

Decision No. 81133

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CONTINENTAL TRAILWAYS, INC., a Delaware
corporation; AMERICAN BUSLINES, INC., a
Delaware corporation; and CONTINENTAL
PACIFIC LINES, a California corporation,
for authority to increase one-way and
round trip intrastate passenger fares
and express charges pursuant to Sections
454 and 491 of the Public Utilities Code.

Application No. 53740
(Filed December 7, 1972)

O P I N I O N

Continental Trailways, Inc. (Trailways), American Buslines, Inc. (American), and Continental Pacific Lines (Continental Pacific) seek an ex parte order authorizing increases in their intrastate, local, and joint passenger fares, and express charges. The proposed fare and express rate schedules are the same as were authorized to Greyhound Lines in Decision No. 80545 dated September 26, 1972 in Application No. 52591. The proposed increase is about 11.8 percent.

Trailways operates generally between San Francisco and Los Angeles and intermediate points via Stockton, Fresno, and Bakersfield, and between Los Angeles and the California-Arizona state line at Needles and Blythe via San Bernardino and Riverside, respectively. American operates between Los Angeles and San Diego, and between Sacramento and the California-Nevada state line. Continental Pacific conducts operations between San Francisco and Stockton and the California-Oregon state line. Applicants serve most intermediate points along their various routes. There are restrictions against local service within certain areas of higher population density along authorized routes.

Applicants' present and proposed fare scales are set forth in the following table.

TABLE 1
Present and Proposed
One-Way Distance Fares

<u>Miles</u>		<u>Rate Per Mile</u>		<u>With No Fare Less Than Fare For:</u>
<u>Over</u>	<u>But Not Over</u>	<u>Present</u>	<u>Proposed</u>	
0	25	\$0.0463	\$0.0518	Minimum fare
25	50	0.0433	0.0484	25 miles
50	100	0.0409	0.0457	50 "
100	150	0.0372	0.0416	100 "
150	200	0.0357	0.0399	150 "
200	250	0.0347	0.0388	200 "
250	300	0.0341	0.0381	250 "
300	400	0.0332	0.0371	300 "
400	-	0.0326	0.0364	400 "
Minimum Fare		\$0.45	\$0.50	

Present Round-trip Fare 180% of One-Way Fare.

Proposed Round-trip Fare 190% of One-Way Fare.

Applicants request authority to depart from the proposed mileage scale of rates set forth above to such extent as may be necessary to permit them to continue to establish rates on a point-to-point basis at the same level as the presently effective rates of Greyhound Lines - West Division of Greyhound Lines, Inc. (Greyhound), as authorized in Decision No. 80545 between points served by both applicants and Greyhound. Such authority was granted applicants in Decisions Nos. 73087, 75154, 77027, and 79567. Applicants further request that in the case of a ticket covering travel over both branchline and mainline routes, the fare will be based upon the full combination of fares. This is the same basis of constructing rates that has heretofore been authorized for applicants and Greyhound.

Applicants propose that any increase in one-way fares resulting in amounts less than 60 cents and not ending in "0" or "5" cents be raised to the next higher "0" or "5" cents. Applicants further propose that any increase in one-way fares resulting in amounts greater than 60 cents shall be rounded to the nearest cent, one-half being considered nearest to the next higher cent.

Applicants intend to continue all of their present rules and regulations in conjunction with the proposed fare structure set forth herein.

Applicants allege that if the sought fare increases are authorized, approximately six months' time will be required to rework all of the point-to-point fares within the State over the lines of applicants. Applicants request that the Commission also authorize them to place the proposed increased fares into effect by means of a conversion table.

The local and joint fares and express rates of applicants historically have been maintained on the same mileage scale as that authorized to Greyhound for its California intrastate operations.^{1/}

The application alleges that wages paid to drivers and other personnel subject to collective bargaining agreements entered into prior to November 8, 1971 have increased since the last fare and express rate adjustments were authorized and that they have experienced increases in costs of materials, supplies, and equipment.

