

ORIGINAL

Decision No. 76455

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GREYHOUND LINES - WEST
 DIVISION OF GREYHOUND LINES, INC., for
 an order authorizing a statewide
 increase in intrastate passenger fares
 and express rates and GREYHOUND LINES -
 WEST, DIVISION OF GREYHOUND LINES, INC.
 LAS VEGAS-TONOPAH-RENO STAGE LINE, INC.
 MOYER STAGES, ORANGE BELT STAGES,
 PEERLESS STAGES, INC., SAN PEDRO TRANSIT
 LINES, and VACA VALLEY BUS LINES for an
 order authorizing a statewide increase
 in interline express rates.

Application No. 51326
 (Filed August 15, 1969)

W. L. McCracken, for Greyhound Lines, Inc.
 (Greyhound Lines-West Division), Las
 Vegas-Tonopah-Reno Stage Line, Inc.,
 Moyers Stages, Orange Belt Stages,
 Peerless Stage Lines, Inc., San Pedro
 Transit Lines, and Vaca Valley Bus Lines,
 applicants.

Douglas Maloney and George Silvestri, for
 Marin County Transit District, protestant.
Thomas J. O'Connor, City Attorney, by William
C. Taylor, for the City and County of San
 Francisco, interested party.
William C. Bricca, Counsel, George H. Morrison
 and M. J. Debarr, for the Commission staff.

O P I N I O N

Greyhound Lines, Inc., (Greyhound) is a wholly-owned subsidiary of The Greyhound Corporation. Greyhound is engaged, as a passenger stage corporation, in the transportation of passengers, baggage and express generally statewide throughout California. Greyhound also operates throughout the contiguous 48 states and in Canada and Mexico. Greyhound Lines - West is an operating division of Greyhound, through which Greyhound conducts transportation services in 26 states, including California.

In this application Greyhound seeks to increase its California intrastate mainline and commute passenger fares and its express rates by 8.75 percent. It also seeks to increase its minimum fare from 35 to 40 cents. Greyhound is joined with other applicants in a request to increase joint express rates to the same level as are sought for local service by Greyhound. It also seeks to revise the fare zones applicable in connection with commute service between San Francisco and points in Marin County, resulting in both increases and reductions in fares.

Greyhound's mainline one-way and round-trip fares and its express rates were last adjusted pursuant to Decision No. 75939, dated July 22, 1969, in Application No. 50792.^{1/} That decision authorized a rate of return of 7.0 percent and an operating ratio (after taxes) of 96.1 percent for Greyhound's California intrastate passenger operations, including charter service and express service. That decision contains an adopted estimate of operating results for a test year ended June 30, 1970, at fares and express rates authorized therein.

In this proceeding, Greyhound alleges that Decision No. 75939 does not reflect labor cost increases incurred by it pursuant to recent collective bargaining agreements covering its shop and garage employees, and its drivers and office personnel. In this application Greyhound seeks an "offset" increase in fares and express revenue, assertedly in an amount designed to recover only the increase in operating costs resulting from said collective bargaining agreements and from recent changes in business and property taxes levied by the City of San Francisco.

^{1/} Greyhound's one-way, round-trip and multiple ride fares within commute areas were last adjusted pursuant to Decision No. 74519, dated August 13, 1968 in Application No. 49658.

Public hearing was held and this matter submitted before Commissioner Vukasin and Examiner Mallory at San Francisco on September 29, 1969. Evidence was adduced on behalf of applicant and the Commission staff. Other parties assisted in the development of the record.

The Director of Traffic of Greyhound Lines - West Division presented testimony and exhibits describing Greyhound's operation in the West and in California. He also outlined the increased wage costs which have been incurred by Greyhound since the last proceeding, and explained in detail the relief sought in this application. The witness pointed out in his testimony that labor costs and fringe benefits account for 60 percent of applicant's operating expenses. He testified that the sought fare increases are necessary in order to recover increased wage costs.

