

ORIGINAL

Decision No. 78939

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., ORANGE  
 BELT STAGES, PEERLESS STAGES, INC., SAN  
 PEDRO TRANSIT LINES, and VACA VALLEY BUS  
 LINES for an order authorizing a state wide  
 increase in interline express rates.

Application No. 52591  
 (Filed April 30, 1971)

W. L. McCracken, Attorney at Law, for Greyhound  
 Lines-West, Division of Greyhound Lines, Inc.,  
 applicant.

Louis Possner, for City of Long Beach; George J.  
 Silvestri, Attorney at Law, for County of  
 Marin; Peter G. Stone, by Marilyn D. Norek,  
 Attorney at Law, for City of Palo Alto,  
 interested parties.

Harold J. McCarthy, Attorney at Law, and  
A. L. Gielegem, for the Commission staff.

#### INTERIM OPINION

Greyhound Lines, Inc. (Greyhound) is a wholly owned subsidiary of The Greyhound Corporation. Greyhound, through its Greyhound Lines - West Division, transports passengers, baggage and express in twenty-six western states including California. In California it performs mainline intercity service generally statewide. It also conducts local commute operations in the San Francisco Bay Area, between Long Beach and Santa Monica, and between Sacramento and Woodland.

In this application, Greyhound seeks a two-step increase in its fares and express rates. Greyhound presently estimates that an increase of 15 percent in all intrastate fares and express rates

is necessary to provide Greyhound with a reasonable rate of return on its California intrastate operations. Greyhound proposes, as a first-step increase, that its mainline and commute fares and its express rates be increased by 7-1/2 percent. The asserted purpose of the first-step increase is to immediately reflect in Greyhound's fare structure the additional wage expenses incurred by Greyhound since fares were last adjusted pursuant to Decision No. 76455, dated November 18, 1969, in Application No. 51326.

The application asserts that proceeding in two steps will permit applicant and the Commission staff to develop the necessary information to fully explore an appropriate level for Greyhound's rate of return; and to review in depth certain factors bearing thereon, such as possible affiliated-interest adjustments with respect to buses purchased from another subsidiary of applicant's parent company, and to permit the conduct of up-to-date studies to underlie separation procedures recently adopted by the Commission.

A duly noticed public hearing was held with respect to the first-step authority sought herein on May 24, 1971 before Examiner Mallory in San Francisco and the first-step request was submitted. Evidence was presented by witnesses appearing for applicant and the Commission staff.

The evidence shows the following: Three labor organizations, the Amalgamated Transit Union, the International Association of Machinists, and the International Brotherhood of Teamsters represent most of Greyhound's employees involved in its California intrastate operations.

The employees represented by Amalgamated are presently working under the provisions of a three-year agreement which became effective March 1, 1969. The San Francisco Teamsters and Machinists maintenance employees are working under a three-year agreement which became effective June 1, 1969. Other Machinists maintenance employees are working under three-year agreements which became effective in September 1968. Greyhound's present California intrastate passenger fares and express rates are based upon a consideration of the labor agreement wage levels in effect during the period March 1, 1970 through February 28, 1971. The first-step increase sought herein is intended to provide for the wage rates in effect for the year beginning March 1, 1971.<sup>1/</sup>

Applicant estimates that the total increase over 1970 actual expenses for wages, pensions and social security benefits applicable to its California intrastate operations is \$2,799,000. The Commission staff estimates that the total increase in these expenses over similar expenses found reasonable for the March 1, 1970-February 28, 1971 test year adopted in Decision No. 76455 is \$3,285,000.

Applicant's Showing

Applicant's financial witness presented in evidence an analysis of Greyhound's actual operating revenues, expenses and rate of return for an historical year ended December 31, 1970. California intrastate data were developed using current separation procedures. Such data for the historical year are set forth below:

---

<sup>1/</sup> The record indicates that new collective bargaining agreements must be reached with respect to wage rates that will be in effect subsequent to the termination of present agreements on February 29, 1972.