Applicants are competitive with Greyhound at substantially all points they serve. The application states that past experience has demonstrated that an increase in fares to Greyhound without a corresponding increase in the fares of applicants results in

^{1/} Decision No. 77027 dated March 31, 1970 in Application No. 51715, Decision No. 75154 dated December 27, 1968 in Application No. 50672, Decision No. 73087 dated September 19, 1967 in Application No. 49543, Decision No. 71629 dated November 29, 1966 in Application No. 47847, Decision No. 70407 dated March 1, 1966 in Application No. 47847, and Decision No. 65989 dated September 10, 1963 in Application No. 44747.

increased losses to applicants because any increase in the volume of traffic handled by applicants as a result of the disparity in rates does not offset the added costs of performing such additional transportation service. The application alleges that it is therefore necessary for applicants to increase their fares to a parity with those of Greyhound.

There are a number of companies that comprise the nationwide Continental Trailways System. Applicants are the three companies in the system organization that operate in California. They are under common control and management and their consolidated reports of operations have heretofore been considered in matters involving a general increase in passenger fares for all of three companies. Each applicant operates within and outside of California and their individual books and ledgers reflect revenues and expenses of their respective total operations. In the tables that follow, and henceforth in this opinion unless specifically designated otherwise, when the word "System" is used it refers to the total operations conducted by the three applicants; when the word "California" is used it refers to all operations whether interstate or intrastate originating in the State of California; when the word "Intrastate" is used it refers to operations in California intrastate commerce.

The determination of the results of intrastate operations necessarily requires the separation and allocation of revenues and expenses from System to California and then a further separation or allocation from California to Intrastate. In going from System to California applicants were able to separate the California revenues for passenger, charter, and express operations; all other revenues and all expenses were allocated from System to California on the basis of the ratios of either total miles or total passenger miles operated in California to the System. In going from California to Intrastate applicants were able to separate the charter revenues; all other revenues were allocated according to ratios of the amount

of present passenger revenues, amount of present express revenues, or amount of passenger miles operated Intrastate as compared to California; and expenses were allocated on the combined ratios of Intrastate present passengers and present passenger revenues to California. Those ratios were ascertained from studies made by applicants from samples of traffic. The following is a summary of those studies:

TABLE 2
Ratios of Intrastate and
Interstate Passengers, Passenger Revenues,
Passenger Miles, Express Shipments, and
Express Revenues for California Operations

	Percent		
	<u>Intrastate</u>	<u>Interstate</u>	<u>California</u>
Passengers	27.7	72.3	100
Passenger Revenue	20.4	79.6	100
Passenger Miles	20.9	79.1	100
Express Shipments	22.1	77.9	100
Express Revenue	8.7	91.3	100

Table 3 is a summary of the consolidated revenues and expenses of applicants for operations for the twelve months ended August 31, 1972 together with projected results at the proposed rate increases and at current expense levels.

TABLE 3

Continental Trailways, Inc.
American Buslines, Inc.
Continental Pacific Lines

Summary of Combined Revenues and Expenses
From California Intrastate Operations for
The Twelve Months Ended August 31, 1972 and
Projected Results of Operations Under Proposed
Fares and Rates and at Current Expense Levels

<u>Operating Revenues</u>	<u>12 Mo. 8/31/72</u>	<u>Increases</u>	<u>Projected Results</u>
Passenger	\$1,266,950	\$190,205*	\$1,457,155
Special Bus	446,833		446,833
Baggage	555		555
Mail	0		0
Express	87,336	12,170**	99,506
Newspaper	4,616		4,616
Miscellaneous Station	17,898		17,898
Other Miscellaneous	5,079		5,079
Gross Profit on Tours	8,035		8,035
Total	\$1,837,302	\$202,375	\$2,039,677
<u>Operating Expenses</u>			
Equipment Maint.	\$ 324,406	\$ 9,732	\$ 334,138
Transportation	626,321	31,316	657,637
Station	403,153	21,845***	424,998
Traffic & Advertising	115,566	5,778	121,344
Insurance & Safety	62,718	3,136	65,854
Administrative	121,928	6,096	128,024
Depreciation	138,679	5,547	144,226
Operating Taxes & Lic.	162,053	11,344	173,397
Operating Rents	28,352	2,835	31,187
Total	\$1,983,176	\$ 97,629	\$2,080,805
Net Operating Revenue	\$ (145,874)		\$ (41,123)

(Red Figure)

* This figure includes \$15,051 to reflect the increase authorized by Decision No. 79567 for the full twelve months. The amount of increase resulting from the increases in fares proposed herein is \$175,154.

