

ORIGINALDecision No. 69539

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Greyhound Lines, Inc.,
Western Greyhound Lines Division, for
an order authorizing increases in San
Francisco Bay Area commutation fares.

Application No. 46833
(Filed July 23, 1964;
Amended January 25, 1965)

Application of Greyhound Lines, Inc.,
Western Greyhound Lines Division, for
an order authorizing a statewide increase
in intrastate passenger fares other than
commutation fares in Peninsula, Contra
Costa and Marin commutation services.

Application No. 46904
(Filed August 19, 1964)

Investigation into the operations, rates
of fare, practices, routes, schedules,
tariffs, service equipment and facilities
of GREYHOUND LINES, INC., WESTERN
GREYHOUND LINES DIVISION, in the San
Francisco Bay Area.

Case No. 8009
(Filed September 22, 1964)

McCutchen, Doyle, Brown, Trautman and Enersen, by
Gerald H. Trautman and Craig McAtee, for Greyhound
Lines, Inc. (Western Greyhound Lines Division);
applicant (Applications Nos. 46833 and 46904) and
respondent (Case No. 8009).

Richard V. Godino and Douglas J. Maloney, for Marin
County Transit District; Walter Zintz, in propria
persona; and Martin J. Rosen, for Contra Costa
Commuters Association; protestants (Applications
Nos. 46833 and 46904) and interested parties
(Case No. 8009).

Henry E. Jordan, for City of Long Beach; Thomas J.
Hardcastle and Arthur C. Jenkins, for Golden Gate
Bridge and Highway District; Orville Wright, by
Robert Laughead, for City of San Francisco; Gerard
S. Vergeer, for City of San Bruno; and Edward L.
Blincoe, in propria persona, and for Utility Users'
League of California; interested parties.

Harold J. McCarthy, Eric Mohr, Fred C. Ballenger, and
K. Tomita; for the Commission staff.

THIRD INTERIM OPINION

By Application No. 46833, Greyhound Lines, Inc., Western
Greyhound Lines Division (Greyhound) seeks to increase San Francisco
Bay area commutation fares. By Application No. 46904, Greyhound seeks
to increase its California intrastate one-way and round-trip fares.
Case No. 8009 is an investigation on the Commission's own motion into

the operations, fares and services of Greyhound with respect to the aforementioned commutation services. Copies of the applications and notice of hearing were served in accordance with the Commission's procedural rules. Twenty-three days of public hearing beginning December 7, 1964 were held in these matters before Commissioner Grover and Examiner Mallory. Following oral argument before the Commission en banc, the matters were submitted on April 13, 1965.

Evidence in these proceedings was adduced by Greyhound, the Commission staff, the Contra Costa County Commuters Association, several public bodies, and several public witnesses. One hundred five exhibits were received. There are over 2,600 pages of transcript. Two interim orders have been issued.^{1/}

Application No. 46833

In this application Greyhound seeks a twenty percent increase in the monthly commutation tickets for service between points in Contra Costa County, on the one hand, and Oakland and San Francisco, on the other hand; and a flat increase of \$2.00 per twenty-ride commutation book for service between San Francisco and points in San Mateo and Santa Clara Counties.^{2/}

^{1/} Decision No. 68661, dated February 25, 1965, in these proceedings discontinued the portion of Application No. 46833 seeking increased commutation fares in Marin-Sonoma service, and discontinued the portion of Case No. 8009 dealing with recommendations concerning air-conditioning of new bus equipment for respondent's Marin commutation service and establishment of a 90 percent loading standard for respondent's Marin-Sonoma commutation service, concurrently with the reduction in Greyhound's operating costs due to lowered bridge tolls on the Golden Gate Bridge.

Decision No. 68734, dated March 15, 1965, authorized Greyhound to purchase 60 non-air-conditioned transit buses, and ordered Greyhound to acquire buses seating not less than 53 passengers and having a width of not less than 102 inches. Such buses have been ordered by Greyhound. Twenty of the new buses will be assigned to Marin commute service and forty to Peninsula commute service.

^{2/} Proposed commutation fares are set forth in applicant's Exhibits Nos. 15 through 19 and 72.

The portion of this application requesting increased fares for Greyhound's Marin-Sonoma commute service was dismissed at applicant's request, following a reduction in Golden Gate Bridge tolls (Decision No. 68661). The toll reduction approximated the dollar amount of increase sought in said commute fares.^{3/} The Golden Gate Bridge and Highway District is to be commended for reducing Golden Gate Bridge tolls, thus enabling Greyhound to seek dismissal of the Marin-Sonoma increase request.

Application No. 46833 was amended, following receipt of Commission staff recommendations in Case No. 8009, to seek additional increases in commute fares in the event of approval of such staff proposals.

Contra Costa commutation fares were last adjusted pursuant to Decision No. 59530, dated January 14, 1960, in Application No. 41617 (unreported). Peninsula commutation fares were last adjusted by Decision No. 58125, dated July 7, 1957 (57 Cal. P.U.C. 69).

Application No. 46904

In this application, Greyhound seeks to increase its one-way and round-trip (casual) fares. It seeks to increase its minimum fare from 25 cents to 30 cents; to increase its casual fares within the commute areas (including its Marin and Sonoma commute service) by specified amounts;^{4/} and to increase the balance of its intrastate casual fares by five percent. The last adjustment in Greyhound's intrastate fares over its mainline routes became effective in October, 1962, pursuant to Decision No. 64370, dated October 9, 1962, in Application No. 44489 (unreported).

^{3/} Greyhound originally sought an increase of twenty percent for its Marin-Sonoma commute service.

^{4/} Specific fare proposals for local service within applicant's commute areas are set forth in Exhibits Nos. 2 through 7. The proposed increases range from 10 to 13 percent.

Greyhound urged that if the Commission should find that the full amount of all the increases sought is not justified, the sought increases for commute service should be granted in full and the size of the increase in its casual fares be reduced. Greyhound alleged that its commutation services in the San Francisco Bay area would continue to be conducted at a loss, even with the increases sought; that Greyhound's mainline operations have made up the losses on its commute service in the past; and that Greyhound finds it increasingly difficult to continue to make up these losses, mainly because of competition, over its principal mainline routes, with low-cost airline service.

Case No. 8009

Case No. 8009 is an investigation on the Commission's own motion into the operations, rates of fare, practices, routes, schedules, tariffs, service, equipment and facilities of Greyhound Lines, Inc. (Western Greyhound Lines Division) in rendering passenger stage service within the scope of its San Francisco Bay area commutation service, for the purpose of determining whether said operations, rates of fare, practices, routes, schedules, tariffs, service, equipment and facilities are reasonable or adequate, and for the further purpose of determining whether respondent should be directed to extend its passenger stage service over the following described routes:

- (a) In San Mateo County on Skyline Boulevard (State Route 35) from its junction with State Route 1 in Daly City south to the intersection of Ralston Avenue west of Belmont.
- (b) In Contra Costa County from the intersection of Main Street and Ygnacio Valley Road in Walnut Creek via Ygnacio Valley Road, Oak Grove Road, to respondent's regular route at Monument Road, Concord.
- (c) In Oakland from the intersection of 20th and Broadway southerly and easterly so as to serve the downtown section of Oakland and the new Kaiser Center.

Corporate Structure

Greyhound Lines, Inc. (Western Greyhound Lines Division) operates passenger bus and express service in the eleven western states, including California. Greyhound Lines, Inc. is a wholly owned subsidiary of The Greyhound Corporation.^{5/} The latter is the parent corporation for firms engaged in bus and household goods transportation, automobile leasing, insurance, restaurant, bus manufacturing, bus charter and related activities.

Greyhound Lines, Inc. operates throughout the United States and in Canada. Its operations are conducted by four divisions, namely its Western, Central, Southern and Eastern Divisions. The physical operations of each division are conducted separately, but for accounting purposes its Western and Central Divisions are combined.

Prior to 1957, operations in the eleven Western States were conducted by Pacific Greyhound Lines, Inc., an independent operating company. The Greyhound Corporation acquired the assets of Pacific and merged Pacific's operations with other operations conducted by The Greyhound Corporation pursuant to Decision No. 54875, dated April 22, 1957, in Application No. 38923. Pacific's operations subsequently were conducted as the Western Division operations of The Greyhound Corporation. On December 31, 1963, the assets and liabilities of The Greyhound Corporation's four bus divisions were transferred to Greyhound Lines, Inc., its subsidiary. The latter corporation now owns all of the carrier property and operates the entire bus system.

^{5/} In the proceeding in which Greyhound's present intrastate fare structure was established (Decision No. 62959, dated December 19, 1961, 59 Cal. P.U.C. 213), the applicant was The Greyhound Corporation. The current fare levels were authorized in Decision No. 64370, supra, as an offset to labor expense increases occurring after the issuance of Decision No. 62959.

Allocations Manual

In order to determine the results of Greyhound's California intrastate operations, it is necessary to allocate certain revenues and expenses: First, between its Western and Central Divisions;

Second, between operations conducted by Western within California and operations conducted outside California; and,

Third, between total California operations and California intrastate operations.