Applicant requests that it be authorized to construct fares and express rates generally in the same manner as authorized in prior proceedings.^{2/} Greyhound has been authorized to publish increases in

^{2/} Applicant seeks continuation of previously authorized methods of construction of mainline fares, as follows:

- a) Fares constructed by the new scale in amounts of less than \$0.60 will be further increased when necessary so that all fares end in "0" or "5".
- b) Regular round-trip fares will be based on 180% of the one-way fare.
- c) In the case of tickets covering travel over both branchline and mainline routes, the fare will be based upon the combination of fares as authorized by Decision No. 71787 in Application No. 48692.
- d) In the case of a ticket covering travel over the San Francisco-Oakland Bay Bridge (3 miles), the Golden Gate Bridge (3 miles), the Carquinez Straits Bridge (1-1/2 miles), or any combination thereof, the mainline fare (outside commute areas) will continue to be based upon mileage computations including full constructive mileage over each bridge, as authorized by Decision No. 43081 in Application No. 29608, dated June 29, 1949, and Decision No. 57650 in Application No. 40532, dated November 25, 1958.

mainline fares by the use of conversion tables. At the present time fare increases authorized by Decision No. 75939 (supra) and by Decision No. 74831, effective November 9, 1968, are published in this manner. The witness testified that Greyhound seeks authority to use the conversion table method of publishing the mainline fares sought in this proceeding, but intends to revise all tariffs within a six-month period in order to eliminate the conversion tables.

Applicant also seeks to maintain its currently authorized methods of constructing fares within commute areas,^{3/} subject to the added provision that round-trip fares based on one-way fares of \$1.05 or more shall be based on 180 percent of the one-way fare subject to a minimum of \$2.00. The witness explained that, pursuant to Decision No. 74519 (supra), one-way suburban fares within commute areas are not subject to the reduction for round-trip service when the one-way fare is \$1.00 or less. Under the 180 percent rule a lower round-trip fare is obtained when the one-way suburban fare exceeds \$1.00 than when the one-way suburban fare is just under \$1.00. The proposal that the minimum round trip fare be \$2.00 on one-way suburban fares of \$1.05 or more assertedly would avoid confusion to selling agents and reduce passenger complaints.

The witness testified that the proposed revision of Marin County commute fare zones was jointly developed by applicant and the Commission staff and is designed to place fare zone boundaries away

^{3/} Commute operations are performed in the San Francisco Bay Area: between San Francisco and Marin and Sonoma County points; between San Francisco and San Jose and intermediate points on San Francisco Peninsula; between San Francisco and Oakland and Vallejo; and between San Francisco and Oakland and Contra Costa County points. Greyhound also performs commute service between Long Beach and Santa Monica, and between Sacramento and Davis and Woodland.

from stations and bus stops to eliminate conflicts as to applicable fares from points now located in two fare zones. The proposed fare limits would cause some passengers to pay higher fares and others to pay lower fares. The witness testified that the increases and reductions are largely offsetting; he believed, however, that fare zone revisions would result in a net decrease in revenue.

The assistant to the comptroller of Greyhound Lines - West Division presented in evidence an exhibit containing revenue and expense and rate of return projections reflecting his estimates of the added revenues from proposed fares and increased expenses resulting from wage increases and taxes. The method followed by the witness was to adjust the results of operation adopted in Decision No. 75939, dated July 22, 1969, in Application No. 50792.^{4/} The witness testified that he first estimated the increases in wage costs and allied expenses and the changes in the San Francisco City and County taxes which were not reflected in the test year operating results adopted in Decision No. 75939, and then determined the amount of revenue increase which would be required to produce a rate of return of 7 percent on California intrastate operations. The witness testified that an increase of 8.75 percent applied to all fares for scheduled service and to express rates would be necessary to cover additional expenses and to produce a 7 percent rate of return.^{5/} Table 1, below, sets forth applicant's estimates of test year revenues and expenses adopted in Decision No. 75939, adjusted to give effect only to (a) the revenue increases proposed

^{4/} That decision authorized increases in mainline fares to bring Greyhound's rate of return up to 7 percent and operating ratio (after taxes) to 96.1; that rate of return and operating ratio were found reasonable for Greyhound's total California intrastate operations.

^{5/} No increase in revenues was projected for intrastate special coach (charter) operations. Fares for charter service are not subject to regulation by this Commission (Public Utilities Code - Section 5375).

herein, (b) increased wage costs and reduced San Francisco City and County taxes, and (c) adjustments in commissions paid, gross receipt taxes, and social security and income taxes resulting from (a) and (b) and social security tax rates.