** This figure includes \$1,668 to reflect the increase in express rates authorized by Decision No. 79567 for the full twelve months. The amount of increase resulting from the increases in express rates proposed herein is \$10,502.

*** This figure includes \$836 to reflect the additional station expense which would have resulted if the increases in rates authorized in Decision No. 79567 had been in effect for the full twelve month period.

Applicants presented data showing the effect of the proposed intrastate fare and rate increases (as well as charter rate increases) upon its System results of operation and compared those results with System results for the years 1965 through 1971.

TABLE 4

COMPARATIVE STATEMENT OF
OPERATING REVENUES AND EXPENSES
For the Years 1965 Through 1971,
The Average of the Best Three (3) Years of
the Five (5) Years Prior to 1970
and a Projected Year Based on
Known Increases in Expenses and Anticipated Increase in Revenues

<u>Year</u>	<u>Total Operating Revenues</u>	<u>Total Operating Expenses</u>	<u>Operating Ratio</u>	<u>Pre-Tax Profit Margin</u>
1965	\$21,108,770	\$19,867,720	94.1%	5.9%
1966	26,647,282	24,151,232	90.6%	9.4%
1967	21,516,765	22,518,800	104.7%	(4.7)%
1968	22,029,066	22,114,818	100.4%	(0.4)%
1969	23,773,507	23,799,864	100.1%	(0.1)%
1970	26,871,127	25,640,286	95.4%	4.6%
<u>Best Three (3) Years (1965, 1966, and 1969) of the Five (5) Years Prior to "1970"</u>				
Total of Best (3) Years	\$71,529,559	\$67,818,816	94.8%	5.2%
Average Per Year	\$23,843,186	\$22,606,272	94.8%	5.2%
Year 1971	\$30,101,533	\$28,139,264	93.5%	6.5%
Projected Year: System Constructive Year				
Excluding Proposed Increases	\$31,788,192	\$31,292,023	98.4%	1.6%
Including Proposed Increases In Passen- ger Fares, Express Rates, and Charter Coach Charges	\$31,949,970	\$31,300,112	98.0%	2.0%

Notice of the proposal to increase fares and rates was served by applicants in accordance with Rule 24 of the Commission's Rules of Practice and Procedure. Notice of the filing of the application appeared in the Commission's Daily Calendar of December 11, 1972. The Commission has received no communications other than from applicants concerning this application.

The Commission finds that:

1. Applicants heretofore have been authorized to maintain their local and joint one-way and round-trip fares and express rates on the same level as that authorized to Greyhound Lines, Inc. Present fares and express rates are below the fare levels authorized to Greyhound in Decision No. 80545. Increases in applicants' local and joint fares and express rates to the levels authorized to Greyhound will be reasonable and such fares and express rates will not result in an operating profit for applicants' California intra-state operations.

2. The increases in fares and express rates proposed in the application are justified.

3. Pending amendment of tariffs to reflect the increased fares, the publication of the increased fares by means of a conversion table is justified.

4. In compliance with Rule 23.1 of the Commission's Rules of Practice and Procedure, promulgated pursuant to the Economic Stabilization Act of 1970, as amended, the application contains data demonstrating that:

- (a) The present passenger fares and proposed passenger fares of applicants are as described in this opinion and the present and proposed express rates are as set forth in Appendix A attached hereto. The proposed fares and rates represent an increase of 11.8 percent over the present fares and rates.
- (b) The increases resulting from the proposed fares is expected to provide the three applicants with \$175,154 additional passenger revenues annually and the proposed increase in express rates is expected to provide additional annual express revenues of \$10,502.