In the last general fare increase proceeding (59 Cal. P.U.C. 213, 215), the Commission adopted a so-called separations manual.^{6/}

Concerning this exhibit, the Commission's decision stated as follows:

"Exhibit No. 78 is a manual of separation and allocation procedures which is the product of a joint effort made over the past two years by the Commission's staff and the management of Greyhound. Neither Greyhound nor the staff consider that this manual is the perfect and final answer to the allocations problem. They agree that it is as near an ideal procedure as present data and methods permit and that future improvements should be considered at hearings separate from applications involving fare increases so as not to delay consideration of said applications." (Emphasis supplied.)

* * *

"We find that the procedures set forth therein provide a reasonable method of determining fair and proper separations and allocations."

Applicant and the Commission's Transportation Division - Engineering Economics Branch staff presented comprehensive exhibits dealing with results of operations under present fares for historical periods and for future rate years. The results of operations presented by applicant and the Commission staff for historical periods assertedly follow the procedures set forth in the separations manual.

In addition, exhibits were presented by the Commission's Finance and Accounts Division staff dealing with applicant's financial condition, sources of funds, financing of properties and rate of

^{6/} Exhibit No. 78 in Applications Nos. 40057 and 40336, the separations manual, was incorporated by reference in the current proceedings.

return. Exhibits introduced by an accounting witness show that certain general management and administrative expenses incurred by The Greyhound Corporation on behalf of its subsidiaries are assigned to Greyhound Lines, Inc. on the basis of the ratio of the latter's net operating revenues to total net operating revenues of all subsidiaries. In 1963, Greyhound Lines, Inc.'s composite proportion of such expense was 95.34 percent, amounting to \$1,484,430. This amount, in turn, was allocated on a proportionate basis to each operating division.

Results of Operations - Historical Period

The following table contains the results of operations for the year 1963 as developed by applicant and by the Commission staff, using the separation methods heretofore approved by the Commission.

TABLE I

Western Greyhound Lines Results of California
Intrastate Operations for Year 1963

	Intrastate					
	Total		Main Line		Local	
	Greyhound	Staff	Greyhound	Staff	Greyhound	Staff
Revenues:						
Passenger	\$30,731,600	\$30,833,300	\$22,870,100	\$22,972,800	\$ 7,861,500	\$ 7,861,500
Special						
Bus	2,441,800	2,441,800	2,441,800	2,441,800	-	-
Express	2,368,000	2,368,000	2,368,000	2,368,000	-	-
Other	1,262,600	1,400,600	1,062,700	1,191,600	199,900	209,000
Total	\$36,804,000	\$37,043,700	\$28,742,600	\$28,973,200	\$ 8,061,400	\$ 8,070,500
Total						
Expenses	\$34,350,100	\$35,004,800	\$24,723,300	\$25,299,000	\$ 9,626,800	\$ 9,705,800
Operating						
Income	\$ 2,453,900	\$ 2,038,900	\$ 4,019,300	\$ 3,674,200	\$(1,565,400)	\$(1,635,300)
Income						
Taxes	\$ 1,291,500	\$ 1,030,300	\$ 2,115,400	\$ 1,856,600	\$(823,900)	\$(826,300)
Net Operating						
Income	\$ 1,162,400	\$ 1,008,600	\$ 1,903,900	\$ 1,817,600	\$(742,500)	\$(809,000)
Operating						
Ratio						
(After Taxes)	96.8%	97.3%	93.4%	93.7%	109.2%	110.0%
Rate Base	\$17,159,300	\$18,238,900	\$13,799,300	\$14,560,300	\$ 3,360,000	\$ 3,678,600
Rate of Return	6.8%	5.53%	13.80%	12.48%	-	-

(Red Figure)

The differences between Greyhound and the staff in the figures set forth in the above table stem principally from methods of allocating revenues and expenses between Greyhound's Central and Western Divisions. The allocations manual, having been developed prior to the combining of the Western and Central Divisions for accounting purposes, does not provide methods of allocation between the two operating divisions. Important differences in the staff and company presentations are discussed in detail in connection with forecasted results of operations, hereinafter set forth.

Forecasts - Revenues and Traffic Trends

Greyhound and the Commission's Transportation Division staff presented forecasts of traffic and revenues under present fares for selected future rate years.

Greyhound's forecast exhibits covered the twelve-month period ending December 31, 1965. Greyhound's revenue estimates assumed that the level of traffic for its rate year would be the same as for an historical year ended October 31, 1964. Greyhound's Western Division vice president-controller testified that traffic trends at the end of that period were mixed; therefore it was difficult to predict whether traffic trends would be generally upward or downward. The witness forecast revenues under present fares for his rate year at the same level as actual revenues for the year ended October 31, 1964. This revenue projection, the record shows, does not reflect for a full year the general increase in fares applicable to interstate traffic and traffic within other states which became effective September 1, 1964 and thereafter.

The forecast exhibits of the staff, for the rate year ended February 28, 1966, were developed from operating statistics for the year ended October 31, 1964. The staff estimated that traffic in the rate year would increase over the historical period for Western Division operations as a whole, for total California operations and

for California intrastate operations; but that California interstate operations would decrease slightly. Revenue projections under present fares give effect to Greyhound's general increase in interstate and other-state fares by revenue increases of nine percent.

Greyhound submitted rebuttal evidence to show that the staff's estimates of increased traffic were overstated based upon actual traffic data for the period following October 31, 1964 to the date of submission of the proceedings. This evidence shows that traffic over major segments of Western Division operations was less in the latest period than that in the base period used in the staff report. On the other hand, the evidence shows that in the period of this decrease the western states, and particularly California, were subjected to extremely bad weather conditions, which discouraged or prohibited some travel.

Greyhound also offered testimony to show that, with respect to special bus operations, the staff included about 22 million passenger miles under California intrastate operations which involved operations to casinos in Nevada and which properly should have been included under the category of California interstate operations. We find that such passenger miles, and related revenues and expenses, should be included in the staff test year estimates under the category of California interstate operations.

Greyhound contended that the air fares of \$11.43, \$13.50 and \$14.50 for prop-jet and jet service between San Francisco/Oakland and Los Angeles/Burbank have made serious inroads in its traffic between the metropolitan areas of San Francisco and Los Angeles. Greyhound's present fare between these points is \$9.19. Greyhound showed that the total number of buses scheduled daily between San Francisco and Los Angeles (Greyhound and Continental Western Lines) is 29, whereas the total number of daily nonstop flights by scheduled airlines (Pacific Southwest Airlines, Western Air Lines, Inc., United Air Lines, Inc.)

is 63. The seating capacity of each aircraft is more than twice that of a Greyhound bus. The evidence indicates that the primary public transportation service between the major metropolitan areas of Los Angeles and San Francisco is provided by the airlines and not by Greyhound.

Greyhound represented that Zone Group 5, San Francisco-Los Angeles-San Diego (together with Zone Group 15, Los Angeles-San Diego) constitutes its principal California intrastate service.

Its Zone Group 5 includes the coast and valley routes between the San Francisco Bay area and the Metropolitan Los Angeles area. Greyhound's vice president-traffic testified that the traffic in this Zone Group was on a downward trend from 1961 to May of 1964; was on a slight upward trend during the period May through August of 1964; then was on a downward trend after October of 1964. Assertedly, the current downward trend reflects the effect of the airline fare competition between these metropolitan areas. Greyhound showed that it operated the following California intrastate passenger miles during the twelve months ended February 28, 1965:

Zone Group	5	334,257,000
Zone Group	15	209,343,000
Zone Groups 1-17, inclusive		981,228,000

Greyhound also asserted that while traffic has been gradually increasing in Zone Group 15, it has not increased in proportion to the staff estimate for the test year, and that recent trends in traffic are downward.

The Commission staff forecast that Greyhound will operate a total of 1,025 million intrastate mainline passenger miles during the staff test year, of which 337 million passenger miles are in Zone Group 5 and 227 million passenger miles are in Zone Group 15. We find that this forecast is unreasonably high and that for Zone Group 5 it should be reduced by 7 million passenger miles, that for Zone Group 15 it should be reduced by 3 million passenger miles, and that 22 million passenger miles should be transferred from intrastate to interstate operations, resulting in a total of 993 million passenger miles for

the test year. We find that a total of 993 million mainline California intrastate passenger miles is a reasonable estimate for service included in Zone Groups 1 through 17 for the test year ending February 28, 1966.

Greyhound also presented rebuttal testimony designed to show that the increase in revenues realized from the general increase in interstate and other-state fares made effective late in 1964 would not be as great as the nine percent estimated by the staff. Greyhound showed that in order to maintain fares between many major traffic centers at ten percent under corresponding rail fares, it did not raise such fares, and that there was no increase in fares for intrastate transportation within the States of Oregon and Washington. Greyhound estimated the overall effect of the general fare increase on its Western Division revenues would approximate 5 to 5½ percent. We find that, for the purpose of revenue estimates for the test year used in the staff study, an increase in revenues of 5½ percent over actual revenues for the year ended October 31, 1964 will reasonably represent the effect of the general increases in fares made effective late in 1964.

