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ORIGINAL

Decision No. 65989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of TRANSCONTINENTAL BUS SYSTEM, INC., a Delaware corporation; AMERICAN BUSLINES, INC., a Delaware corporation; CONTINENTAL PACIFIC LINES, a California corporation; and GIBSON LINES, a California corporation, for authority to increase one-way and round-trip intrastate passenger fares pursuant to Sections 454 and 491 Public Utilities Code.

Application No. 44747

Russell & Schureman, by Theodore W. Russell, for applicants.
R. W. Russell, by K. D. Walpert, for City of Los Angeles, interested party.
Glenn E. Newton, for the Commission staff.

OPINION

Applicants operate as passenger stage corporations between points in this State.1/ Transcontinental, Continental and American also operate between points in California and points in other states. Gibson is a wholly owned subsidiary of American. Continental and American are wholly owned subsidiaries of Transcontinental. By this application, as amended, the four carriers seek authority to increase fares.

The present fare structure of applicants was established by Decision No. 62959, dated December 19, 1961, in Application

1/ Applicants will sometimes hereinafter be referred to as Transcontinental, American, Continental and Gibson, respectively.

No. 40336. On August 30, 1962, the original application in the instant proceeding was filed. Subsequent thereto counsel for applicants requested that the matter not be set for hearing pending further study by applicants of their fare proposals.

On February 15, 1963, applicants filed an amendment in which increased fares were proposed which differed somewhat from those originally proposed. Public hearing of the amended application was held before Examiner Bishop at Los Angeles on April 24, 1963. With the filing, on April 30, 1963, of a second amendment, in which certain errors of the first amendment were corrected, the matter was taken under submission.

In Table I, below, are set forth the present and proposed one-way fares, in cents per mile. Round-trip fares would reflect a relationship of 180 percent of the proposed one-way fares. No increases are proposed in local or joint commutation fares and no changes are proposed in the rules which presently govern the fares here in issue.

TABLE I

One-Way Fares

Distance (Miles)		Fare Per Mile (Cents)		No Fare Less
Over	But Not Over	Present	Proposed	Than Fare For
0	25	3.00	3.15	--
25	50	2.80	2.94	25 Miles
50	100	2.65	2.78	50 "
100	150	2.40	2.52	100 "
150	200	2.30	2.42	150 "
200	250	2.25	2.36	200 "
250	300	2.20	2.31	250 "
300	400	2.15	2.26	300 "
400	-	2.10	2.21	400 "

(Minimum Fare 25 Cents)

The scale of fares herein sought is identical with that which The Greyhound Corporation was authorized to establish between points in this State by Decision No. 64370, dated October 9, 1962, in Application No. 44489. It reflects a proposed increase of approximately five percent in all mileage blocks. The director of traffic for all applicants testified that their average haul is longer than that of Greyhound. It is applicants' position, he said, that their fares should be increased, not by a uniform percentage for all distances, but by lesser percentages for the shorter distances and greater percentages for the longer distances. Uniform percentage increases, he pointed out, result in distortions in the distance scale because of the fare structure in which the rate per mile decreases with increasing distance. Applicants have made their views known in earlier fare increase proceedings but those views, the witness testified, have not been given effect in decisions in which increases have been authorized, either for applicants herein or for Greyhound.[2/] The amended application herein, he explained, is an attempt to formulate a proposal which will be acceptable to the Commission. The application as amended states, moreover, that applicants also desire that their fares be competitive with those of Greyhound.

The application states that applicants as a group for several years past have conducted their California intrastate operations at a loss. American alone has shown a small profit. The most recent period for which results of operation are included in the record is the 12-month period ended March 31, 1961. California intrastate losses were, for the combined operation of Transcontinental and Continental, $121,577 and for Gibson $8,725. American's profit before income taxes was, for the same period, $2,954.

2/ The record indicates that Greyhound is competitive with applicants at all points served by the latter.

Since March 31, 1961, the record discloses, applicants have received an increase in fares pursuant to Decision No. 62959, above, and have also sustained increases in operating costs.[3/] Under existing labor contracts employees of Transcontinental and American have had automatic increases in wages which have also resulted in increased payroll taxes. Continental's labor agreement expired in October 1962, and its employees were, at the time of hearing, still working under its terms pending the completion of negotiations for a new agreement. Assertedly, increases in operating costs, apart from labor expense, have also been experienced by applicants.

The general auditor of Transcontinental (Continental Western Division) and of Continental testified concerning studies he had made to determine the additional revenues which resulted under the fare increases granted by Decision No. 62959 and the increases in operating expenses which had been experienced since March 31, 1961. The net figures set forth above for each of the applicants for the 12-month period ending with that date reflect a net loss of $127,348 for the applicants as a group. The adjusted figure, as developed by the auditor to take in account the effect of the above-mentioned increases in revenues and operating expenses, together with the estimated additional revenue under the increased fares proposed in the instant proceeding, still shows an estimated annual loss of $126,722 for the applicants as a group.