- (c) The increases in passenger fares and express rates will not result in an operating profit of applicants' California intrastate operations, and will not provide applicants with a margin of profit from system operations in excess of that earned during the year 1971 or in excess of the average of applicants' three best years from 1965 through 1970, inclusive. The increases are the minimum required to assure continued, adequate, and safe service.
- (d) The increases authorized are cost justified and do not reflect future inflationary trends.
- (e) The increases do not reflect labor costs in excess of those allowed pursuant to Rule 23-1.
- (f) There are no known productivity gains which could offset the increases in expenses.
- (g) Reasonable opportunity for participation by all interested parties was afforded.

We conclude that the application should be granted. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Continental Trailways, Inc., American Buslines, Inc., and Continental Pacific Lines are authorized to establish the increased fares proposed in Application No. 53740, and are authorized to depart from the mileage scale of fares to the extent necessary to establish fares on a point-to-point basis at the level currently authorized to Greyhound Lines, Inc. between points served both by applicants and Greyhound. Tariff publications authorized to be made as a result of this order 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 to the public.

2. Pending the filing of tariffs to reflect the increases authorized in paragraph 1 hereof, applicants are authorized to make effective increases in their passenger fares by means of appropriate conversion tables, provided the increased fares do not exceed the fares authorized in paragraph 1 hereof. Within six months after the

effective date hereof, applicants shall proceed to further amend their tariffs so that the increased fares may be determined without use of conversion tables.

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

4. In addition to the required posting and filing of tariffs, applicants shall give notice to the public by posting in their buses and terminals a printed explanation of their fares. Such notices 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 13th
day of MARCH, 1973.

Vernon L. Sturgeon
President
William Symes J.
[Signature]
[Signature]
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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TABLE OF PRESENT EXPRESS RATES

Where Mileage Is:

POUNDS

Over	Not Over	Not Over 2	Over 2 Not Over 10	Over 10 Not Over 20	Over 20 Not Over 30	Over 30 Not Over 40	Over 40 Not Over 50	Over 50 Not Over 60	Over 60 Not Over 70	Over 70 Not Over 80	Over 80 Not Over 90	Over 90 Not Over 100
0	25	\$1.50	\$1.50	\$1.60	\$1.70	\$1.85	\$1.95	\$2.15	\$ 2.30	\$ 2.40	\$ 2.50	\$ 2.70
25	50	1.50	1.50	1.70	1.85	1.95	2.20	2.35	2.45	2.60	2.80	3.00
50	75	1.50	1.65	1.85	2.05	2.35	2.50	2.80	3.00	3.15	3.50	3.70
75	100	1.50	1.80	2.05	2.35	2.60	2.90	3.15	3.55	3.60	4.10	4.40
100	125	1.50	1.90	2.20	2.45	2.85	3.15	3.50	3.80	4.10	4.45	4.80
125	150	1.60	2.05	2.30	2.60	3.00	3.35	3.70	4.00	4.40	4.70	5.10
150	175	1.65	2.20	2.40	2.80	3.15	3.60	3.95	4.40	4.70	5.15	5.55
175	200	1.70	2.35	2.45	2.90	3.20	3.70	4.10	4.45	4.85	5.25	5.60
200	250	1.80	2.40	2.60	3.05	3.40	3.80	4.20	4.60	5.00	5.35	5.75
250	300	1.90	2.45	2.80	3.10	3.55	3.85	4.30	4.65	5.10	5.50	5.90
300	400	2.15	2.50	2.90	3.20	3.75	4.20	4.60	5.10	5.50	6.00	6.35
400	500	2.40	2.60	3.05	3.55	4.00	4.60	5.10	5.55	6.10	6.55	7.05
500	600	2.70	2.70	3.15	3.80	4.45	5.10	5.65	6.25	6.90	7.55	8.15
600	700	2.85	2.85	3.40	4.10	4.85	5.55	6.25	7.00	7.70	8.50	9.20
700	800	2.90	2.90	3.55	4.40	5.15	6.10	6.90	7.70	8.60	9.45	10.25
800	900	3.00	3.00	3.75	4.65	5.60	6.65	7.55	8.50	9.45	10.40	11.25
900	1000	3.05	3.05	3.85	4.90	6.00	7.00	8.10	9.15	10.20	11.20	12.30
1000	1100	3.10	3.10	4.00	5.15	6.25	7.45	8.50	9.60	10.80	11.85	13.00
1100	1150	3.20	3.20	4.25	5.45	6.65	7.80	8.95	10.20	11.40	12.55	13.75