Forecasts - Operating Results under Present Fares

Greyhound and the Commission staff also presented exhibits containing estimated operating results under present and proposed fares for future periods. Greyhound presented extensive rebuttal testimony concerning the staff's forecast exhibits to show the areas in which it disagreed with staff estimates. Greyhound's principal accounting witness testified that in his opinion the estimates of results of operations for the test year developed by the staff, adjusted to give effect to the changes he recommended, would be fair and reasonable.^{7/} In these circumstances, we will utilize for

^{7/} Certain of the adjustments necessary to bring the staff's forecast exhibits up-to-date, the witness stated, should also be made in Greyhound's forecast exhibits. Its exhibits were not modified to show such adjustments.

purposes of these proceedings the test year ending February 28, 1966. The following table compares the estimated results of operations under present fares for a test year, as developed by the Commission staff, and the staff results of operations as adjusted by Greyhound.

TABLE II

Comparison of Estimated Results of Operation Under Present Fares for Year Ending February 28, 1966 as Developed by the Commission and Adjusted by Greyhound

	<u>Western Greyhound Lines Division</u>		<u>California Total</u>		<u>California Intrastate</u>	
	<u>Staff</u>	<u>Greyhound</u>	<u>Staff</u>	<u>Greyhound</u>	<u>Staff</u>	<u>Greyhound</u>
Operating Revenues	\$100,726,900	\$98,828,600	\$60,285,500	\$59,732,600	\$39,539,500	\$39,362,300
Operating Expenses	\$ 82,350,200	\$84,755,000	\$53,178,900	\$54,733,700	\$37,647,800	\$38,874,000
Operating Income	\$ 18,376,700	\$14,073,600	\$ 7,106,600	\$ 4,998,900	\$ 1,891,700	\$ 488,300
Income Taxes	\$ 8,049,000	\$ 6,547,000	\$ 3,112,700	\$ 2,408,000	\$ 828,500	\$ 121,500
Net Operating Income	\$ 10,327,700	\$ 7,526,600	\$ 3,993,900	\$ 2,590,900	\$ 1,063,200	\$ 366,800
Rate Base	\$ 43,963,500	\$46,810,100	\$27,668,700	\$30,692,300	\$20,175,500	\$22,418,300
Rate of Return	23.5%	16.1%	14.4%	8.4%	5.3%	1.6%
Operating Ratio (After Taxes)	89.7%	92.4%	93.4%	95.7%	97.3%	99.1%

Several of the adjustments to the staff exhibits recommended by Greyhound were not disputed by the staff. They involve revisions: (1) to reflect more current information than was available at the time of completion of said studies, such as the cost-of-living increase in drivers' and station employees' wages effective March 1, 1965, currently budgeted advertising expenses, and property taxes for the 1965-66 fiscal year; (2) adjustments to reflect a special study of

self-insurance costs for public liability and property damage coverage; (3) adjustments to transportation expense to reflect increases in supervisory salaries; and (4) adjustments to administration expenses for increases in pension and medical benefits for administrative employees. These adjustments appear reasonable and will be adopted.

The principal differences between the expense estimates of the staff and those of Greyhound lie with the development of depreciation rates and salvage values for bus equipment, repair and maintenance expenses, and income taxes.

In the last general increase proceeding involving Greyhound's fares (59 Cal. P.U.C. 213), the Commission adopted for ratemaking purposes a twelve-year service life and ten percent salvage value for both transit and mainline buses. This schedule was used in Greyhound's forecasts. The staff urged that the Commission now adopt a twelve-year life for mainline buses, a fourteen-year life for transit buses, and a salvage value of eighteen percent for both types of bus equipment. The effect of the staff proposal would be to reduce substantially the amount of depreciation expense in the forecast year. Increasing the salvage value from ten to eighteen percent would have a greater effect on depreciation expense in the rate year than lengthening the depreciable lives of the equipment.

The staff and Greyhound presented evidence to show the average age of bus equipment when sold and the average sales price of such equipment. It was represented that the company and staff exhibits show essentially the same data. Greyhound's exhibits showed that the average age and average sales price (as a percent of original cost) for buses sold during the years 1959 through 1964 were 14 years and 16 percent for mainline buses, and 18 years and 12.5 percent for transit buses. The corresponding data presented by the staff were in chart form and precise averages cannot readily be determined therefrom.

The record shows that actual service lives of bus equipment are longer than the 12 years adopted heretofore. It appears that the service lives of bus equipment recommended by the staff are more nearly related to actual usage of the equipment than the service lives adopted for ratemaking purposes in the prior proceeding. We find that, for depreciation, bus service lives of 12 years for mainline (intercity) equipment and 14 years for transit equipment will be reasonable for ratemaking purposes.

Greyhound contended that the salvage values urged by the staff are unrealistic in view of the average sale prices of equipment; that if the staff's salvage values were established, Greyhound could never recover in depreciation expense the actual net cost of bus equipment; and that an annual adjustment to depreciation expense which reduces such expense by the amount sale prices exceed the previously approved salvage values is a reasonable method of reflecting in the test year estimates the sale prices which do exceed salvage values.

If the average sale prices of old bus equipment are not less than the salvage values adopted for ratemaking purposes, the company will receive in depreciation expense the full net cost of such equipment. If salvage value for ratemaking purposes exceeds such sale prices, the full net cost can be recovered only in the year of disposition, through a charge to the depreciation adjustment account. The record indicates that the market for used buses is in Central and South America and that the future market may not be stable. We find that a salvage value of 12½ percent for transit buses and 16 percent for mainline (intercity) buses will be reasonable for ratemaking purposes.

Greyhound also presented rebuttal testimony to show that certain buses shown in the staff study as being operated in joint Central-Western Division service will not be used in such joint service in the test year, but will be used wholly in Western Division service. In the circumstances, we find that the entire depreciation expense for such buses should be charged to Western Division operations in the test year.

Greyhound disagreed with staff estimates with respect to maintenance and repair expenses in two respects. First, Greyhound asserted that for the forecast year the staff projected such expense for California intrastate operations on the basis of the average expense for the entire Western Division, whereas the data for historical periods indicated that bus repair expenses per-mile have always been higher within California than the system average because of the greater amount of short-line operations within California. Second, Greyhound contended that the staff projected bus-mile repair expenses for the staff's test year at the same level as for the historical year used by the staff, whereas Greyhound will incur increases in wage and other expenses in the test year which should be reflected in the per-mile bus repair expenses.

The staff witness testified that bus-mile repair expenses (Account 4140) were projected for California operations on system averages because the witness did not know what changes the company would make in the bus fleet operated in California in the test year. He assumed that some new buses would be added to the fleet, older mainline buses would be reassigned to branch line operations, and certain buses on branch line operations would be reassigned to commute service or sold. Not knowing the precise components of the fleet for the test year, he believed that system average figures would be

reasonable. The record shows that, whenever buses are reassigned from long-mileage runs to shorter-mileage runs, the yearly average repair and maintenance cost per bus may remain the same but, because of the lesser mileage operated, the cost per bus-mile is greater. We find that it will be reasonable, in determining estimates of bus repair and maintenance expense for a future rate year, to assign differentially higher repair expense (Account 4140) per bus-mile to mainline buses operated within California, than the average expense per bus-mile hereinafter found reasonable for buses operated in the Western Greyhound Lines Division.

With respect to the contention that bus-mile expense for repairs and maintenance should be greater in the test year than in the historical year, the staff presented exhibits to show that although employees engaged in this activity have received several wage increases in recent years, the cost per bus-mile has not increased in that period. The staff attributed this factor to increased efficiency. We find that the projection of system-average repair expense per bus-mile in the test year on the same level as actual expense for the year 1963 will be reasonable, as such costs have, in the past, remained level in the face of labor increases.

The Commission staff and Greyhound differ with respect to the inclusion of interest paid as a deduction from gross income in calculating income tax expense. The Commission staff included interest in its tax calculations. Greyhound did not. Greyhound took the position that if interest expense is included as a deduction from gross income in the tax calculations, then interest income should also be included. Greyhound also argued that income from the sale of buses (depreciation adjustment) should be calculated as a long-term capital gain instead of ordinary income. Staff counsel contended that if the staff's proposed salvage values were adopted, there would be no excess

of sales price over salvage values and, therefore, no capital gains. The record shows, however, that income taxes actually paid are calculated on salvage values permitted under Federal and state income tax laws, which are lower than the salvage values herein adopted; salvage values for ratemaking purposes have no direct bearing on tax calculations. For the purposes of this proceeding, income taxes should reflect, as nearly as possible, taxes actually paid and the methods of tax calculation authorized under Federal and state laws. Interest expense will be included in income tax calculations; income taxes applicable to income from the sale of buses (amounts from the sale of buses exceeding the salvage values recorded on applicant's books) will be computed as capital gains. ✓

Greyhound and the staff differed with respect to treatment of investment tax credit in computation of Federal income taxes in the test year. Greyhound applied this credit to the purchase price of buses it plans to acquire in the test year. In the staff determination of investment tax credit, it was assumed that one-twelfth of the current mainline buses and one-fourteenth of the current transit buses in the fleet would be replaced each year. Based on the known bus replacement plan for the test year, the investment tax credit deduction from gross income computed by Greyhound would be \$184,300 for Western Greyhound Lines Division. Corresponding calculations by the staff, based upon an average bus replacement program, yielded \$300,100. In recent utility rate increase proceedings in which it appeared that plant additions fluctuated from year to year, the Commission has concluded that such plant additions should be averaged over a period of years for the purposes of computing investment tax credit. That policy is sound for the instant proceeding, and the method employed by the staff will be adopted herein.

