

Decision No. 74831**ORIGINAL**

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 and express rates. )

Application No. 50366  
 (Filed July 1, 1968)

W. L. McCracken, for Greyhound Lines, Inc., Western  
 Greyhound Lines Division, applicant.  
Mark L. Kermit, by Leroy L. Vukad, for the County  
 of Contra Costa, protestant.  
Thomas J. O'Connor, by William C. Taylor, for City  
 and County of San Francisco, and Verne H. Pynn,  
 for City of Concord, interested parties.  
Vincent MacKenzie, Counsel, for the Commission staff.

O P I N I O N

Greyhound Lines, Inc. (Greyhound), a wholly-owned subsidiary of The Greyhound Corporation, operates as a passenger stage corporation and engages in the transportation of passengers, baggage and express generally statewide within California. Western Greyhound Lines is an operating division of Greyhound Lines, Inc., through which Greyhound conducts transportation services in eleven western states, including the State of California.

The purpose of the application herein is to obtain additional revenues to offset labor cost increases incurred since fares for California intrastate services were last adjusted. The greater part of said labor cost increases result from the collective bargaining agreements with Greyhound's drivers, station employees and office workers, represented by the Amalgamated Transit Union. The

labor contract between said union and Greyhound expired February 29, 1968, but negotiations for a new contract were not completed until May 30, 1968. The result thereof was a one-year contract providing pay increases retroactive to March 1, 1968. Said labor contract will expire February 28, 1969.

In this application, Greyhound seeks to increase all of its intrastate passenger fares and express rates within California by four percent. Said increase, as to its mainline fare structure, would be accomplished by raising the one-way fares authorized by Decision No. 71787, dated December 29, 1966 (66 Cal PUC 646), by four percent, by raising the minimum fare from 30 cents to 35 cents, and by establishing round-trip fares based on 180 percent of the increased one-way fares. In areas where commute fares are provided,<sup>1/</sup> Greyhound proposes to increase by four percent the minimum fare and the one-way, round-trip and twenty-ride commute fares authorized to be established by Decision No. 74519, dated August 13, 1968, in Application No. 49658.<sup>2/</sup> Express rates, established pursuant to Decision No. 68233, dated November 17, 1964 in Application No. 46757, also are sought to be increased by four percent. No increases are sought in special fares for race-track service, or for Travis Air Force Base service.

A duly noticed public hearing was held before Examiner Mallory in San Francisco on August 13, 1968, and the matter was

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<sup>1/</sup> San Francisco Bay area, Long Beach-Santa Monica, and Sacramento-Woodland.

<sup>2/</sup> Application No. 49658 was submitted on April 23, 1968. No consideration, therefore, could be given in said application to the wage contracts here under consideration.

submitted subject to the filing of two late-filed exhibits, which have been received. Protestant offered no evidence and presented no argument in opposition to the relief sought. Evidence was presented by representatives of applicant and the Commission staff, and by a member of the public.

Applicant's vice president-traffic presented in evidence exhibits designed to show the specific fares and express rates sought in the application (Exhibits 1, 5 and 11). Applicant was authorized to file late-filed Exhibit 11 to indicate the local fares sought in its commute areas, as the most recent application affecting said fares was decided on the date of the hearing herein (Decision No. 74519, supra).

Greyhound seeks to increase its fares (other than its local fares in commute areas) by means of a conversion table (Exhibit 1). The witness explained that a complete revision of all tariffs affected would require about six months to complete. In the interim, in order to place the increased fares in effect as soon as possible, it desires to use a conversion table. Commute-fare and express-rate tariffs will be republished.

The witness also presented evidence to show that Greyhound's current and proposed intrastate mileage fares in California are less than the current intrastate mileage fares authorized to be maintained elsewhere in its Western Greyhound Lines Division. Its interstate fares assertedly are based on combinations of intrastate fares over border points with holddowns, where necessary, to meet the fare competition of other forms of transport. There are no similar holddowns maintained in connection with its California intrastate fares.

An accountant employed by Greyhound presented exhibits containing the following: condensed balance sheets for Greyhound Lines, Inc., and for its Western-Central Divisions, as of June 30, 1968; and income statements for Greyhound Lines, Inc., and for its Western Division, for the six-months period ending June 30, 1968. Western Greyhound Lines Division, in the six-month period, had net operating revenues before income taxes of \$1,132,680, on total operating revenues of \$47,756,922, for an operating ratio of 97.63 percent.