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APPENDIX A
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TABLE OF PROPOSED EXPRESS RATES

Where Mileage Is:

POUNDS

Over	Not Over	Not Over 2	Over 2 Not Over 10	Over 10 Not Over 20	Over 20 Not Over 30	Over 30 Not Over 40	Over 40 Not Over 50	Over 50 Not Over 60	Over 60 Not Over 70	Over 70 Not Over 80	Over 80 Not Over 90	Over 90 Not Over 100
0	25	\$1.70	\$1.70	\$1.80	\$1.95	\$2.10	\$2.20	\$ 2.45	\$ 2.60	\$ 2.70	\$ 2.80	\$ 3.05
25	50	1.70	1.70	1.95	2.10	2.20	2.50	2.65	2.75	2.95	3.15	3.40
50	75	1.70	1.85	2.10	2.30	2.65	2.80	3.15	3.40	3.55	3.95	4.15
75	100	1.70	2.05	2.30	2.65	2.95	3.25	3.55	4.00	4.05	4.60	4.95
100	125	1.70	2.15	2.50	2.75	3.20	3.55	3.95	4.25	4.60	5.00	5.40
125	150	1.80	2.30	2.60	2.95	3.40	3.75	4.15	4.50	4.95	5.30	5.75
150	175	1.85	2.50	2.70	3.15	3.55	4.05	4.45	4.95	5.30	5.80	6.25
175	200	1.95	2.65	2.75	3.25	3.60	4.15	4.60	5.00	5.45	5.90	6.30
200	250	2.05	2.70	2.95	3.45	3.85	4.25	4.70	5.15	5.60	6.00	6.45
250	300	2.15	2.75	3.15	3.50	4.00	4.35	4.85	5.20	5.75	6.15	6.60
300	400	2.45	2.80	3.25	3.60	4.20	4.70	5.15	5.75	6.15	6.75	7.10
400	500	2.70	2.95	3.45	4.00	4.50	5.15	5.75	6.25	6.85	7.35	7.90
500	600	3.05	3.05	3.55	4.25	5.00	5.75	6.35	7.00	7.75	8.45	9.15
600	700	3.20	3.20	3.85	4.60	5.45	6.25	7.00	7.85	8.65	9.55	10.30
700	800	3.25	3.25	4.00	4.95	5.80	6.85	7.75	8.65	9.65	10.60	11.50
800	900	3.40	3.40	4.20	5.20	6.30	7.45	8.45	9.55	10.60	11.65	12.60
900	1000	3.45	3.45	4.35	5.50	6.75	7.85	9.10	10.25	11.45	12.55	13.80
1000	1100	3.50	3.50	4.50	5.80	7.00	8.35	9.55	10.75	12.10	13.25	14.55
1100	1150	3.60	3.60	4.80	6.10	7.45	8.75	10.05	11.45	12.75	14.05	15.40

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APPENDIX A
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PRESENT AND PROPOSED EXPRESS
RATES ON DAILY SHIPMENTS

<u>Where Mileage is:</u>		<u>PRESENT</u>	<u>PROPOSED</u>
<u>Over</u>	<u>Not Over</u>	<u>Rates Per</u> <u>Calendar Month</u>	<u>Rates Per</u> <u>Calendar Month</u>
0	50	\$12.80	\$20.40
50	100	14.40	22.95
100	125	16.00	25.50
125	150	16.80	27.00
150	175	17.60	27.75
175	200	18.40	29.25
200	250	19.20	30.75
250	300	20.80	32.25
300	400	23.20	36.75
400	500	26.35	40.50