TABLE 1

GREYHOUND LINES, INC.
(Greyhound Lines - West Division)

SUMMARY OF EARNINGS ON A DEPRECIATED RATE BASE
FOR CALIFORNIA INTRASTATE OPERATIONS AT
PROPOSED FARES AND RATES FOR YEAR ENDING FEBRUARY 28, 1971

(All Amounts in Thousands)

	CALIFORNIA INTRASTATE		
	Total	Mainline	Local
Operating Revenues (Decision No. 75939)	\$52,440	\$40,252	\$12,188
Increase from Proposed Fares and Rates	3,503	2,617	886
	<u>\$55,943</u>	<u>\$42,869</u>	<u>\$13,074</u>
Operating Expenses (Decision No. 75939)	48,932	35,045	13,887
Increase in Salaries & Wages, Pension & Welfare	3,740	2,504	1,236
Increase in San Francisco Property Taxes	24	15	9
Decrease in San Francisco Business Tax	(280)	(151)	(129)
Increase in Commissions Paid	183	149	34
Increase in Gross Receipts Tax	42	39	3
	<u>\$52,641</u>	<u>\$37,601</u>	<u>\$15,040</u>
Operating Income	3,302	5,268	(1,966)
Income Taxes	1,373	2,226	(853)
NET INCOME	1,929	3,042	(1,113)
Operating Ratio After Taxes	96.6%	92.9%	108.5%
Rate of Return	6.7%	12.6%	-

(Red Figure)

Applicant's witness pointed out that, in the above table, the estimated increase in revenues falls short of the estimated increase in expenses by approximately \$200,000, and that the estimated rate of return of 6.7 percent is less than that found reasonable in Decision No. 75939.

An estimate of operating revenues, expenses and rate of return on rate base was also developed by a senior transportation engineer from the Commission's Transportation Division staff. His estimates were developed in a similar manner, and reflect the same elements of increased expenses and revenues, as the data submitted by applicant's witness. The results developed by the staff witness, however, differ from those developed by applicant's witness in three primary respects:

(1) The method of estimating the cost-of-living increase effective March 1, 1970, in wage contracts, based on the U. S. Department of Labor Consumer Price Index in effect on January 15, 1970. The staff witness used the cost-of-living index as of June 15, 1969, as indicative of the January 15, 1970 index; whereas applicant used the higher index as of August 15, 1969.

(2) The staff witness reflected in the test year operating results an increase in charter revenues in the same relative amount as sought herein for mainline and commute passenger fares and express rates (8.75 percent). Applicant's witness projected no increase in charter revenues.

(3) The staff witness applied diminution factors to operating expenses based on bus miles, in a similar manner to the diminution factors applied to increased revenues. Applicant's witness did not apply diminution factors to said expenditures.

The estimated operating revenues, expenses and rate base for Greyhound's California intrastate operations under the fare increase sought herein, as developed by the staff witness, are set forth in the following table.

TABLE 2

GREYHOUND LINES, INC.
(Greyhound Lines - West Division)

COMMISSION STAFF ESTIMATED RESULTS OF
OPERATIONS FOR YEAR ENDING FEBRUARY 28, 1971

(Thousands of Dollars)

<u>Item</u>	<u>California Intrastate Total</u>
<u>Revenues</u>	
Base Year (Decision No. 75939)	\$52,440
Change in Revenue	3,752
Total	\$56,192
<u>Expenses</u>	
Base Year (Decision No. 75939)	\$48,932
Changes for Agreements	3,200
Changes for Commissions	201
Changes for Gross Receipts Tax	48
Changes for Transportation Tax	1
Total	\$52,382
Operating Income	\$ 3,810
Income Taxes	1,635
Net Operating Income	2,175
Rate Base	\$28,976
Operating Ratio	96.1%
Rate of Return	7.5%

The Commission staff witness stated that the estimate of test year operating results developed in the preceding table indicates that applicant would achieve a rate of return in excess of the 7.0 percent found reasonable in Decision No. 75939. The staff witness recommended that applicant be authorized to increase fares and express rates by 8 percent. The witness testified that an increase of 8 percent would result in a test year rate of return of 7.0 percent for applicant's California intrastate operations.