Greyhound's accounting witness also presented an exhibit designed to show the effect, for a full year, of the recent labor cost increases on Greyhound's California intrastate results of operation. This was accomplished by adjusting revenues, expenses, and income tax calculations set forth in Greyhound's Exhibit 28 received in evidence in Application No. 49653 (supra).<sup>3/</sup> The witness calculated that, for a full year, the additional wages required to be paid with respect to Greyhound's California intrastate service are \$1,451,600.<sup>4/</sup> The witness estimated that the increases in fares and rates sought herein would produce \$1,476,900 additional revenue.<sup>5/</sup> The witness stated that this revenue figure is overstated

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<sup>3/</sup> Said exhibit portrays revenue and expense estimates for the twelve months ending December 31, 1968, based on known expenses for that period, excluding the labor cost increases which are the subject of this proceeding; and showing revenues based on the full amount of the increase in commute fares sought in Application No. 49658.

<sup>4/</sup> The witness estimated that \$966,900 in additional wage costs would accrue to Greyhound's California intrastate mainline operations, and \$454,700 would accrue to its local operations.

<sup>5/</sup> The witness estimated that mainline operations would produce \$1,094,500 in additional revenue, and local operations would produce \$382,400 additionally.

by approximately \$50,000 because the local revenue calculations were based on commute fares sought in Application No. 49658, approximately half of which were granted in Decision No. 74519. According to the witness, the sought increase in revenues is slightly less than the net increase in expenses sought to be recovered herein.

The following table sets forth Greyhound's estimates of adjusted revenues, expenses and net operating income, as depicted in its Exhibit 8 in this proceeding.<sup>6/</sup>

TABLE I

GREYHOUND LINES, INC.  
(WESTERN GREYHOUND LINES DIVISION)

Summary of Earnings on a Depreciated Rate Base  
For California Intrastate Operations for the  
Twelve-Months Period Ending December 31, 1968

	<u>Total</u>	<u>Mainline</u>	<u>Local</u>
Operating Revenues	\$47,238,200	\$34,604,700	\$12,633,500
Operating Expenses	45,979,900	32,998,100	12,981,800
Operating Income	1,258,300	1,606,600	(348,300)
Income Taxes	618,800	790,100	(171,300)
Net Income	639,500	816,500	(177,000)
Operating Ratio (After Taxes)	98.6%	97.6%	101.4%
Rate of Return	2.5%	3.8%	-

(Red Figure)

<sup>6/</sup> Operating expenses were adjusted to reflect a reduction in fuel taxes on commute operations, and increases in commissions paid and in gross receipt taxes, as well as for wages. Income taxes were calculated to reflect the recent surcharge on Federal income taxes. The latter changed the effective tax rate from 45.52% to 49.18% of net operating income.

A Commission staff engineer presented Exhibit 9 which shows his calculations of the labor expenses incurred by Greyhound over and above those set forth in his Exhibit 88 introduced in Application No. 49658. Said exhibit reflects labor costs as of February 29, 1968. The labor costs in Exhibit 88 were reduced by eliminating cost-of-living increases for mainline drivers effective January 17, 1967 and then adjusted upward to reflect the additional wage costs resulting from the current labor contract. The engineer determined that such contract resulted in additional wage costs for Greyhound's California intrastate operations of \$1,341,600, annually. The labor contract provided wage increases in two steps. If the second step was considered to be in effect the entire year, an additional increment of approximately \$100,000 in wage costs would be incurred.

The staff witness testified that the effective percentage of increased revenue sought in the application approximates the increased wage and related costs sought to be recouped herein. He also testified that the rate of return and operating ratio figures adopted for the purposes of Application No. 49658, as set forth in Table IV of Decision No. 74519 would be changed only slightly, if the operating revenues and expenses adopted therein were modified to reflect the increased wage and related expenses and increased revenues sought herein.

