

ied

ORIGINAL

Decision No. 68233

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GREYHOUND LINES,)
 INC., WESTERN GREYHOUND LINES)
 DIVISION, CHICO-PARADISE STAGE)
 LINE, LAS VEGAS-TONOPAH-RENO)
 STAGE LINE, INC., MENDENHALL)
 TRANSPORTATION COMPANY, MOYERS)
 STAGES, ORANGE' BELT STAGES,)
 PEERLESS STAGES, INC., SAN PEDRO)
 TRANSIT LINES, and VACA VALLEY)
 BUS LINES for an order authorizing)
 a state wide increase in certain)
 intrastate express charges.)
 (Amended Title)

Application No. 46757
 (Filed June 25, 1964)
 (Amended August 11, 1964)

McCutchen, Doyle, Brown, Trautman & Enerson
 by Gerald H. Trautman and Craig McAtee, for
 applicants.
Henry E. Jordan, for City of Long Beach,
 interested party.
H. E. Frank, E. C. Crawford, and Ora A. Phillips,
 for the Commission staff.

O P I N I O N

Greyhound Lines, Inc., engages nationally in the transportation of passengers, baggage and express. Western Greyhound Lines is a division of Greyhound Lines, Inc., through which operations are conducted in California and the other eleven western states. Greyhound Lines, Inc. (Greyhound) seeks by this application to increase its local and interdivision express rates applicable to its California intrastate traffic and to increase intrastate joint express rates applicable to service over its lines and lines of connecting passenger stage corporations in California. The express rates apply to shipments weighing 100 pounds or less transported from depot to depot in passenger bus equipment. The express rates are on a mileage basis, and are

graduated according to the size of the shipment. Applicants seek to increase the express rates for distances of 400 miles or less, and to establish higher charges for oversized and light-and-bulky shipments. The present express rates were established in December, 1960, pursuant to Decision No. 61170 (58 Cal P.U.C. 312).

Public hearing in this proceeding was held before Examiner Mallory at San Francisco on September 21, 1964, and the matter was submitted on that date. The City of Long Beach and the Commission staff participated in the proceeding through cross-examination of Greyhound's witnesses. No one appeared in opposition to the authority sought.

Evidence was adduced through Western Greyhound Lines' Director of Traffic and its Vice President-Controller. The Director of Traffic explained the background of the application and the nature of the relief sought. His testimony is summarized as follows: The purpose of the application is twofold--to obtain increases in revenues allegedly necessary to offset increases in labor and other expenses, and to bring the intrastate express rates in line with express rates maintained by Greyhound and other bus companies on their interstate traffic within the eleven western states. The intrastate express rates have been maintained over the years on the same basis as the rates published by the National Bus Traffic Association. Since the last adjustment in intrastate rates the interstate rates have been increased. Assertedly, uniformity of intrastate and interstate rates results in simplification of billing and more expeditious handling of express shipments.

The following table sets forth examples of the present and proposed mileage rates:

TABLE I
EXPRESS RATES

Miles	Shipment Weight in Pounds									
	2		5		25		55		85	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
0-25	\$.85	\$1.00	\$.90	\$1.00	\$1.00	\$1.15	\$1.15	\$1.45	\$1.30	\$1.75
50-75	.90	1.00	1.00	1.10	1.20	1.40	1.60	1.90	2.00	2.40
100-125	1.00	1.00*	1.15	1.30	1.45	1.70	2.15	2.40	2.85	3.10
175-200	1.15	1.15*	1.40	1.60	1.75	2.00	2.55	2.85	3.40	3.65
250-300	1.30	1.30*	1.60	1.70	2.00	2.15	2.90	3.00	3.80	3.85
300-400	1.45	1.45*	1.70	1.75	2.25	2.25*	3.20	3.20*	4.20	4.20*

- (1) Present rates
- (2) Proposed rates
- * No change in rates

A sampling was made of five percent of the shipments handled by Greyhound during the month of October 1963. This showed that 93.1 percent of the intrastate shipments were transported for distances of 400 miles or less, the mileage blocks for which increases are sought herein. Based upon a re-rating of this sample, it was determined that the proposed rates would result in an increase in revenues of 9.42 percent for California intrastate express traffic.

Greyhound has participated with the National Bus Traffic Association in industry studies which have gone on for several years to develop information on light-and-bulky shipments. The weight per-cubic-foot of the articles which were selected for higher charges because of their low density ranges from 2.08 pounds to 6.74 pounds, compared with an average of 14.50 pounds for all other commodities. Assertedly, higher charges are required for low-density commodities in order to return to the carriers' revenues comparable to those for average-density commodities. Space available in baggage compartments is limited, so that space occupied, rather than weight, limits the amount of express

shipments which can be handled. Higher charges on over-size shipments are requested because of the special handling necessary to stow such shipments in baggage compartments of the vehicles and because such shipments, being of irregular size, are more susceptible to damage.