With respect to rate base calculations for the test year, the staff and Greyhound differ concerning the inclusion of property for Greyhound's new Los Angeles terminal. Rate base calculations of Greyhound and the staff include the depreciated value of the present terminal buildings and the land upon which the present terminal is located. Greyhound, in addition, would have the land for its new terminal included in rate base. The cost of this land and demolition cost of old buildings was represented to be \$2,631,900. The staff, on the other hand, contended that this property should be excluded from rate base because the property will not be used in public utility service during the test year. Greyhound urged that if the Commission should exclude the Los Angeles terminal land from rate base in the test year, then an allowance should be made for interest during construction.^{8/}

The record indicates that Greyhound's present Los Angeles terminal is inadequate; that it acquired new land near its present terminal for the purpose of constructing a new terminal; that the plans for the construction of the new terminal have been formulated; that in anticipation of actual construction said land has been cleared of old buildings; that construction will begin in the test year used herein (the year ending February 28, 1966) but will not be completed until after the close of said test year; and that the terminal buildings to be constructed will also serve as the downtown terminal for the Southern California Rapid Transit District (S.C.R.T.D.). The intended allocation use of said terminal by Greyhound and S.C.R.T.D. was not shown on the record.

^{8/} The record does not disclose the cost of construction of the new terminal buildings; therefore, interest during construction on this portion of plant cannot be determined at this time.

From the record, we find that the new Los Angeles terminal is necessary for adequate service to the public; that the terminal building will be completed within a period of less than three years subsequent to the close of the test year (year ended February 28, 1966); and that some portion of the property will be used other than for public utility services of Greyhound.

While the system of accounts adopted by this Commission for passenger stage corporations (Interstate Commerce Commission Uniform System of Accounts for Class I Motor Carriers of Passengers) does not include an account for "property held for future use," such accounts are prescribed for other utilities subject to the jurisdiction of this Commission. With respect to Class A telephone corporations, for example, the Commission has prescribed a three-year period in which property held for "imminent use in telephone service under a definite plan" reasonably may be included in rate base, for intrastate rate-fixing purposes.^{9/} Such a rule appears reasonable herein. As a portion of the new terminal property will not be used by Greyhound, 50 percent of the cost of land and demolition for the new Los Angeles terminal will be included in rate base for the test year. The estimates of the proposed usage of the new terminal adopted herein will be adjusted in any subsequent proceeding wherein the actual usage of the new terminal properties is made known to the Commission.

The following table depicts the forecast which we find reasonable for Greyhound's California intrastate results of operation for the test year under present fares and current levels of service (excluding the effect changes in the standards of commute service and additional commute routes proposed in Case No. 8009 and giving effect to the matters resolved in the foregoing discussion).

9/ The Pacific Telephone Company, 62 Cal. P.U.C. 775, 808, citing Decision No. 50528, dated July 6, 1954 in Application No. 33935. See also In Re The Chesapeake and Potomac Tel. Co., 57 PUR 3d 1, 11, 12.

TABLE III

Estimated California Intrastate Results
of Operations for Test Year Ending Feb. 28, 1966
Under Present Fares

<u>Operating Revenues</u>	<u>California Intrastate Total</u>	<u>Mainline</u>	<u>Local</u>
Passenger	\$31,980,900	\$23,465,500	\$ 3,515,400
Special Bus	2,956,800	2,956,800	-
Baggage	15,900	15,900	-
Mail	85,000	85,000	-
Express	3,025,400	3,025,400	-
Newspaper	174,500	174,500	-
Miscellaneous Station	1,003,000	810,300	192,700
Other Operating Revenues	69,900	55,600	14,300
Total	\$39,311,400	\$30,589,000	\$8,722,400
 <u>Operating Expenses</u>			
Equipment Maintenance	\$ 4,811,300	\$ 3,773,200	\$ 1,438,100
Transportation	16,797,300	11,046,600	5,750,700
Station	5,299,900	4,449,800	850,100
Traffic	1,176,500	987,300	189,200
Insurance	1,841,800	1,478,500	363,300
Administrative and General	3,845,000	2,741,200	1,103,800
Depreciation	1,778,300	1,555,900	222,400
Operating Taxes & Licenses	3,485,500	2,607,400	878,100
Operating Rents - Net	(270,300)	(282,700)	12,400
Total	\$38,765,300	\$27,957,200	\$10,808,100
Operating Income	\$ 546,100	\$ 2,631,800	\$(2,085,700)
Income Taxes	\$ 208,600	\$ 1,005,300	\$(796,700)
Net Operating Income	\$ 337,500	\$ 1,626,500	\$(1,289,000)
Rate Base	\$21,347,700	\$17,143,100	\$ 4,204,600
Operating Ratio	99.1%	94.7%	114.8%
Rate of Return	1.6%	9.5%	-

(Red Figure)

Local Fares - San Francisco Bay Area

The following table sets forth the results of operation under present fares for local services during the test year (as shown in Table III), expanded to show separately the several commute operations.

TABLE IV

Greyhound Lines, Inc. (Western Greyhound Lines Division)
Estimated Results of Operations For Test Year Ending
February 28, 1966. Under Present Fares - Local Services

	<u>Total Local</u>	<u>Contra Costa</u>	<u>Marin- Sonoma</u>	<u>Peninsula- Bay</u>	<u>Peninsula- Ocean</u>	<u>Other Local</u>
Operating Revenues	\$ 8,722,400	\$1,411,200	\$1,687,500	\$2,905,600	\$ 248,500	\$2,469,600
Operating Expenses	\$10,808,100	\$2,044,500	\$2,347,800	\$3,753,000	\$ 404,200	\$2,258,600
Operating Income	\$(2,085,700)	\$ (633,300)	\$ (660,300)	\$ (847,400)	\$(155,700)	\$ 211,000
Income Taxes	\$ (796,700)	\$ (241,900)	\$ (252,200)	\$ (323,700)	\$ (59,500)	\$ 80,600
Net Oper. Income	\$(1,289,000)	\$ (391,400)	\$ (408,100)	\$ (523,700)	\$ (96,200)	\$ 130,400
Rate Base	\$ 4,204,600	\$ 514,800	\$ 724,300	\$1,967,700	\$ 107,500	\$ 890,300
Operating Ratio	114.8%	127.7%	124.2%	118.0%	138.7%	94.7%
Rate of Return	-	-	-	-	-	14.6%

(Red Figure)

Commutation Fares

The Commission staff recommended commutation fares on the same levels as those originally sought in Application No. 46833. Greyhound proposed higher commutation fares than those set forth in its original application (hereinbefore described) if staff proposals which would result in additional operating costs are adopted by the Commission. ^{10/} Only one of such staff proposals, that relating to the employment of additional supervisory employees to ensure adequate service and on-time performance of commute operations, will be adopted

10/ The staff proposals in question related to air-conditioning new buses, establishment of a 90 percent loading standard for Peninsula commute services, and the employment of four additional supervisory employees.

herein. The additional expense for such employees, when allotted proportionally to the operations in the three basic commute areas, is minimal; therefore, we will not consider further the request for the higher commute fares set forth in the amendment to Application No. 46833.

Greyhound and the Commission staff proposed that Peninsula commute fares be raised by a flat \$2.00 per twenty-ride book. The following table depicts the percentage increase in proposed fares and the cost per-ride under the present and proposed fares between selected points.