TABLE 1  
 Greyhound Lines, Inc.  
 Summary of Statement of Operations For  
 Year Ended December 31, 1970

<u>CALIFORNIA INTRASTATE OPERATIONS</u>			
(+000)			
	<u>Total</u>	<u>Mainline</u>	<u>Local</u>
Operating Revenues	\$ 50,631	\$ 39,711	\$ 10,920
Operating Expenses	50,495	36,775	13,720
Operating Income	136	2,936	(2,800)
Income Taxes	54	1,174	(1,120)
Net After Income Taxes	82	1,762	(1,680)
Rate Base	28,182	23,040	5,142
Rate of Return (%)	0.3	7.6	-
Operating Ratio After Taxes (%)	99.8	95.6	115.4

(Negative Amount)

The data shown in Table 1 was adjusted to give effect to known increases in wage and related expenses, to the normal increase in express revenues from increased patronage, and to increases in commission expense and gross receipt taxes applicable to said increased fares and express revenues. For the purposes of demonstrating these factors a test year ending December 31, 1972 was adopted (See Footnote 1, supra). The following table depicts Greyhound's estimate of the results of its California intrastate operations at present fares in said test year:

TABLE 2  
 Greyhound Lines, Inc.  
 Summary Statement of Estimated Operating  
 Results Under Present Fares

<u>CALIFORNIA INTRASTATE OPERATIONS</u>			
(+000)			
	<u>Total</u>	<u>Mainline</u>	<u>Local</u>
Operating Revenues	\$ 51,007	\$ 40,087	\$ 10,910
Operating Expenses	53,341	38,719	14,622
Operating Income	(2,334)	1,368	(3,702)
Income Taxes	(934)	547	(1,481)
Net After Income Taxes	(1,400)	821	(2,221)
Rate Base	28,182	23,040	5,142
Rate of Return (%)	-	3.6	-
Operating Ratio After Taxes (%)	102.7	98.0	120.3

(Negative Amount)

The test-year operating results, adjusted to give effect to the increase in revenues from the first-step 7-1/2 percent increase in fares and express rates sought herein, to diminution in patronage because of increased passenger fares and express rates, and to the increased commission expense and gross receipt taxes applicable to such increased revenues, are set forth in the table below.<sup>2/</sup>

TABLE 3  
Greyhound Lines, Inc.  
Summary Statement of Estimated Operating  
Results Under Proposed Fares

<u>CALIFORNIA INTRASTATE OPERATIONS</u>			
(\$000)			
	<u>Total</u>	<u>Mainline</u>	<u>Local</u>
Operating Revenues	\$ 54,046	\$ 42,474	\$ 11,572
Operating Expenses	53,537	38,893	14,644
Operating Income	509	3,581	(3,072)
Income Taxes	204	1,433	(1,229)
Net After Income Taxes	305	2,148	(1,843)
Rate Base	28,182	23,040	5,142
Rate of Return (%)	1.1	9.3	-
Operating Ratio After Taxes (%)	99.4	94.9	115.9
(Negative Figure)			

Staff Showing

The approach used by the staff engineer testifying for the Commission's Transportation Division is different from that of applicant. The staff engineer developed his estimate of the additional revenue required to offset 1971 labor and related expense increases by adjusting the data used in the most recent proceeding in which Greyhound's fares were adjusted. Decision No. 76455 adopted as reasonable for the purposes of that proceeding estimated operating results reflecting a test year ending February 28, 1971.<sup>3/</sup>

<sup>2/</sup> Applicant estimates that the effective amount of revenue increase from express rates will be 8-1/2 percent because of the rounding upward of individual rates to end in "0" or "5" cents.

<sup>3/</sup> Table 3 of Decision No. 76455. Said table shows a net operating income (after taxes) of \$1,972,000 under fares authorized therein, which produced an operating ratio of 96.5% and a rate of return of 6.8%.



The staff witness stated that the foregoing calculation reflects no adjustments for: diminution in revenues resulting from loss of traffic because of increased fares, to added commission expense resulting from the higher fares and express rates, nor to added gross receipt taxes on the additional revenues from increased fares and express rates. The witness testified that, in his opinion, the foregoing adjustments would be largely offset by (a) the corresponding diminution of expenses resulting from loss of traffic because of increased fares, and (b) the increased revenue above the proposed percentage increase in fares and express rates resulting from rounding upward of local fares and express rates to the next higher multiple of five cents. The staff witness estimated that the expense reductions resulting from diminution are approximately one-third of the corresponding reduction in revenues resulting from diminution.