Western Greyhound Lines' Vice President-Controller presented exhibits showing Greyhound's results of operations under present and proposed express rates. The records of the company cover operations in Greyhound's central and western divisions. Financial data applicable to California operations were required to be segregated. The witness stated that revenues and expenses for California intrastate operations were developed on the basis of separation and allocation procedures developed jointly by the company and the Commission staff in the last general fare increase proceeding.^{1/}

The witness presented evidence to show that under labor contracts negotiated in March 1964, increases in labor costs in 1965 for Greyhound's western division operations will amount to \$4,313,100, of which \$1,974,400 is allocated to California intrastate operations. Corresponding increases will also occur in wages paid to supervisory and nonunion employees. Smaller increases in certain other operating expenses also assertedly will take place in 1965.

According to this witness, Greyhound's overall California intrastate operations in 1963 resulted in operating income of \$1,171,600 after federal and state income taxes, producing an

^{1/} Exhibit No. 78 (Witness Porter) in Application No. 40057, received in evidence on June 6, 1961. Allocation methods are discussed in Decision No. 61170 at pages 317 and 318 of Volume 58 of the reports of the Public Utilities Commission.

operating ratio of 96.8 percent and a rate of return of 6.6 percent. Based upon 1963 levels of service, projected operating results for 1965, reflecting revenues under present rates and expenses adjusted to include known increases in labor costs and other expenses, would produce an operating income after federal and state income taxes of \$47,400, with a corresponding operating ratio of 99.9 percent and a rate of return of 0.3 percent. The following table depicts estimated operating results for 1965, reflecting increased revenues from the proposed express rates and known increased expenses.

TABLE II

Greyhound Lines, Inc.
(Western Greyhound Lines Division)

STATEMENT OF ESTIMATED CALIFORNIA INTRASTATE OPERATIONS
FOR THE TWELVE-MONTH PERIOD ENDING
DECEMBER 31, 1965

Forecast - Proposed Express Rates

	<u>California Intrastate Total</u>
<u>OPERATING REVENUES</u>	
Express Revenue	\$ 2,782,400
Additional Revenue from Proposed Rates	243,000
	<u>3,025,400</u>
Passenger and Other Revenue	<u>34,436,000</u>
TOTAL	\$37,461,400
<u>OPERATING EXPENSES</u>	
Additional Expenses due to Increase in Revenue Commissions	22,800
California Gross Receipts Tax	<u>3,600</u>
TOTAL	<u>\$37,148,400</u>
<u>OPERATING INCOME</u>	\$ 313,000
Federal and State Income Taxes	149,700
Operating Income After Income Taxes	<u>\$ 163,300</u>
Operating Ratio After Income Taxes	99.6%
<u>Rate Base</u>	\$18,606,100
<u>Rate of Return</u>	0.9%

The witness testified that in the development of the financial data presented herein, adjustments of the company's book records were made to reflect computation of depreciation expense for passenger bus equipment and income taxes under methods heretofore adopted by the Commission as reasonable. An adjustment was also made in the express revenues to show the anticipated increase in such revenues from the normal growth of express service.

The witness testified that a study developing the costs of providing express service was not made because of the assertedly insurmountable difficulties in separating or allocating expenses for handling of express. The witness stated that express service is ancillary to and dependent wholly upon Greyhound's passenger operations. Most of its personnel and facilities used in express service are primarily engaged in passenger and baggage service; thus express and passenger operations are so interdependent that meaningful allocations of joint expenses are difficult to make.

Greyhound pointed out that it has filed applications seeking increases in its Bay Area commutation fares and increases in its general one-way and round-trip fares in California.^{2/} Greyhound stated that the increases sought in this proceeding will meet only part of its alleged revenue needs and that it proposes to obtain its additional revenue needs from the fare increases requested in the aforementioned applications.

From the evidence it appears that the increases sought herein will do no more than return to Greyhound a portion of the increased expenses which will occur in 1965 because of known increases in wages and other operating expenses. We find that the

^{2/} Application No. 46833, filed July 23, 1964, and Application No. 46904, filed August 19, 1964, respectively.

increased rates sought in this proceeding will be reasonable and are justified. We conclude that the application, as amended, should be granted. Inasmuch as Greyhound is now incurring increased operating expenses, authority will be granted to publish the increased express rates on ten days' notice.

O R D E R

IT IS ORDERED that:

1. Applicants in Application No. 46757, as amended, are authorized to establish the increased express rates and rules proposed in the application as specifically set forth in Exhibit 1 in this proceeding. 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 of this order on not less than ten days' notice to the Commission and to the public.

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

3. In addition to the required posting and filing of tariffs, Greyhound Lines, Inc. shall give notice to the public by posting in its terminals at which express traffic is accepted for shipment a printed explanation of its express rates and charges. Such notice shall be posted not less than five days before the effective date of the rate 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 17th day of November, 1964.

Frederick B. Holdstock
President
George T. Grover
William K. Bruns
Commissioners