TABLE V
Comparison of Greyhound Lines, Inc.
Present and Proposed Commutation Fares
For Peninsula Service

Between San Francisco and	Miles	Present Commute Book (Dollars)	Proposed Commute Book (Dollars)	Increase (Percent)	Cost Per Ride	
					Present (Cents)	Proposed (Cents)
Bayshore	6	4.00	6.00	50.0	20.0	30.0
Daly City	7	4.00	6.00	50.0	20.0	30.0
Colma	8	4.00	6.00	50.0	20.0	30.0
South San Francisco	11	4.50	6.50	44.4	22.5	32.5
San Bruno	14	5.00	7.00	40.0	25.0	35.0
Burlingame	19	5.50	7.50	36.4	27.5	37.5
San Mateo	21	6.00	8.00	33.3	30.0	40.0
San Carlos	26	6.50	8.50	30.8	32.5	42.5
Atherton	31	7.00	9.00	28.6	35.0	45.0
Palo Alto	33	7.50	9.50	26.7	37.5	47.5
Mountain View	40	8.00	10.00	25.0	40.0	50.0
Sunnyvale	43	9.00	11.00	22.2	45.0	55.0
Santa Clara	48	9.50	11.50	21.1	47.5	57.5
San Jose	50	10.00	12.00	20.0	50.0	60.0

As may be seen from the above table, the proposed increases range from 50 percent for the shortest distances, to 20 percent for the greatest distances. For the distances for which the proposed twenty-ride book is \$6.00, the proposed fares, on a cost per-ride basis, will be 30 cents. The proposed minimum fare is also 30 cents; thus, for the shorter distances, there would be no reduction from the

one-way fare if a commute book is purchased. For distances over ten miles, the proposed commute fares (on a cost per-ride basis) are at least 7.5 cents less than the corresponding one-way fares. The distances for which the commute fares and minimum fares will be equal are also the distances for which the percentage increase in fares is the greatest. A reduction from the minimum one-way fare of 30 cents for commute riders would encourage use of commutation books and eliminate to that extent the collection of cash fares and the selling of individual tickets; this would speed commute service and reduce ticket selling costs. For transportation for which the present twenty-ride commute book is \$4.00, an increase to \$5.60 per book would provide a two-cent differential between the commute-book cost on a per-ride basis (28 cents) and the minimum one-way fare of 30 cents. Such an increase would amount to 40 percent. We find that a commute book fare of \$5.60 for Peninsula Bayside and Peninsula Coastside services will provide reasonable and nondiscriminatory commutation fares for such services.

The Commission takes official notice of the enactment by the Legislature of Chapter 943 of the Statutes of 1965, providing that the California Toll Bridge Authority may vary as it deems desirable the rates applicable to vehicles operated on the San Francisco-Oakland Bay Bridge for carriage of passengers by any transportation company operating under a certificate of public convenience and necessity (among others). The commute fares for Contra Costa service will be designated as interim fares, and shall remain in effect until further order of the Commission. Within thirty days after the taking of any action by the California Toll Bridge Authority under said statute, any party to this proceeding may file a petition to reopen Application No. 46833 for further hearing and for such appropriate relief as may be warranted.

Commutation fares in Contra Costa service are for monthly tickets good for one round-trip each day during the calendar month for which sold. Commute tickets are not available in smaller blocks, nor for shorter periods than for a full calendar month. Greyhound maintains twenty-ride commute books good for two consecutive months applicable to other commute service provided in the San Francisco Bay area. Greyhound should explore the feasibility of the substitution of a twenty-ride book fare for the monthly commute book fare in Contra Costa service and should be required to make the necessary studies to show the appropriate fare structure. When such studies are completed, Greyhound should notify the Commission through the filing of an application to establish such fares.

The evidence shows that commutation operations both under present commutation fares and under the commutation fares sought in Application No. 46833 would result in losses for the test year adopted herein.^{11/}

The City of Long Beach argued that Greyhound's mainline intrastate passenger service is substantially subsidizing Greyhound's commutation services in the San Francisco Bay area and would continue to do so under the commutation fares proposed by Greyhound and the Commission staff; that Greyhound's intrastate mainline patrons and commute patrons have little or no common social or economic interests; and that the fares for each type of service should be self-supporting. The City's representative urged that commute fares be raised to the break-even point. Such fares would be considerably greater than the fares proposed in Application No. 46833.

^{11/} Results of operations under proposed commutation and local fares are set forth in Table VI, *infra*.

We find that the commutation fares originally proposed in Application No. 46833, as modified by our findings concerning Peninsula commutation fares, have been justified and will be reasonable. Except as indicated above, the whole amount of the increase in commutation fares sought by Greyhound will be granted. To the extent feasible, commutation services should pay their own way, so as not to cast a burden on other operations. On the other hand, there is no basis in the record for the establishment of higher commutation fares than those sought by Greyhound.

Local One-Way and Round-Trip Fares

Greyhound proposes, in Application No. 46904, that its minimum one-way fare be raised on a statewide basis from 25 to 30 cents, and that one-way and round-trip fares for service in commutation areas (including Marin and Sonoma Counties) be increased by specific amounts ranging from 10 to 11.6 percent.

The Commission staff recommendation was that minimum fares be increased as proposed by Greyhound; that one-way and round-trip fares within Contra Costa and Peninsula commute areas be raised to levels corresponding, on a mileage basis, to fares applicable elsewhere in the State; and that one-way and round-trip fares for Peninsula Coastside service be converted to zone fares similar to those maintained for Peninsula Bayside service. The Commission staff proposed no increase in casual fares between San Francisco and Marin and Sonoma Counties because of the reduction in bridge tolls on the Golden Gate Bridge.^{12/}

^{12/} The staff explained that Greyhound's mileage table now provides for the addition of three miles to mileages constructed by use of the Golden Gate Bridge to compensate for bridge tolls. The staff proposed that such mileage-factor be eliminated because of the reduction in bridge tolls. Fares based on such reduced mileages and the proposed statewide mileage scale would approximate the present level of one-way and round-trip fares between San Francisco and Marin-Sonoma points.

Greyhound's proposed one-way and round-trip fares within commutation areas are reasonable and have been justified. As heretofore indicated, commutation services will continue to be conducted at a loss under the full amount of the increases sought by Greyhound. In order to minimize this loss to the extent feasible herein, one-way, round-trip and minimum fares for service within commute areas should be authorized to the full extent sought in Application No. 46904. This will also tend to minimize the burden on Greyhound's customers outside the San Francisco Bay area.

Greyhound presented Exhibit No. 72, which contains its proposed Peninsula Coastside casual fares restated as zone fares. The staff concurred in the fare structure set forth in this exhibit. Said fares are reasonable and should be authorized.

Table VI, set forth below, shows the estimated results of operations for a future year under the commutation fares, local casual fares and minimum fares sought by Greyhound (as modified by Decision No. 68661, which dismissed the sought commutation fare increase for Marin-Sonoma commute service).

TABLE VI

Estimated Results of Operations
For Test Year Ending February 28, 1966
Under Proposed Fares - Local Service *

	<u>Total Local</u>	<u>Contra Costa</u>	<u>Marin- Sonoma</u>	<u>Peninsula- Bay</u>	<u>Peninsula- Ocean</u>	<u>Other Local</u>
Operating Revenues	\$ 9,464,400	\$1,562,000	\$1,746,700	\$3,296,500	\$ 294,900	\$2,564,300
Operating Expenses	\$10,825,600	\$2,051,300	\$2,348,900	\$3,758,300	\$ 404,800	\$2,262,300
Operating Income	\$(1,361,200)	\$(489,300)	\$(602,200)	\$(461,800)	\$(109,900)	\$ 302,000
Income Taxes	\$ (562,100)	\$(202,000)	\$(248,700)	\$(190,700)	\$(45,400)	\$ 124,700
Net Operating Income	\$ (799,100)	\$(287,300)	\$(353,500)	\$(271,100)	\$(64,500)	\$ 177,300
Rate Base	\$ 4,204,600	\$ 514,800	\$ 724,300	\$1,967,700	\$ 107,500	\$ 890,300
Operating Ratio	108.4%	118.4%	120.2%	108.2%	121.9%	93.1%
Rate of Return	-	-	-	-	-	19.9%

(Red Figure)

* Above table excludes the effect of the proposed changes in standards of service and additional commute service in Case No. 8009.

Mainline One-Way and Round-Trip Fares

Applicant seeks, and the Commission staff accounting witness recommended, a rate of return of approximately seven percent on Greyhound's California intrastate operations as a whole during the test year. A rate of return of seven percent was found reasonable in the last general fare increase proceeding (59 Cal. P.U.C. 213, 228).

For mainline service Greyhound proposed that its minimum fares be raised from 25 cents to 30 cents and that the balance of its fares be increased by five percent. The Commission staff recommended that minimum fares be increased as proposed, and that other mainline one-way and round-trip fares be increased by five percent for distances of 25 miles or less.

The fare levels so proposed assertedly were developed by Greyhound and the staff in recognition of Greyhound's overall revenue needs for its intrastate service. Fares proposed by the staff were designed to provide a rate of return of 6.8 percent during the test year.

The fare structure sought by Greyhound, modified with respect to commute fares, as hereinbefore discussed, will produce a rate of return of approximately 6.4 percent on the rate base found reasonable herein. We find that such a rate of return will be reasonable for the test year adopted herein and that the increased fares which will result from such fare structure are reasonable and have been justified.

The following is our forecast of the California intrastate results of operations of Greyhound under the fares described above:

TABLE VII

California Intrastate Operations
For Test Year Ending February 28, 1966
Under Fares Authorized Herein

<u>Operating Revenues</u>		
Under Present Fares		\$39,311,400
Increase Mainline	\$1,012,700	
Increase Local	<u>742,000</u>	<u>1,754,700</u>
		\$41,066,100 ✓
<u>Operating Expenses</u>		
Under Proposed Fares		\$38,750,700
Income Taxes		956,000
Net Operating Income (After Income Taxes)		1,359,400 ✓
Rate Base		\$21,347,700 ✓
Rate of Return		6.4%
Operating Ratio (After Income Taxes)		96.7%

Marin Civic Center

The Commission staff witness recommended that single-factor fares and a transfer privilege be established for transportation between the Marin Civic Center, on the one hand, and San Rafael, Manor, Corte Madera and related points, on the other hand. The Marin Civic Center was opened to use in December, 1962. It is located on Greyhound's mainline route via U. S. Highway 101, 1.8 miles north of San Rafael. Corte Madera, Ross, San Anselmo and Manor are branch-line points located west of U. S. Highway 101. The present one-way fares between Marin Civic Center and said branch-line points are constructed by combining the one-way fare between Marin Civic Center and San Rafael with the one-way fare between San Rafael and the branch-line points. Because of the short distances involved, most of the fares so constructed are combinations of two minimum fares. For example, the present fare between Marin Civic Center and San Anselmo is 50 cents. The staff witness urged single-factor fares, based upon the mileages traversed.