From the above-described data, as introduced by the auditor, estimated operating results for each of the applicants

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3/ Commission records indicates that Gibson's commutation fares were increased by Decision No. 63672, dated May 8, 1962, in Application No. 44143.

have been calculated, both under a continuation of present fares and under the proposed fares, for a projected 12-month period. These estimated results are set forth in Table II, below.

TABLE II

Estimated Operating Results for a Projected Rate Year Under Present and Proposed Rates

	Under Present Rates	Under Proposed Rates
(A) Transcontinental and Continental Pacific		
Revenues	$311,367	$ 326,416
Expenses	447,978	448,204
Net	$(136,611)	$(121,788)
Operating Ratio	143.9%	137.3%
(B) American		
Revenues	$ 44,255	$ 45,792
Expenses	42,063	42,086
Net Before Income Taxes	$ 2,192	$ 3,706
Income Taxes	742	1,254
Net After Income Taxes	$ 1,450	$ 2,452
Operating Ratio	96.7%	94.6%
(C) Gibson		
Revenues *	$ 57,390	$ 57,890
Expenses	66,522	66,530
Net	$ (9,132)	$ (8,640)
Operating Ratio	115.9%	114.9%

( ) - Indicates loss.

* Does not include an estimated $7,700 increase in commutation revenue granted by Commission Decision No. 63672.

In calculating the additional revenues which were derived by Transcontinental, Continental and American from the increased rates resulting from Decision No. 62959 the auditor did not consult the records of the applicants. Instead, he ascertained the percentage of increase in the rate per mile for each mileage block and applied these percentages to the actual revenue received in the year ended March 31, 1961, under each mileage block.[4/] The additional revenue so developed was then totaled for each carrier. This process was repeated in the development of revenue estimates for the projected rate year under the proposed rates.

The method employed by the auditor in developing his revenue estimates assumes a continuation after March 31, 1961, to the date of hearing and through a projected rate year thereafter of the volume of traffic, and the distribution thereof among the various lengths of haul, which prevailed during the 12-month period ending with that date. In this connection the director of traffic testified that applicants' over-all traffic has been steadily increasing in recent years and that he had no evidence of a decline in the California intrastate traffic because of the fare increases which were made pursuant to Decision No. 62959. He was of the opinion that applicants could hold their present traffic under the fares proposed in this proceeding.[5/]

4/ In connection with Application No. 40336, which resulted in Decision No. 62959, above, an analysis was made to determine the distribution of California intrastate revenues of the applicants herein, exclusive of Gibson, by mileage blocks for the various lengths of haul.

5/ There was a marked increase in applicants' traffic in 1962 because of the Seattle World's Fair. This was temporary and appears not to have had a great effect on their California intrastate business.

A shift in traffic volume from one of the applicants to another, the record shows, took place in August of 1961 when the operative right which Transcontinental held between Los Angeles and San Diego was transferred from that carrier to American. It is to be noted also that the business of Gibson, which operates between Rio Vista, Sacramento and Roseville, is mostly local traffic for which commutation fares are provided, so that the fare increases herein proposed would have only a minor effect on its revenues.

The auditor's estimate of increased operating costs, which are reflected in Table II, above, were developed by adjusting the actual expense figures, for the 12-month period ended March 31, 1961, to give effect to the increases in labor costs and payroll taxes which had occurred since that date. The estimate also includes the increases in the California gross receipt tax payments which would result from the increased revenues under the proposed rates. According to the record, applicants have experienced increases in other operating costs also, but none of those increases were included in the aforesaid estimates.

Since Transcontinental, Continental and American are also interstate operators it was necessary, in the development of estimated operating results of those three carriers, to segregate the California intrastate operating expenses from those attributable to the movement of interstate passengers. In those instances in which such segregation was not reflected by the book records of the carriers arbitrary allocations were necessary. The same methods were employed in making the allocations, the auditor testified, as were employed in prior fare increase proceedings of these carriers, including that which resulted in the aforesaid Decision No. 62959.

As will be seen from Table II, above, the estimated operating results of Transcontinental and Continental have been combined. The accountant explained that this procedure was necessary, since the results of record in the last increase proceeding, on which the present estimates are built, likewise reflected a consolidation of the data for the two carriers in question. The record further discloses that this procedure has been followed because the operations of Transcontinental and Continental are very closely integrated. The latter company operates between San Francisco, Stockton, Sacramento and points in Oregon and Washington. However, it has no revenue equipment of its own. Passengers between San Francisco Bay points are carried in buses of Transcontinental, which operates, in part, between San Francisco and Los Angeles via Stockton and San Joaquin Valley points.6/ Through buses, owned by Transcontinental, are operated between Los Angeles and Seattle, with interchange between the two carriers at Stockton. Continental owns very little physical property of any kind. The two companies also have the same officers.