Applicant's Director of Traffic testified in rebuttal to the staff position concerning charter revenues. He stated that applicant faces competition for charter service from many other carriers; that charter rates are not regulated by this Commission; that Greyhound has urged, in informal meetings with competing carriers, that charter rates be adjusted upward; and that other carriers have refused to accede to this request. The witness stated that it is applicant's conclusion, in face of these facts, that it cannot raise its charter fares in the test year. Therefore, applicant's projections for the test year reflect no increase in charter revenues. The witness agreed with the contention of the staff witness that the increased wage costs which are the subject of this proceeding are equally applicable to charter operations and to regular-route passenger operations.

Discussion and Preliminary Findings

Applicant and the Commission staff have used the same estimated year July 1, 1969 to June 30, 1970 as a base and the same general methods in developing operating results for a test year to show the effect of the wage cost increases which will be incurred by applicant pursuant to collective bargaining agreements. Both applicant and the staff recognize in their projections that said agreements will require a further increase in wages on March 1, 1970, if the Consumer Price Index is higher on January 15, 1970 than the index in effect on January 15, 1969. The staff used the June 15, 1969 index as indicative of the future, whereas applicant used the August 15, 1969 index. The index in August was higher than in June, resulting in a greater estimated wage cost increase. It is apparent from the testimony of applicant's financial witness and the staff witness that each believes, based on current inflationary trends, that the price index in effect on January 15, 1970, will be no lower than the current price

index. Each witness recognized that the monthly trend has been almost uniformly upward over the past and current year. Therefore, if the theory used by both witnesses is valid for the purpose of projecting future wage expenses, the most current price index should be used. In the circumstances, we find that wage increases effective on March 1, 1970, based on the level of the U. S. Department of Labor Consumer Price Index on that date should be projected in test year estimates based on the index for August 15, 1969.

Applicant's test year projections contain no increases in charter revenues, based on applicant's conclusions that competitive forces will not permit the raising of charter rates in the test year. The staff's test year estimates include an 3.75 percent increase in charter revenues. The staff and applicant agree that the wage cost increases reflected in their test year operating results are applicable to charter operations. It is the staff's position that each segment of applicant's operations should bear its share of providing increased revenues to offset the corresponding increased expenditures, and that the test year projections should reflect said revenue increases whether or not that particular segment will actually be able to produce such revenue increases. It is clear that the applicant cannot unilaterally raise its charter rates in the test year by 3.75 percent, as estimated in the staff study. The Commission determined in Decision No. 75939 that the operating ratio and rate of return found reasonable therein should apply to applicant's total California intra-state operations, including its commute and charter operations. Therefore, we find that it is reasonable to estimate charter operation revenues in the test year on the same level as in the results of operation adopted in Decision No. 75939.

Both applicant and the staff have given effect to diminution of passengers in their projections of the proposed fare increases. The witnesses have reduced the number of estimated passengers in the test year in proportion to the percentage increase in fares. The staff witness also gave effect to said diminution in passengers by reducing bus-mile expenses, which are affected by reduced traffic.^{6/} It appears that, if diminution of passengers because of a fare increase is to be given effect in determining passenger revenues in a test year, a corresponding reduction should be made in expenses related to bus-miles, which also vary with numbers of passengers carried. We find that the method followed by the staff witness in calculating such expenses is appropriate for the purposes of this proceeding.

The following table sets forth adjustments to the estimates contained in Table 2 hereof to give effect to the findings and conclusions reached above. Said table is adopted as reasonable for the purposes of this proceeding.

TABLE 3

GREYHOUND LINES - WEST DIVISIONAdjusted Estimated Results of Operations
For Year Ending February 28, 1971(Thousands of Dollars)

<u>Revenues</u>	\$55,988
<u>Expenses</u>	\$52,598
<u>Operating Income</u>	\$ 3,390
<u>Income Taxes</u>	\$ 1,418
<u>Net Operating Income</u>	\$ 1,972
<u>Rate Base</u>	\$28,976
<u>Operating Ratio (after taxes)</u>	96.5%
<u>Rate of Return</u>	6.8%

^{6/} The witness testified that actual bus-miles operated by Greyhound are not reduced or increased in direct proportion to reductions or increases in the number of passengers. Therefore, in his projections, the expenses related to bus-miles are reduced proportionately less than the revenues were reduced for diminution of passengers in the test year.