Discussion

The instant phase of this proceeding is preliminary; its purpose, according to applicant, is to make an immediate adjustment in fares to recover increased wage and related expenses occurring since fares were last adjusted. Exploration in depth of reasonable rate-making adjustments was not intended, nor did time permit, in the abbreviated hearing on this initial phase. Because of the manner in which applicant has chosen to proceed herein, matters in doubt will not be decided in this phase of the proceeding, but will be considered based on the more complete record to be made in the final phase.

The record clearly establishes and we find that applicant has incurred increases in wage and related expenses since its intrastate fares were last adjusted amounting to at least 6-1/2 percent of its gross California intrastate revenues; that intrastate operations of applicant will be conducted at a loss unless fares are adjusted upward; and that an adjustment in local, mainline and commute fares of 6-1/2 percent (including a minimum fare of 45 cents) and in express rates will not provide excessive earnings for applicant's California intrastate operations, pending further determinations based on the full record in this proceeding.

The Commission concludes that, pending final determination of all issues to be presented in this proceeding, applicant should be authorized to increase fares and express rates by 6-1/2 percent, as provided in the order which follows.

INTERIM ORDER

IT IS ORDERED that:

1. Greyhound Lines, Inc. (Greyhound Lines - West Division) is authorized to increase fares set forth in passenger tariffs listed in Appendix A to Application No. 52591 as follows:

A. INTERCITY ONE-WAY DISTANCE FARES shall be increased as follows:

<u>Over</u>	<u>Miles</u> But <u>Not Over</u>	<u>Rate</u> <u>Per Mile</u>	<u>With No Fare</u> <u>Less Than</u>
0	25	\$.0463	Minimum Fare
25	50	.0433	25 Miles
50	100	.0409	50 Miles
100	150	.0372	100 Miles
150	200	.0357	150 Miles
200	250	.0347	200 Miles
250	300	.0341	250 Miles
300	400	.0322	300 Miles
400	-	.0326	400 Miles



- A.1 One-way fares shall be determined by mileage rates resulting up to and including 59 cents to be rounded to the next higher multiple of 5 cents.
- A.2 One-way fares shall be determined by mileage rates in 60 cents and over to be rounded to the nearest cent, 0.5 cent being considered to the next higher cent.
- A.3 Round-trip fares shall be 180 percent of one-way fares.
- A.4 The minimum one-way fare shall be 45 cents.
- B. Transit and commute one-way and round-trip fares shall be increased by 6-1/2 percent, subject to the following:
  - B.1 The minimum one-way fare shall be 45 cents.
  - B.2 The round-trip fares shall be 200 percent of the one-way fares where the one-way fares are \$1 or less. Round-trip fares will be 180 percent of the one-way fares where the one-way fares are \$1.05 or more, subject to a minimum round-trip fare of \$2.
  - B.3 If the one-way fares when increased by 6.5 percent do not end in a multiple of 5 cents, the fares are to be rounded to the next highest multiple of 5 cents.
- C. Transit and commute 20-ride fares shall be increased 6-1/2 percent, subject to the condition that if the 20-ride fares when so increased do not end in a multiple of 5 cents, the 20-ride fares are to be rounded to the next highest multiple of 5 cents.

2. Mainline fares authorized above may be placed into effect by means of a conversion table. Applicant is authorized to construct fares between mainline and branchline points as proposed in the application.

3. Greyhound Lines, Inc. (Greyhound Lines - West Division) may increase its local express rates, and the joint rates maintained with other applicants herein, by 6-1/2 percent, subject to the condition that if the express rates so increased do not end in a multiple of 5 cents, such rates shall be rounded to the next higher multiple of 5 cents.

4. 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.

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

6. 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 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 27<sup>th</sup> day of JULY, 1971.

Chairman

William S. Grooms  
[Signature]  
Vernon L. Sturgeon

Commissioners

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

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.