Late-filed Exhibit 10 sets forth the Commission staff's estimates of Greyhound's California intrastate revenues, expenses, taxes and net income for the year 1968 under fares sought in the application herein. The data in said Exhibit 10 were developed by adjusting the adopted results of operations in Decision No. 74519

(supra), as set forth in Table 4 of that decision, to reflect (a) increased wages and related costs, (b) increased revenues based on the staff's fare proposals (hereinafter discussed), and (c) current income tax rates.<sup>7/</sup> Table 2, set forth below, summarizes the data depicted in late-filed Exhibit 10.

TABLE II

GREYHOUND LINES, INC.  
(WESTERN GREYHOUND LINES DIVISION)

Estimated California Intrastate Results of Operations  
For Year 1968, as Adopted in Table 4 of Decision No. 74519,  
Adjusted for Increased Wage and Related Expenses  
And Proposed Increased Rates and Fares

	California Intrastate Total	Mainline	Local
<u>Revenues</u>			
Passenger	\$39,280,000	\$27,541,000	\$11,739,000
Special Bus	2,976,000	2,976,000	-
Express	3,177,000	3,177,000	-
All Other	1,516,000	1,300,000	216,000
Total	\$46,949,000	\$34,994,000	\$11,955,000
<u>Expenses</u>	\$45,753,000	\$32,724,000	\$13,029,000
<u>Oper. Income</u>	\$ 1,196,000	\$ 2,270,000	\$(1,074,000)
<u>Income Taxes</u>	\$ 549,000	\$ 1,041,000	\$ (492,000)
<u>Net Oper. Income</u>	\$ 647,000	\$ 1,229,000	\$ (582,000)
<u>Rate Base</u>	\$26,321,000	\$21,712,000	\$ 4,609,000
<u>Operating Ratio (%)</u> *	98.6	96.5	104.9
<u>Rate of Return (%)</u> *	2.5	5.7	-

(Red Figure)

\* After Taxes

<sup>7/</sup> In said exhibit revenues from all sources were increased by four percent; standard diminution factors were applied to increased fares; the increased wages were determined as of September 1, 1968 (second step of wage contract).

The following rates of return and operating ratios under fares authorized in Decision No. 74519 were set forth in Table 4 of that decision:

	<u>California Intrastate</u>		
	<u>Total</u>	<u>Mainline</u>	<u>Local</u>
Operating Ratio*	98.9%	96.6%	105.6%
Rate of Return*	1.9%	5.3%	-

\*After taxes

It is clear that the increases sought in this proceeding are necessary to offset current labor and related cost increases, and that the granting of the application herein will not produce excessive earnings for Greyhound's intrastate operations.

The Commission staff differed with Greyhound as to the manner in which the proposed fares for local services should be determined.<sup>8/</sup> Greyhound proposed that the minimum fare within commute areas be raised from 35 cents (as authorized in Decision No. 74519) to 40 cents. The Commission staff proposed that said minimum fare be retained at 35 cents, because that amount approximates the value of the service for riders using buses for short distances.

Greyhound's witness testified that it is necessary to round one-way and minimum fares within commute areas to end in "0" or "5" cents, as fare boxes used on buses operated in said areas do not accept pennies. Greyhound's witness explained that the method of rounding proposed in the application is that which had been granted by the Commission in previous orders (Decision No. 71787, supra, and Decision No. 69539, 64 Cal PUC 641). The staff witness

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<sup>8/</sup> The engineer's recommendations concerning mainline fares and express rates correspond to the request of Greyhound.



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proposed a different method of rounding for one-way fares in excess of 60 cents. The staff proposal would result in lower one-way fares in excess of 60 cents than those proposed by Greyhound. The staff witness stated that his proposed method would be more responsive to the needs of fare payers.

Greyhound proposed that twenty-ride book fares not ending in "0" or "5" cents be increased to the next higher "0" or "5" cents. The staff witness proposed that fares not ending in a multiple of 25 cents be rounded to the next higher multiple of 25 cents. The result of the staff proposal is higher twenty-ride book fares than those proposed by Greyhound.

The staff also proposed that the minimum differential for a twenty-ride commute book should be 50 cents less than twenty times the one-way fare. The witness testified that this proposal would retain the current differential between one-way fares and the cost per ride of a single trip under twenty-ride fares between the points where the current one-way fare is the minimum fare. Greyhound's witness testified that maintenance of the minimum fare at 35 cents, coupled with the proposal that the minimum differential for twenty-ride books should be 50 cents less than twenty times the one-way fare would preclude any increase in twenty-ride book fares where the minimum fare is applicable, and thus would effectively deprive Greyhound of any increase in revenue for short-haul transportation within the commute areas. The record does not show the amount of increased revenue which would be lost under this proposal.

