

ORIGINALDecision No. 71787

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GREYHOUND LINES, INC.,)
 WESTERN GREYHOUND LINES DIVISION,)
 for an order authorizing a Statewide)
 increase in intrastate passenger)
 fares including fares in the)
 Peninsula, Contra Costa and Marin)
 services.)

Application No. 48692
 (Filed August 8, 1966)

McCutchen, Doyle, Brown, Trautman & Enersen, by
William W. Schwarzer, Craig McAtee and
William McCracken, for Greyhound Lines, Inc.
 (Western Greyhound Lines Division), applicant.
Henry E. Jordan, Bureau of Franchises and Public
 Utilities, for the City of Long Beach; James L.
Odgers, in propria persona; Thomas D. Hardcastle,
 by Arthur C. Jenkins, and Robert L. Davidson,
 for Golden Gate Bridge and Highway District;
 and Douglas C. Maloney, for Marin Transit
 District; interested parties.
Harold J. McCarthy, for the Commission staff.

O P I N I O N

Greyhound Lines, Inc., Western Greyhound Lines Division
 (Greyhound) seeks to increase its intrastate fares within California
 to compensate for increases in labor costs granted to its employees
 pursuant to collective bargaining agreements entered into subsequent
 to the last general increase in fares authorized by this Commission
 (Decision No. 69539, dated August 12, 1965, 64 Cal.P.U.C. 641).

A duly noticed public hearing was held before Examiner
 Mallory at San Francisco on October 13 and 14, 1966. The matter
 was submitted on the latter date. Evidence was adduced by Greyhound,
 by the Commission staff, by the City of Tiburon, and by two persons
 who use Greyhound's services. Other interested parties participated
 in the proceeding through examination of the witnesses.

A new wage contract covering Greyhound's drivers, station personnel, and office workers was negotiated in June 1966, following a 39-day strike. This contract provided for increased wages and other benefits retroactive to March 1, 1966. A new contract covering mechanics at its San Francisco maintenance facilities was also negotiated in June 1966. The latter contract provided for higher wages and benefits for these personnel retroactive to June 1, 1966. Effective January 1, 1966, applicant was required to pay increased federal old age benefit taxes on wages and salaries paid to its employees.

The purpose of this application is to obtain additional revenues to offset the labor cost increases incurred since the submission of applicant's last rate case on April 13, 1965. Greyhound alleges that, to offset such higher costs, it requires additional revenues from its California intrastate operations in the amount of \$2,249,300 per year. Greyhound seeks in this application to increase its intrastate revenues by \$1,849,100. Greyhound proposes to increase its one-way and round-trip fares and its San Francisco Bay area commute fares by seven percent.^{1/} No increase is sought in its minimum fares, or special fares for its race track operations and Travis Air Force Base service. Greyhound requests

^{1/} On July 14, 1966, the California Toll Bridge Authority adopted a resolution reducing the tolls for commuter buses using the San Francisco-Oakland Bay Bridge from 75 cents to 50 cents per crossing. The savings to the company resulting from the toll changes were passed on to the bus commuters using the bridge by reducing each San Francisco monthly commute book fare by 50 cents for Zone Group 53 - East Bay-Vallejo, and 40 cents for Zone Group 54 - Contra Costa. The changes in tolls and fares became effective September 1, 1966. The proposed seven percent increase in commute fares for transportation via the San Francisco-Oakland Bay Bridge is based on the fares which became effective September 1, 1966.

authority to put the increased main line fares into effect by means of conversion tables (Exhibit 9), in order to avoid the immediate reissue of all of its present point-to-point tariffs. Greyhound's fare proposals with respect to operations within commute areas are set forth in its Exhibits 3 through 8, and 12 through 20.

Greyhound also requests authority to maintain its present basis for constructing fares to and from branch line points (Exhibit 10) and to change certain headline points to sideline points in its Interdivision Passenger Tariff No. 482-F (Exhibit 11).

In order to show the impact of the increased wage costs and the sought higher levels of fares, Greyhound adopted for the purpose of this proceeding the findings of the Commission relating to estimates of revenues, expenses and rate base as set forth in our most recent rate decision (Decision No. 69539, supra). Greyhound estimates that its operations under the increased expenses and sought fares for a test year covering the twelve-month period beginning March 1, 1967 will result in a rate of return of 4.5 percent and an operating ratio (after taxes) of 97.7 percent. The test year beginning March 1, 1967 was selected, the record shows, because this period reflects the wage scales in effect during the last year under Greyhound's current contract with the Amalgamated Transit Union representing its driver, station and office employees. Greyhound's witness testified that more than 50 percent of the additional wage costs incurred since the last adjustment in fares are now in effect, and that the balance will become effective March 1, 1967, the beginning of the test year selected for the purposes of this proceeding.