Greyhound, in its fare proposal, would establish single-factor fares between the points in question, but would base them upon the method previously authorized by the Commission for constructing fares between branch-line and mainline points. (Ordering paragraph 1(d), Decision No. 62959, 59 Cal. P.U.C. 213, 230.) Such combinations are constructed by determining separately the fares to and beyond the junction of the main and branch lines based on the mileage scale and the miles involved, and combining said fares. Such method of constructing fares provides lower fares than at present, but higher fares than those proposed by the staff witness. The method followed in Greyhound's fare proposal is that used in constructing all through fares between mainline and branch-line points in California and was previously found reasonable by the Commission. We find that this method will be reasonable for the construction of one-way and round-trip fares through Marin Civic Center.

Interim Relief

At the hearing On January 11, 1965, Greyhound moved that the Commission grant it interim rate relief. In its motion Greyhound requested that if the Commission were not prepared to grant it the full amount of the increases sought, interim relief nevertheless should be granted with respect to the San Francisco Bay area commute fare increases sought in Application No. 46833. Greyhound urged that such relief is necessary in order to recoup additional labor expenses resulting from increases, effective March 1, 1964 and March 1, 1965, granted to drivers and office personnel under collective bargaining agreements. This motion was opposed by Contra Costa Commuters Association, Marin Transit District and the Commission staff; it was taken under submission on January 11, 1965. At the oral argument on April 13, 1965, Greyhound renewed its request for interim rate relief, asserting that Greyhound's operations in California have been conducted on a confiscatory basis in 1964 and 1965.

At the time of the original motion for interim increases, the record contained only applicant's untested showing relating to its results of operations; there appeared to be no financial emergency which would impair the operations of Greyhound Lines, Inc.; the claim that Greyhound was receiving grossly inadequate earnings on its California intrastate operations was sharply contested by the Commission staff and other parties; and the record indicated that, insofar as commute operations are concerned, any substantial increase in fares might well result in an unrecoverable loss of commuter traffic. The issues relating to applicant's results of operations remained controversial throughout the hearings; up to the date of submission, it was impossible to decide Greyhound's claim of confiscation. In the absence of a showing of financial emergency, an interim increase is appropriate only if it is so clearly justified at the time of the interim request as to make it unlikely that the increase will be

denied at the conclusion of the case. That degree of probability did not exist here. Only upon a careful examination of the complete record now before us have we been able to adopt reliable findings regarding operating results.

The interim action which was taken herein (Decisions Nos. 68661 and 68734) provided a measure of interim relief with respect to operations north of San Francisco and made possible the purchase of new buses at a lower cost than if they were required to be air-conditioned.

CASE NO. 8009

In Case No. 8009, proposals were made by several parties concerning Greyhound's San Francisco Bay area commutation operations and service. These will now be considered individually.

Supervision and Schedules

The Commission staff made several recommendations concerning supervision and schedules, including a proposal that Greyhound employ four new employees as combination checkers and schedule-makers, to be assigned as additional supervisors in the San Francisco Bay area commute operations. A witness from the Commission's Engineering Operation's Branch and representatives of the Contra Costa Commuters Association testified concerning the need for such additional personnel. Their testimony showed that no traffic checkers are now employed and that the responsibility for passenger checks and schedule-making falls upon the five division superintendents of the commute operations. Several Commission staff members also devote considerable time to checking on-schedule performance. The record shows that commute buses, particularly on the morning operations inbound to San Francisco and Oakland, have deviated from scheduled times by arriving

at loading points both early and late, and that various schedules have failed to operate because drivers did not report for service or because of bus failures. Greyhound's position was that present supervision is adequate and that the employment of checkers and schedule-makers, functioning in the manner proposed by the staff, would not aid in improving service because their functions would not fit the type of operations conducted by Greyhound.

The record is replete with incidents of service failures which indicate that additional supervision is necessary to ensure on-time operation of commute buses. Additionally, the record shows that variations in riding habits of commuters and the steady growth of the commute operations require frequent changes in schedules to provide reasonably adequate service. It is clear that present methods are not entirely satisfactory. Additional effort is required to reflect in the scheduling the almost day-to-day changes occurring in riding patterns. Additional supervision is also required to ensure that buses will leave starting points as scheduled and that drivers will leave on time from intermediate points. We find that three additional supervisory personnel under the direction of the regional manager for Division 5 (San Francisco Bay area commute operations) are necessary to provide adequate and reasonable service.

Certain recommendations were also made concerning changes in the duties and responsibilities of specific personnel assigned to local operations in the San Francisco Bay area and changes in the assignment of bus equipment used in local operations. On the present record, we have concluded that these matters should be left within the managerial discretion of Greyhound; the recommendations will not be adopted.

Loading Standard

The Commission staff witness also recommended that the 90 percent loading standard now required in Contra Costa commute service be extended to apply also to Greyhound's Peninsula commute operations.^{13/} The staff witness testified that no specific loading standard has been established for Peninsula operations; passenger checks and observations indicate that the average percentage of seats to passengers is 95 to 98 percent, and such ratio often results in passengers being passed up by one or more buses. The witness stated that the establishment of a 90 percent loading standard would not entirely eliminate passengers being passed up, but would result in better service.

The staff witness estimated that seven additional buses, four for Peninsula Bayside operations and three for Peninsula Coastside operations, would be required if the 90 percent loading standard is adopted for Peninsula commute service.

Greyhound opposed this recommendation on the grounds that current ratios of seats to passengers during peak periods are not unreasonable; that a fixed loading standard is inflexible and requires the addition of buses where they are not needed solely to meet the standard; and that no other commute operation in California has ratios of seats to passengers of less than 100 percent.

It appears that, in large part, the purposes to be achieved by the institution of a 90 percent loading standard are the same as those involved in the employment of additional supervisory personnel, and that such additional personnel would better achieve the objective of on-time service and adequate scheduling of equipment. It does not appear necessary or appropriate at this time to require Greyhound to

^{13/} The 90 percent loading standard requires that the company provide an average of ten seats for each nine passengers during the two-hour morning and afternoon peak commute periods.

establish a 90 percent loading standard for Peninsula operations. Should the anticipated improvement in operations from the employment of additional supervisory personnel not be fully realized, we may again consider the necessity and propriety of requiring a 90 percent loading standard for Peninsula commute operations.

Contra Costa Commuters Association requested that the current 90 percent loading standard in Contra Costa commute service (applicable to the total two-hour commute period in the morning or evening) should be modified to apply to each 15-minute segment of the peak periods. For the reasons set forth above, this recommendation will not be adopted.

Headways

The Contra Costa Commuters Association recommended that half-hour headways be established for off-peak service in the Contra Costa area where present schedules call for headways of one-hour or more. The record shows that Greyhound runs second sections of certain off-peak schedules having one-hour headways. It appears that mid-day and early evening service would be improved if such second sections were discontinued on "U" and "O" route lines and buses scheduled more frequently than on one-hour headways during off-peak periods. ✓

Condition of Buses

Evidence was adduced by the Contra Costa Commuters Association, the Commission staff and Greyhound concerning the condition of the buses operated in Contra Costa commute service. The record shows that current buses are old mainline buses purchased in 1948. Representatives of Contra Costa Commuters Association presented oral testimony and pictures concerning the condition of these buses. Their presentation was designed to show that the buses are often

littered on inbound trips, indicating that the buses have not been cleaned at storage yards in Contra Costa County; that certain buses have broken apparatus and require repair of seats, windows and floors; that air-conditioning does not always operate during summer months; and that the general interior condition of the buses is poor. The Commission staff and Greyhound subsequently made inspections of the buses. The Commission staff witness indicated that 40 percent of the buses he checked had defective items which needed correction, including broken reading lights, torn upholstery, and refuse in racks or on floors. Greyhound's witness testified that many defects cited by the Association concerning specific pieces of equipment had been repaired or corrected, and that the general condition of the buses is not unsafe or uncomfortable. Greyhound's witness conceded that the buses are old and have worn interiors, and stated that it is the company's present plan to replace some of the equipment with newer equipment and to refurbish the remaining equipment; however, he offered no schedule of the company's plans for replacing or refurbishing the buses.

The record indicates that the condition of the buses used in Contra Costa commute service has deteriorated and that the buses should be replaced or refurbished with reasonable dispatch. Greyhound should be required to furnish a plan for replacement, refurbishing and/or repairing such bus equipment and to make subsequent periodic progress reports. Present equipment, if kept in service, should be maintained in good mechanical condition, including air-conditioning units.^{14/} In addition, Greyhound should be required to provide personnel and facilities at its Contra Costa County termini to clean buses at the conclusion of the evening outbound commute runs.