American spans the nation in its operations. However, its California intrastate operating rights, the record shows, are limited to service between points on the segment of Highway U. S. 40 between Sacramento and the Nevada state line, and to service between Los Angeles, San Diego and intermediate points. Thus, Table II, above, shows even less California intrastate revenues for American than are estimated for Gibson.

6/ Transcontinental also operates between Los Angeles and Needles (via San Bernardino) and Blythe (via Indio), with certain restrictions as to intrastate traffic, in connection with its service to and from Eastern interstate points.

A representative of the City of Los Angeles and an engineer from the Commission's Transportation Division staff assisted in the development of the record. Notice of the hearing was posted in advance in applicants' vehicles and was widely publicized. Also, notices were sent by the Secretary of the Commission to officials of the cities and counties which are served by the applicants. No one appeared at the hearing in opposition to the sought fare increases.

Discussion and Findings

California intrastate operating results of applicants for a recent period were not included in the record. As hereinbefore stated, however, applicants did reproduce from exhibits introduced in their last prior proceeding operating results for the 12-month period ended March 31, 1961.[7] These they brought forward to reflect current rate and cost levels, and to show the estimated effect of the sought rate increases.

According to applicants' estimates, as summarized in Table II, above, Transcontinental and Continental, as a unit, and Gibson will sustain losses reflecting operating ratios of 143.9 and 115.9 percent, respectively, under a continuation of present fares during the projected rate year. The estimated operating ratios under the proposed fares are only slightly less unfavorable at 137.3 and 114.9 percent, respectively. In the case of Transcontinental-Continental the estimated losses are substantial.

7/ Applicants are hereby admonished that, in any future proceedings of like purport, they will be expected to present basic figures of operating results which shall be more current than those of record herein.

The estimated results for the California intrastate operations of American reflect profit figures of $1,450 and $2,452, after income taxes, under present and proposed fares, respectively. The corresponding operating ratios are 96.7 and 94.6 percent, respectively.

The actual results under either present or proposed fares might well turn out to be somewhat more favorable than those forecast by the auditor, in view of the gradual increase in traffic to which the director of traffic testified. In this connection it is to be noted, however, that increases in traffic volume are usually accompanied by increases in operating expenses as well as in revenues. In any event, the record is persuasive that additional revenues are needed by applicants for their California intrastate operations.

As mentioned earlier, the proposed increased fares would reflect the same mileage scale as now applies via Greyhound. The desirability of uniformity of fares as between the two bus systems is apparent, both from a competitive standpoint and in the interest of simplicity of tariff application.

While the fares of applicants reflect a mileage scale they are actually published as point-to-point rates. Because of urgent need for increased revenues applicants have requested authority to establish the proposed increased fares on less than statutory notice, and by means of a conversion table. They assert that the revision of each individual rate initially will unduly delay the establishment of the new rates.

Upon consideration, we find:

1. Revenues accruing under applicants' present fares here in issue are insufficient to assure a continuance of adequate transportation service.

2. The proposed fares will be reasonable.

3. The proposed fares have been justified.

4. Applicants should be permitted to publish the increased fares on less than statutory notice and in the form of a conversion table, as set forth in Exhibit 1 in this proceeding.

5. Applicants should be required to proceed thereafter with diligence and dispatch to further amend their tariffs so that specific fares may be determined without the use of conversion tables, such further amendment to be completed within six months after the effective date of the order which follows.

We conclude therefore that the application should be granted as hereinafter provided.

ORDER

IT IS ORDERED that:

1. Transcontinental Bus System, Inc., Continental Pacific Lines, American Buslines, Inc., and Gibson Lines are authorized to establish the increased fares as proposed in Application No. 44747, as amended. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

2. The increased fares hereinabove authorized may be published initially in the form of a conversion table as set forth in Exhibit 1 filed in this proceeding. Thereafter, applicants shall proceed with diligence and dispatch to further amend their tariffs so that said increased fares may be determined without the use of conversion tables, said further amendment to be completed within six months after the effective date hereof.

3. In addition to the required posting and filing of tariffs, applicants shall give notice to the public by posting in their buses and terminals printed explanations of their fares. Such notices 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.

4. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 10th day of September, 1963.

Halleyon A. Bennett
President

Peter E. Mitchell

Everett C. McKeage

George G. Grover

Frederick B. Holoboff
Commissioners