's case but, as is hereinafter found, the proposed increases are nevertheless justified. This proceeding, therefore, is not an appropriate one in which to establish the policy on charter revenues.

TABLE IV

<u>Mileage Bracket</u>	<u>Basic Fare Per Mile</u>	<u>Increases</u>	
		<u>Cents</u>	<u>Percent</u>
0-25	\$0.0310	0.10	3.33
26-50	0.0285	0.05	1.79
51-100	0.0265	0.00	0.00
101-150	0.0250	0.10	4.17
151-200	0.0245	0.15	6.52
201-250	0.0240	0.15	6.67
251-300	0.0236	0.16	7.27
301-350	0.0235	0.20	9.30
351-400	0.0234	0.19	8.84
401-Over	0.0233	0.23	10.95

Assuming that protestants' contentions mentioned above are correct, the suggested fare structure goes beyond spreading the increased expenses in terms of cents-per-mile equally among all mileage brackets. Actually, the suggestion of protestants amounts to a collateral attack upon the fare structure prescribed in Decision No. 62959 which was found by the Commission to be just and reasonable after extensive proceedings in which protestants were active participants. Protestants' present contentions, moreover, are not correct. The increases in salaries, wages, and benefits involved herein result in across-the-board increases for virtually all employees of the company. In order to maintain the ratios of fare to cost established by Decision No. 62959, an increase in all fares is necessary. This result is accomplished in applicant's proposed fare structure but not in the one proposed by protestants.

The Commission staff presented a special report on the financing of properties by Greyhound and a comparison of price-earnings ratios of the Greyhound Corporation with those of utilities, railroads and industrial corporations. The report shows that the Greyhound Corporation has been a growing utility, with a record of successful operations, requiring a continuing flow of funds into the treasury from internal and external sources to meet capital requirements.

After full consideration of all of the facts, we find that the results of operation under proposed fares as shown in Table III are reasonable and that the proposed increases in fares are justified. We further find that applicant should be authorized to establish the increased fares by means of conversion tables as a temporary measure pending the reissue of tariffs so that it may obtain the additional revenues which will be provided under the increased fares without delay. We remind applicant that the Commission expects it to proceed with diligence and dispatch to amend its tariffs so that specific fares may be determined without the use of conversion tables.

The tariff changes proposed by applicant which would facilitate the construction of fares, and which of themselves would not result in increases or decreases in fares, are set forth in Exhibits 3, 4, 5 and 6. While such proposed changes may be made effective by applicant on thirty days' notice to the Commission and to the public without authority from the Commission, applicant should be authorized to make the changes on less than thirty days' notice concurrently with the establishment of the proposed increased fares.

O R D E R

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

IT IS ORDERED that:

1. The Greyhound Corporation, Western Greyhound Lines Division, is authorized to establish the increased fares proposed in its application filed May 28, 1962.

2. Pending the establishment of the specific fares authorized in paragraph 1 hereof, applicant is authorized to make effective increases in passenger fares by means of appropriate conversion tables provided that said increased fares do not exceed the fares authorized in paragraph 1 hereof.

3. Applicant is authorized to make effective the tariff changes proposed in Exhibits 3, 4, 5 and 6.

4. The tariff publications authorized to be made as a result of the order herein may be made effective not earlier than the tenth day after the effective date of this order, and may be made effective on not less than ten days' notice to the Commission and to the public.

5. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

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

Dated at San Francisco, California, this 9th day of OCTOBER, 1962.

George G. Brewer
President

[Signature]

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Fredrick B. Halbach
Commissioners