^{14/} By Decision No. 68734, dated March 15, 1965, the second interim opinion and order in this proceeding, we found that for Greyhound's Marin and Peninsula commutation service the latest transit buses with improved ventilation will be satisfactory without additional air-conditioning. This finding is specific in its application to Marin and Peninsula service and should not be interpreted to apply to Contra Costa commutation service.

Timetables

The Commission staff and Contra Costa Commuters Association urged that timetables for the commute areas be revised to show schedules operated in peak periods which do not now appear on the timetables, and to make other changes which would enhance the convenience of the timetables to the users thereof. Greyhound showed that many of the changes suggested had been incorporated in its current timetables and asserted that it has made a consistent effort to keep the public informed of timetable changes. Timetables are printed periodically, but commute schedules are added or departure times are changed in the periods between printings.

It is the changes occurring between printings which the Association and staff witnesses urged that Greyhound make a greater effort to publicize to the public. What action would best ameliorate this situation is not disclosed on the record. Satisfactory methods of informing the public of day-to-day schedule changes can be developed expeditiously through informal procedures. Greyhound will be directed to cooperate with the Commission staff and other interested parties in the development of satisfactory procedures to inform the public of commute timetable changes; the staff will be directed to keep the Commission advised of the results of such procedures.

Commute Routes, Stops and Terminal Facilities

The Order Instituting Investigation in Case No. 8009 sets forth three proposed route extensions concerning which a determination must be made herein.

The first is the so-called Skyline Boulevard route. The description of this route includes Skyline Boulevard (State Route 35) from its junction with State Route 1 (Coast Highway) in Daly City, south to the intersection of Ralston Avenue, west of Belmont. Several residents along Skyline Boulevard, representatives of the

Cities of San Bruno and Pacifica, and a Commission staff witness offered testimony in support of the establishment of this route. None of the witnesses urged its extension to Ralston Avenue. The southern terminus recommended by the staff witness was San Bruno Avenue in San Bruno. The witnesses' testimony was to the effect that the number of homes along Skyline Boulevard has grown rapidly in the past few years; further growth along Skyline Boulevard is planned or under way; the nearest bus to San Francisco is the service of Greyhound along the Coast Highway through Pacifica, or along El Camino Real (U. S. Highway 101) through South San Francisco and San Bruno; the distances to be traveled to reach the present routes are too great to be convenient to persons living adjacent to Skyline Boulevard who do not have the use of an automobile; the terrain between Skyline Boulevard and either the Coast Highway or El Camino Real is relatively hilly and steep and does not permit convenient walking between such points; and no other bus line operates over the proposed route or is interested in operating over such a route.

The staff witness explained that Skyline Boulevard is a narrow two-lane road without adequate turnouts for bus stops. The staff witness recommended that service not be established until suitable bus turnouts are constructed because stops along the present highway would be unsafe. Representatives from the Cities of Pacifica and San Bruno stated that those cities would be prepared to construct bus stops along Skyline Boulevard if service is initiated. The witness for the City of San Bruno recommended that bus stops be located in San Bruno at the intersections of Skyline Boulevard with San Bruno Avenue, Sneath Lane, and Sharp Park Road.

The staff witness estimated that three additional buses and drivers would be required at the start of the service along the proposed Skyline route. As patronage increases additional buses would be required. It was estimated by the staff witness that six buses would be required at the midpoint of the year in which service was initiated. These estimates contemplated the furnishing of commute service during the morning and evening peak periods only.

Greyhound opposed the establishment of this additional service along Skyline Boulevard on the grounds that it would be a peak-period operation, which Greyhound asserted is more expensive to perform than service throughout the day; that such service would divert some passengers from paralleling routes, but not enough passengers so that Greyhound could reduce the number of buses on the paralleling routes; and that present commutation services are not paying their way and Greyhound would be saddled with an additional commute route which would be operated at a loss. Greyhound also took the position that the proposed service is not embraced within any current certificate of public convenience and necessity held by Greyhound; that such additional route is beyond the area which Greyhound serves as a public utility; and that the Commission therefore has no jurisdiction to require Greyhound to perform the proposed service.

The second route extension described in the Order Instituting Investigation in Case No. 8009 is the so-called Ygnacio Valley route. It would provide an alternate route (via Oak Grove Road and Ygnacio Valley Boulevard) from the intersection of Monument Boulevard and Oak Grove Road in Concord to the Walnut Creek depot. The proposed route is approximately one mile longer than the present route. The staff witness indicated that the route could be operated by diverting buses from the main commute route and would not involve any additional equipment or drivers. Witnesses representing the Board of Supervisors of the County of Contra Costa, the City of Walnut Creek and the Contra Costa Commuters Association supported the establishment of this alternate route. These witnesses asserted that a great deal of new housing adjacent to the proposed route has been developed in the past few years, a new 350-bed hospital located on this route is nearing completion, and a survey of commuter transportation needs conducted in February of 1964 indicated that a large portion of the commuters surveyed desire service along this alternate route.

Greyhound opposed the Ygnacio Valley alternate route for many of the same reasons it opposed the Skyline Boulevard route.

The proposed additional commute services along Skyline Boulevard and Ygnacio Valley Road involve questions of economic impact as well as the public interest. An expeditious determination of the issues in these proceedings other than those involving Skyline Boulevard and Ygnacio Valley Road services requires that the letter be deferred for consideration in a separate opinion and order.

The third route described in the Order Instituting Investigation is a proposed alternate route within Oakland to provide service to Kaiser Center. The staff witness testified that investigation showed that a rerouting of lines to serve Kaiser Center would require travel along heavily congested streets and extra running time because of traffic congestion. In the opinion of this witness, passengers boarding at points other than Kaiser Center would be seriously inconvenienced by the proposed route. The witness also stated that representatives of Kaiser Center had withdrawn their request that buses be rerouted to serve the Center. In the circumstances, rerouting of buses within Oakland to serve Kaiser Center should not be required.

In addition to the three new routes referred to in the Order Instituting Investigation, the Commission staff witness recommended that Greyhound reroute its Peninsula Coastside buses along a recently completed section of the Southern Freeway within San Francisco. The

record shows that only a portion of this freeway has been completed and no material saving in time or convenience would result from the proposed rerouting along the segment so far completed. The proposed rerouting is not practical at this time. When the entire freeway is completed, it may serve as a feasible alternate route during peak commute periods.

The Commission staff witness also recommended that regularly designated bus stops be established in Contra Costa County between Concord and Walnut Creek, and he presented an exhibit containing the particular locations of such stops. This recommendation was concurred in by Greyhound and by Contra Costa Commuters Association; it is reasonable and should be adopted.

Two public witnesses urged that a bus stop be established at the junction of San Pedro Avenue and Coast Highway in Pacifica. The record shows that buses were formerly stored at a lot located on San Pedro Avenue west of Coast Highway, and northbound service was started from said lot. A stop formerly was made at a point approximately two blocks west of the intersection of San Pedro Avenue and Coast Highway. At the request of the City of Pacifica, Greyhound abandoned this storage lot and moved the storage location to a point on the Coast Highway about one-fifth mile north of the aforementioned intersection. Buses are now routed southbound from the current storage lot to the intersection; at that point they are turned and headed north to begin operations. Passengers are not picked up at the intersection, assertedly because it would be unsafe to do so in view of the condition of the roadway. It was the opinion of the Commission staff witness that paving and grading of the roadway and provision for curbs and sidewalks would be necessary to provide for adequate passenger safety. The witness for the City of Pacifica indicated that plans have been

formulated by the City for improving the intersection. It is clear that, under current conditions, it is not safe to establish a stop at the intersection of San Pedro Avenue and Coast Highway. Greyhound should be required to establish this stop when the hazardous conditions have been eliminated.

Evidence was also introduced with respect to the need for acquisition of additional loading space at the Transbay Terminal in San Francisco and the need for improvement in or relocation of the San Anselmo depot. The record shows that cooperation of the public agencies involved is necessary to make these recommendations feasible. The Commission urges the San Francisco-Oakland Bridge Directors and the City of San Anselmo to consider the needs of the increasing numbers of commuters using Greyhound's commute services and to cooperate with Greyhound in the improvement of said terminal facilities.

Advertising

Representatives of Contra Costa Commuters Association urged that Greyhound be required to advertise its off-peak service in commute areas in order to stimulate additional passengers. It was the contention of the Association that improved revenues from off-peak service would offset losses for peak-period commute operations. Such a requirement has been ordered in prior fare proceedings involving Greyhound and other passenger carriers. Such advertising campaigns have not been successful. This recommendation should not be adopted.

Careful consideration has been given to all of the other recommendations and proposals of the parties made in Case No. 8009. No affirmative action is required with respect to recommendations other than those discussed above. The authority to increase fares granted herein will not be conditioned upon the establishment of the service improvements approved herein, but Greyhound will be expected to place such improvements in effect within ninety days after the effective date of this decision.