The following table depicts the development of Greyhound's test year estimates:

TABLE 1

GREYHOUND LINES, INC.
(WESTERN GREYHOUND LINES DIVISION)

Estimated California Intrastate Results of Operations
As Set Forth in Table VII of Decision No. 69539
Adjusted to Give Effect to Fares Proposed Herein
And Increased Labor Costs

OPERATING REVENUES

As Set Forth in Decision No. 69539	\$41,066,100
Decrease for Reduced Transbay Commute Fares	(19,600)
Proposed Increase in Fares	<u>1,856,500</u>
	\$42,903,000

OPERATING EXPENSES

As Set Forth in Decision No. 69539	\$38,750,700
Increase in Operating Expenses (Net)	<u>2,503,700</u>
	\$41,254,400

OPERATING INCOME	\$ 1,648,600
INCOME TAXES	<u>680,700</u>
NET INCOME	\$ 967,900
RATE BASE (Per Decision No. 69539)	\$21,347,700
RATE OF RETURN	4.5%
OPERATING RATIO (After Income Taxes)	97.7%

A Commission staff engineer presented a study to show a comparison of the sought increased revenues and increased expenses, and their overall effect on an offset basis on the operating results of the California intrastate portion of Greyhound's operations for the same future period as used by applicant. The test year results of operations contained in Decision No. 69539 were used as a base and were adjusted for changes in labor pay rates and related expenses and for increases in revenues. The

requested fares were applied to passenger revenues. All other operating revenues were also increased by the same percentage as passenger revenues were increased, in order to reflect in the study a contribution to the carrier's revenue needs in the same proportion as the fare increase sought herein. Further adjustments were also made to give effect to the commute fare changes and expense reduction resulting from the Bay Bridge toll reduction on commute buses. The expenses not related to labor, the income tax rates, and the rate base were considered to be unchanged from the Decision No. 69539 test year.

A summarization of the results of operation developed in the staff study for an adjusted year beginning March 1, 1967, is set forth in Table 2 below. Based on his study, the staff witness concluded that the estimated increase in total intrastate revenues would be \$239,600 less than the related increase in expenses.

TABLE 2

GREYHOUND LINES, INC. (WESTERN GREYHOUND LINES DIVISION) California Intrastate Results of Operations Adjusted Year - 3/1/67 Through 2/28/68 (As Developed by the Commission Staff)			
<u>OPERATING REVENUES</u>	<u>TOTAL</u>	<u>MAIN LINE</u>	<u>LOCAL</u>
Passenger	\$35,554,100	\$25,925,000	\$ 9,629,100
Other	7,770,300	7,550,900	219,400
Total Oper. Rev.	<u>\$43,324,400</u>	<u>\$33,475,900</u>	<u>\$ 9,848,500</u>
<u>OPERATING EXPENSES</u>			
Equipment Maint.	\$ 5,265,800	\$ 3,677,600	\$ 1,588,200
Transportation	17,271,000	11,357,700	5,913,300
Station	5,589,900	4,690,000	899,900
Traffic	1,187,200	995,700	191,500
Insurance	1,841,600	1,477,300	364,300
Admin. & Gen.	4,671,600	3,329,200	1,342,400
Depreciation	1,778,300	1,555,900	222,400
Oper. Taxes & Lic.	3,913,500	2,919,300	994,200
Oper. Rents - Net	<u>(270,300)</u>	<u>(282,700)</u>	12,400
Total Oper. Exp.	<u>\$41,248,600</u>	<u>\$29,720,000</u>	<u>\$11,528,600</u>
OPER. INCOME	\$ 2,075,800	\$ 3,755,900	\$ <u>(1,680,100)</u>
INCOME TAXES	857,100	1,550,800	<u>(693,700)</u>
NET OPER. INCOME	1,218,700	2,205,100	<u>(986,400)</u>
RATE BASE	21,347,700	17,143,100	4,204,600
OPER. RATIO %	97.2	93.4	110.0
RATE OF RETURN %	5.7	12.9	-

(Red Figure)

Two public witnesses opposed the granting of the sought fare increases until certain improvements are made in Greyhound's service. One witness described difficulties in connection with commute service operations from Petaluma to San Francisco. A Greyhound witness testified that an informal study was under way, jointly with the Commission staff, concerning commute schedules operating through Petaluma. A subsequent report by the staff indicates that an additional bus was added to this route and that morning schedules were revised. Another witness testified to delays encountered at ticket windows in Greyhound's San Francisco depot and to the lack of sufficient rest room facilities furnished without charge. The record does not show what plans, if any, Greyhound may have with respect to such matters.

A representative of the City of Tiburon testified that the City Council of Tiburon opposes the increases in commute fares because it believes that Tiburon-San Francisco commute fares are improperly related, on a mileage basis, to commute fares between adjacent communities and San Francisco. For tariff purposes certain Marin County points are grouped or zoned with the same fare to all points, resulting in a variation in mileage rates. The record does not show the variations in this case to be unreasonable.

A representative of the City of Long Beach argued that increases sought by Greyhound are improper because Greyhound has failed to seek increases in commute fares which would produce revenues at least equal to the expenses of commute operations. The representative stated that under the sought fares, commute operations would continue to be conducted at a loss, requiring users of Greyhound's main line services to continue to subsidize

commute operations. He argued that there is no community of interest between users of statewide main line services and users of local commute services conducted primarily in the San Francisco Bay area. He stated that, in response to a petition for rehearing of Decision No. 69539 (subsequently denied), Greyhound had indicated that in its next fare increase application, it would seek commute fare increases which would raise such fares to the break-even point.