We have carefully considered the separate fare proposals of applicant and the staff. The minimum one-way fare within commute

areas should be retained at 35 cents. A 35-cent fare within commute areas will correspond to the minimum fare elsewhere in California. Also it appears to approximate the value of service for short-haul riders. The other fare proposals of Greyhound should be adopted. Under Greyhound's proposal the twenty-ride book fare will be \$6.80 where the 35-cent minimum fare is the one-way fare.<sup>9/</sup> This provides a small differential between the cost-per-ride on a commute basis and the minimum one-way fare. Other proposals of the staff concerning rounding of fares have not been justified. The method of rounding fares heretofore prescribed by the Commission should be adopted.

The Commission finds as follows:

1. Greyhound Lines, Inc. was authorized to increase its fares within commute areas effective September 1, 1968 pursuant to Decision No. 74519, dated August 13, 1968, in Application No. 49658. The results of operations adopted for the purposes of that proceeding indicated that Greyhound would achieve a rate of return of 1.9 percent and an operating ratio of 98.9 percent for the year 1968 on its total California intrastate operations. (Table 4 of Decision No. 74519.)

2. Subsequent to submission of Application No. 49658, Greyhound's labor agreements with its operating personnel were renegotiated, resulting in increased labor costs applicable to California intrastate operations approximating \$1,450,000, annually. Said increased expenses amount to approximately 3.2 percent of intrastate revenues adopted in Table 4 of Decision No. 74519.

3. Greyhound seeks, in Application No. 50366, to offset such increases in labor costs by increasing by 4 percent its intrastate

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<sup>9/</sup> The twenty-ride book fare is proposed to be increased from \$6.50 to \$6.80, as shown in Exhibit 11.

fares and express rates (except fares for its Travis Air Force Base and race track services). Said increase in fares and rates is greater by approximately 0.8 percent than the increased labor costs described in finding 2.

4. The earnings of Greyhound for a future rate year on its total California intrastate operations under the increased wage and related expenses and proposed fares will produce a rate of return of 2.5 percent and an operating ratio of 98.6 percent after taxes. Said earnings will not be excessive.

5. The fare increases proposed in the application, as modified by applicant's Exhibit 11 herein, are justified, except that the minimum fare within commute areas should be retained at 35 cents.

6. Applicant should be authorized to establish the increased mainline fares by means of a conversion table, as proposed in the application.

The Commission concludes that applicant should be authorized to establish the increased fares as indicated above. Applicant requests authority to establish said fares on five days' notice. This authority also should be granted, as the increased expenses mentioned above are now being incurred.

O R D E R

IT IS ORDERED that:

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

(a) ONE-WAY DISTANCE FARES (other than fares authorized in paragraph 4 hereof):

<u>Miles</u>		<u>Rate Per Mile</u> (in cents)	<u>With No Fare</u> <u>Less Than Fare For:</u>
<u>Over</u>	<u>But Not Over</u>		
0	25	3.68	Minimum Fare
25	50	3.44	25 Miles
50	100	3.24	50 Miles
100	150	2.95	100 Miles
150	200	2.83	150 Miles
200	250	2.76	200 Miles
250	300	2.70	250 Miles
300	400	2.64	300 Miles
400	-	2.58	400 Miles

Minimum Fare ..... 35 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.

2. Pending establishment of the specific fares authorized in paragraph 1 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 hereof.

3. Applicant is authorized to construct fares and twenty-ride commute book charges between mainline and branch line points as requested in the application.

4. Applicant is authorized to increase fares established pursuant to Decision No. 74519 within local commutation areas by four percent, except that no increase shall be made in the minimum fare

within commute areas. Any increased fare not ending in "0" or "5" cents may be further increased to the next higher "0" or "5" cents.

5. 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.

6. The authority granted herein 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 15<sup>th</sup> day of OCTOBER, 1968.

William J. Quinn  
President  
William Bernard  
Augustus  
Paul P. Monsey  
Commissioners