Conversion Tables

Applicant requested authority to establish the increased minimum, one-way and round-trip fares by means of conversion tables to become effective on five days' notice to the Commission and the public. Because of the number of tariffs involved and the complexities thereof, authority will be granted to publish the increased fares by means of a conversion table. The increased fares may be published on five days' notice. Applicant is placed on notice that it must act promptly to amend its tariffs so that specific fares may be determined without the use of conversion tables. ✓

Findings and Conclusions

The Commission finds as follows:

1. The results of operations for the test year ending February 28, 1966, as set forth in Table III, reasonably represent Greyhound's California intrastate revenues, expenses, income taxes, net revenues, rate base and rate of return under present fares. Such rate of return is less than reasonable.
2. The results of operations for the test year ending February 28, 1966, as set forth in Table VII, reasonably represent Greyhound's California intrastate revenues, expenses, income taxes, net revenues, rate base and rate of return under the fares authorized herein. The rate of return of 6.4 percent shown therein is reasonable for such operations.
3. The increased fares authorized herein are reasonable and have been justified. ✓

4. Public health, convenience and safety require the establishment of a program for the prompt refurbishing and repairing of bus equipment used in Contra Costa commute service and/or the replacement of present equipment with newer equipment and also require the establishment of facilities in Contra Costa County for maintaining the cleanliness of buses used in said service.

5. The public interest requires three new employees to be used as supervisory personnel in its Division 5 (San Francisco Bay area commute operations) to aid in improvement of on-time performance, to adjust schedules to fit current traffic patterns and to study the need for the establishment of additional express routes.

6. The public interest requires the establishment of definite bus stops between Concord and Walnut Creek; the bus stops shown in Exhibit No. 52 will be reasonable.

7. Improvement is needed in the methods used by Greyhound to ensure prompt dissemination of information to the public of changes in time schedules for San Francisco Bay area commute operations.

8. Establishment of a bus stop at the intersection of Coast Highway (State Route 1) and San Pedro Avenue in Pacifica would not be safe without appropriate modification of the roadway. The public interest requires the establishment of such a stop when the necessary modifications of the roadway are made.

9. Public convenience does not now require the establishment of a 90 percent loading standard for Peninsula commute operations. ✓

10. Except for proposed route changes involving Skyline Boulevard and Ygnacio Valley Road which will be decided in a further order, public health, convenience and safety do not require other proposed changes in the operations of Greyhound's San Francisco Bay area commute services. |

Based upon the foregoing findings, the Commission concludes as follows:

1. Greyhound should be authorized to establish the increased fares found reasonable herein, on five days' notice to the Commission and the public, and such fares (except local and commute fares) should be authorized to be published through means of a conversion table. ✓

2. Greyhound should be directed to file with this Commission within thirty days after the effective date of this order a program for the replacement and repairing and/or refurbishing of buses used in Contra Costa commute service. Greyhound should be required to file monthly reports of the equipment changes made under such program until such program is completed. Any refurbishing of buses should be completed within six months of the date the program is initiated.

3. Greyhound should be directed to hire three new supervisory employees assigned to its San Francisco Bay area commute operations for the purpose of improving on-time performance and better scheduling of such service. |

4. Greyhound should be directed to provide employees and facilities at termini and bus storage yards in Contra Costa to maintain the cleanliness of buses used in Contra Costa commute service. ✓

5. Greyhound should be directed to make a study in cooperation with the staff of this Commission and representatives of the Contra Costa Commuters Association with the objective of developing mutually acceptable methods of publicizing changes in schedules of commute buses in the periods between printing of timetables. ✓

6. Greyhound should be directed to file revised timetables to initiate service having 30-minute headways (except Saturdays, Sundays and holidays) on routes departing from Concord terminal for San Francisco between the hours of 8:30 a.m. and 11:30 a.m., and departing from San Francisco termini for Concord between the hours of 6:00 p.m. and 9:00 p.m., half of said schedules to Concord to be operated via Oakland terminal and the remainder to be operated via direct routes. ✓

7. Regular bus stops, properly marked, as set forth in Exhibit No. 52, should be established on Greyhound's main route between Concord and Walnut Creek. ✓

8. Application No. 46833 should be reopened for further hearing, and for such relief as may be appropriate, by the filing of a petition seeking such reopening by any party to the proceeding within thirty days of any action by the California State Toll Bridge Authority reducing tolls for passenger buses across the San Francisco-Oakland Bay Bridge. ✓

9. Greyhound should make studies looking to the substitution of a twenty-ride ticket for the present monthly ticket now in effect for Contra Costa commute service. Such studies should be completed within one hundred twenty days after the effective date of this order. Greyhound should inform the Commission of the completion of its studies by the filing of an appropriate application seeking the establishment of a revised fare structure.

10. Greyhound should be required to notify the Commission in writing, within ninety days after the effective date of this order, of its compliance with the directives referred to in Conclusions 2, 3, 4, 5, 6, and 7, above.

THIRD INTERIM ORDER

IT IS ORDERED that:

1. Greyhound Lines, Inc. (Western Greyhound Lines Division) is hereby authorized to establish the following fares:

(a) ONE-WAY DISTANCE FARES (other than fares authorized in paragraph (c) hereof):

<u>Miles</u>		<u>Rate Per Mile</u> <u>(in cents)</u>
<u>Over</u>	<u>But Not Over</u>	
0	25	3.31
25	50	3.09
50	100	2.92
100	150	2.65
150	200	2.54
200	250	2.48
250	300	2.43
300	400	2.37
400	-	2.32
Minimum Fare		30 cents
Round-trip Fare		180% of one-way fare.

- (b) Except as otherwise provided, any increased one-way fares resulting in amounts less than 60 cents and not ending in "0" or "5" cents and any increased round-trip fares resulting in amounts less than \$1.10 and not ending in "0" or "5" cents may be further increased to the next higher amount ending in "0" or "5" cents, as the case may be. Any increase in one-way fares resulting in amounts greater than 60 cents and any increased round-trip fares resulting in amounts greater than \$1.10 shall be rounded to the nearest cent, one-half cent being considered nearest to the next higher cent.
- (c) Fares within local commutation areas may be increased as follows:
- (1) San Francisco Peninsula fares: as set forth in Exhibits Nos. 2, 15, 16, and 72 (except that twenty-ride book fares for commutation service shall not exceed \$5.60 where the present fare is \$4.00).
 - (2) Contra Costa County fares: as set forth in Exhibits Nos. 5, 6, and 19.
 - (3) Marin-Sonoma Counties fares: as set forth in Exhibit No. 4.
 - (4) Long Beach-San Pedro-Santa Monica fares: as set forth in Exhibit No. 7.
 - (5) Minimum fare within the above local commutation areas: 30 cents.
- (d) Except to the extent herein modified, existing fares, rules and tariff provisions shall be applicable.

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

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

4. The authority granted in paragraphs 1 and 2 hereof shall expire unless exercised within ninety days after the effective date of this order.

5. In addition to the required posting and filing of tariffs, applicant shall give notice to the public of the fare increases established pursuant to the order herein by the posting of a printed explanation of its fares in its buses and terminals. 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.

6. Greyhound Lines, Inc. shall file with the Commission, within thirty days of the effective date of this order, a plan for the replacement and/or refurbishing and repairing of buses used in Contra Costa commutation service. Said refurbishing and repairing program shall be promptly initiated and shall be completed within six months of the effective date of this order. Monthly reports shall be made to the Commission setting forth the work done during that period.

7. Greyhound Lines, Inc. shall file within ninety days after the effective date of this order revised timetables for Contra Costa service to initiate service having thirty-minute headways (except Saturdays, Sundays and holidays) on routes departing from Concord terminal to San Francisco during the hours of 8:30 a.m. through 11:30 a.m., and departing San Francisco termini for Concord during the hours of 6:00 p.m. through 9:00 p.m., half of said schedules to Concord to be operated via Oakland terminal and the remainder to be operated via direct routes.

8. Greyhound Lines, Inc. is directed to hire within thirty days after the effective date of this order three additional supervisory employees to be assigned to Division 5 (San Francisco Bay area commutation operations) for duties relating to improvement of on-time performance and scheduling of equipment.

9. Greyhound Lines, Inc. is hereby directed to provide employees and facilities at termini and storage yards in Contra Costa County to maintain cleanliness of buses used in Contra Costa County commutation services.

10. Greyhound Lines, Inc. is directed to establish regular bus stops, properly marked, at the locations set forth in Exhibit No. 52 in these proceedings.

11. Greyhound Lines, Inc. is directed to make a study in cooperation with the staff of the Commission's Transportation Division and the Contra Costa Commuters Association with the objective of developing acceptable methods of publicizing changes in schedules of commute buses in the periods between the printing of timetables. In the event mutually acceptable methods cannot be devised, the Commission will entertain an appropriate pleading to establish reasonable practices concerning publication of timetables.

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

Dated at San Francisco, California, this 12th day of August, 1965.

Fredrick B. Hibeloff
President
[Signature]

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

*I Concur in
the findings, conclusions
and the order
Augusta*