Greyhound argued that it intends to review its San Francisco Bay area commute fares and file separate applications seeking additional increases in such fares at some future time. However, such was not done at this time because of the urgent need for additional revenues at the earliest practical date to recoup statewide increases in expenses.

Discussion, Findings and Conclusions

The record indicates that Greyhound's California intra-state operations have incurred increased wage costs resulting from union agreements negotiated since fares were last adjusted pursuant to Decision No. 69539. The wage agreements for drivers, station employees and office personnel also call for further increases effective March 1, 1967. Test year estimated results of operations which reflect wage levels effective March 1, 1967, indicate that California intrastate operations under proposed fares will produce the following estimated operating results:

	<u>Rate of Return</u>	<u>Operating Ratio (After Taxes)</u>
Greyhound	4.5%	97.7%
Commission staff	5.7%	97.2%

The principal difference between estimates developed by Greyhound and by the staff is that the staff gave effect in its estimates to revenue increases for all services in the same proportion as those sought for services subject to this application,

while Greyhound did not. Greyhound's position is that competition in the field of express service and charter service, the principal services excluded from the application, generally will not permit further rate increases for such services at this time.

A rate of return of 6.4 percent and an operating ratio (after taxes) of 96.7 percent were found reasonable in Decision No. 69539.^{2/} A lower rate of return and higher operating ratio than previously found reasonable for Greyhound's California intrastate operations will result under either Greyhound's or the staff's estimates for the test year.

The City of Long Beach urged that the Commission adjust San Francisco Bay area commute fares to raise them to a fully compensatory level. To the extent feasible, commutation services should pay their own way, so as not to cast an unreasonable burden on other operations. On the other hand, experience has shown that, with respect to Greyhound's commute service within the San Francisco Bay area, a level of fares which will return full costs of operation based on present service levels may result in a loss of patronage for those services to an extent which would cause Greyhound to incur revenue deficiencies as great as those now obtaining. Off-set proceedings of this type do not furnish the information necessary to make adjustments of commute fares in the manner urged by the City of Long Beach, and such adjustments should not be made on this record.

In the proceeding leading to Decision No. 69539, Greyhound proposed certain commute fares which, on a cost-per-ride basis,

^{2/} Decision No. 62959, dated December 19, 1961 (59 Cal.P.U.C. 213) found a rate of return of 7.0 percent and an operating ratio (after taxes) of 96.3 percent to be reasonable for Greyhound's California intrastate operations at that time.

would result in fares on the same level as the minimum fare of 30 cents. The Commission found in Decision No. 69539 that a commute book cost on a per-ride basis of 28 cents would be reasonable in lieu of per-ride commute fares equal to the minimum fare. For the reasons stated in Decision No. 69539,^{3/} a similar hold-down on commute fares will be established herein.

The Commission finds that the fares proposed in the application, modified with respect to commutation fares as indicated in the paragraph next above, will be reasonable and are justified. The Commission concludes that Application No. 48692 should be granted to the extent provided in the order which follows.

O R D E R

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 (in cents)</u>	<u>With No Fare Less Than Fare For:</u>
<u>Over</u>	<u>But Not Over</u>		
0	25	3.54	Minimum Fare
25	50	3.31	25 Miles
50	100	3.12	50 Miles
100	150	2.84	100 Miles
150	200	2.72	150 Miles
200	250	2.65	200 Miles
250	300	2.60	250 Miles
300	400	2.54	300 Miles
400	-	2.48	400 Miles

Minimum Fare 30 cents

Round-trip Fare 180% of one-way fare.

3/ 64 Cal.P.U.C. 641, at pages 656 and 657.

(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 set forth in Exhibits 3 through 8, and 12 through 20, except that no increase may be made on twenty-ride book fares where the present fare is \$5.60 per book.

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. Applicant is authorized to construct fares between main line and branch line points as requested in Exhibit 10; applicant is further authorized to change certain headline points to basing stations in its Tariff No. 482-F, as shown in Exhibit 11, except that:

(a) Fares to or from basing stations may not exceed:

(i) the fare to or from the nearest headline point via the route of travel plus the additional amount obtained by multiplying the mileage between the headline point

and the basing station by the applicable mileage rate (not including the minimum fare) set forth in paragraph 1(a) hereof, rounded to the nearest cent, or

(ii) the fare to or from the nearest headline point beyond on the route of travel,

whichever results in the lower fare; and

(b) Dunningan, Ignacio, Pinole and Sausalito shall be retained as headline points.

4. Applicant is authorized to construct fares between Camarillo State Hospital and other points by either adding 18 cents to the fare to or from Camarillo or by adding 53 cents to the fare to or from Oxnard, whichever results in the lower fare.

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

6. The authority granted in paragraphs 1, 2, 3 and 4 hereof shall expire unless exercised within ninety days after the effective date of this order.

7. 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.

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

Dated at San Francisco, California, this 29th day of DECEMBER, 1966

W. E. [Signature]
President
George H. [Signature]
[Signature]

Commissioners

Commissioner Frederick P. [Signature] 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.