Findings and Conclusions

We find that:

1. Greyhound Lines - West Division of Greyhound Lines, Inc. (Greyhound) was last authorized to increase its mainline passenger fares and express rates pursuant to Decision No. 75939, dated July 22, 1969, in Application No. 50792. That decision determined that interim fares and express rates which would result in a rate of return of 7.0 percent and an operating ratio (after taxes) of 96.1 percent were reasonable for Greyhound's California intrastate operations.

2. Greyhound's drivers, station personnel and office employees are subject to a three-year collective bargaining agreement effective March 1, 1969. Said agreement provides for increases in wages and fringe benefits on its beginning date and each anniversary date, and for additional wage increases in March, 1970, based on any increase in the U. S. Department of Labor Consumer Price Index between January, 1969, and January, 1970.

3. Subsequent to the close of the proceeding in Application No. 50792, a strike of Greyhound's San Francisco maintenance employees was settled, resulting in a three-year collective bargaining agreement retroactive to June 1, 1969. Said agreement calls for annual increases in wages and fringe benefits on its beginning date and each anniversary date.

4. Wage and fringe-benefit increases resulting from collective bargaining agreements described in findings 2 and 3 were not included in the test year operating results for the year ending June 30, 1970, in Decision No. 75939, and no consideration was given to such elements of expense in that decision.

5. The general method of depicting the effect of increased wages and fringe benefits and reduced and increased San Francisco taxes set forth in exhibits of Greyhound and the Commission staff is reasonable for the purposes of this proceeding.

6. The operating results set forth in Table 3 of the preceding opinion reasonably represent Greyhound's California intrastate revenues, expenses, rate base, rate of return and operating ratio for a future year. Said results of operations give effect to known major increases and reductions in operating expenses and to the fares and express rates proposed in the application herein. As shown in said table, Greyhound's test year rate of return will be approximately 6.8 percent and its operating ratio (after taxes) 96.5 percent. Said earnings will not be excessive, and will not exceed those found reasonable in Decision No. 75939.

7. The fare and express rate increases proposed in the application herein will be reasonable and are justified.

The Commission concludes that the fare and express rate increases proposed herein should be granted as provided by the order herein, that applicant should be authorized to publish its increased mainline fares for a six-month period by means of a conversion table, and that applicant should be permitted to establish the increased fares and express rates on five days' notice.

O R D E R

IT IS ORDERED that:

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

(a) ONE-WAY DISTANCE FARES

<u>Over</u>	<u>Miles</u> <u>But Not Over</u>	<u>Rate Per Mile</u> <u>(in cents)</u>	<u>With No Fare</u> <u>Less Than Fare For:</u>
0	25	4.35	Minimum Fare
25	50	4.07	25 Miles
50	100	3.84	50 Miles
100	150	3.49	100 Miles
150	200	3.35	150 Miles
200	250	3.26	200 Miles
250	300	3.20	250 Miles
300	400	3.12	400 Miles
400	-	3.06	400 Miles

Minimum Fare 40 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 being considered nearest to the next higher cent.

2. Greyhound Lines, Inc., is authorized to increase by 6.75 percent the one-way, round-trip and 20-ride commutation fares as set forth in tariffs enumerated in Exhibit 1, Appendix T-2, Page 3, subject to the following conditions:

- (a) The fares so constructed may be further increased so as to end in "0" or "5" cents.
- (b) Round-trip fares, where the increased one-way fare is \$1.05 or more, shall be constructed on the basis of 180 percent of the one-way fare, subject to a minimum round trip fare of \$2.00.
- (c) The minimum one-way fare shall be 40 cents.
- (d) Applicant shall establish the revised fare zones applicable in connection with San Francisco-Marin County fares, as set forth in Exhibit 1, Appendix T-7.

3. Pending establishment of the specific fares authorized in paragraph 1 hereof, Greyhound Lines, Inc. 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, and that tariffs are republished within six months of the effective date of this order to eliminate the use of said conversion tables.

4. Greyhound Lines, Inc. is authorized to construct fares between mainline and branch line points as requested in the application.

5. Greyhound Lines, Inc. and carriers named in the application herein, are authorized to increase express rates as proposed in the application.

6. The tariff publications authorized to be made as a result of the order herein may be made effective 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.

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

8. 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 ten days after the date hereof.

Dated at San Francisco, California, this 18th day of NOVEMBER, 1969.

William Synovus, Jr.
President

Augustus

[Signature]

Vernon L. Stinger
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.