

ORIGINAL

Decision No. 81647

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 state-wide
 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, INC., 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. 53787
 (Filed January 15, 1973)

W. L. McCracken, Attorney at Law,
 for Greyhound Lines - West, Division
 of Greyhound Lines, Inc., applicant.
Verne H. Pynn, Attorney at Law, for
 City of Concord, and William H. Peaks,
 for himself, protestants.
Walter H. Kessenick, Attorney at Law,
 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, through its Greyhound Lines - West Division, transports passengers, baggage, and express in twenty-six western states. In California it performs mainline intercity passenger and express service generally statewide. Greyhound also provides extensive local commute and suburban passenger service in the San Francisco Bay Area, and between

Long Beach and Santa Monica.^{1/} In addition to the above passenger stage operations, Greyhound conducts charter operations throughout the state.

By this application authority is sought for a 6 percent increase in Greyhound's California intrastate passenger fares and express rates. The purpose of the sought increase is to obtain additional revenues to offset increases in labor costs and related expenses incurred by Greyhound since its passenger fares and express rates were last generally adjusted on October 7, 1972 pursuant to Decision No. 80545 dated September 26, 1972 in Application No. 52591.

Public hearings on this matter were held before Examiner Gagnon on April 4 and 5, 1973 in San Francisco, and the application was submitted on the latter date. The Director of Traffic and Assistant Comptroller for Greyhound Lines - West Division presented evidence in support of the sought relief. A letter addressed to the Commission from the Mayor of Concord expressing opposition to Greyhound's proposed fare increase was read into the record by Concord's Assistant City Attorney. The City Manager for Pacifica requested that his informal letter to the Commission noting the City Council's objection to the proposed fare increase be formally acknowledged. A commuter on Greyhound's San Francisco-Pacifica

^{1/} The commute and suburban service areas are more specifically described as:

1. Peninsula (Ocean): San Francisco-Half Moon Bay.
2. Peninsula (Ocean-Skyline): San Francisco-San Bruno Ave.
3. Peninsula (Bay): San Francisco-San Jose.
4. East Bay (Vallejo): San Francisco-Vallejo.
5. Contra Costa: San Francisco/Oakland-Walnut Creek, Concord, Martinez, Pittsburg, Antioch.
6. Long Beach-Santa Monica.
7. Sacramento-Davis/Woodland.

route entered an appearance in opposition to the sought fare increase due to the use of a certain class of 1953 buses on Greyhound's Pacifica commute operation. During the course of the proceeding, Greyhound's Director of Traffic advised that the 1953 buses in question had now been replaced with newer and more comfortable equipment. The Commission's Transportation Division staff presented a report on Greyhound's California intrastate revenue requirements. The staff concluded that the requested fare and rate increases are reasonable.

Historical Data

By Decision No. 78939 dated July 27, 1971 in Application No. 52591, Greyhound was authorized an interim increase of 6-1/2 percent in passenger fares and express rates.^{2/} In Decision No. 80545 Greyhound was granted a further increase of 11.8 percent in fares and rates. This latter increase was 19.07 percent over the fares and express rates in effect prior to the 6-1/2 percent interim increase granted by Decision No. 78939. Greyhound's adjusted results of operations for the 1972 test year, as determined in Decision No. 80545, are restated in Table 1:

^{2/} Application of the 6-1/2 percent increase was suspended by Decision No. 79036 dated August 17, 1971 due to a freeze on price increases imposed by Executive Order of the President. The suspension of the interim increase was subsequently lifted by Decision No. 79368 dated November 22, 1971.

TABLE 1

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

Adjusted
Statement of Operations for the Twelve
Months Ended December 31, 1972
At Present Fares

(+000)

	<u>Greyhound Lines-West</u>	<u>California Total</u>	<u>Total Cal. Intrastate</u>	<u>California Mainline</u>	<u>Intrastate Local</u>
<u>Operating Revenues</u>					
Passenger and					
Charter	\$160,208	\$ 64,772	\$ 42,256	\$ 34,278	\$ 7,978
Express	29,846	7,584	4,615	4,615	-
Other	4,101	1,923	1,380	1,103	277
	<u>\$194,155</u>	<u>\$ 74,279</u>	<u>\$ 48,251</u>	<u>\$ 39,996</u>	<u>\$ 8,255</u>
<u>Operating Expenses</u>					
Equip., Maint., &					
Garage	\$ 21,191	\$ 8,532	\$ 5,972	\$ 4,324	\$ 1,648
Transportation	66,426	27,917	19,677	14,172	5,505
Station	32,399	13,294	8,981	7,665	1,316
Traf. & Adv.	5,155	2,170	1,372	1,168	204
Ins. & Safety	4,091	1,416	902	757	145
Admin. & General	21,201	8,836	6,174	4,692	1,482
Depreciation	7,735	3,019	2,000	1,769	231
Oper. Taxes &					
Licenses	13,786	6,048	3,973	3,406	567
Oper. Rents (Net)	(37)	(123)	(121)	(97)	(24)
	<u>\$171,947</u>	<u>\$ 71,109</u>	<u>\$ 48,930</u>	<u>\$ 37,856</u>	<u>\$ 11,074</u>
Operating Income	\$ 22,208	\$ 3,170	\$ (679)	\$ 2,140	\$ (2,819)
Federal & State					
Income Taxes	\$ 8,728	\$ 1,319	\$ (284)	\$ 891	\$ (1,175)
Net Income After					
Income Taxes	\$ 13,480	\$ 1,851	\$ (395)	\$ 1,249	\$ (1,644)
Rate Base	\$ 98,684	\$ 40,188	\$ 28,243	\$ 24,284	\$ 3,959
Operating Ratio					
After Taxes	93.1%	97.5%	100.8%	96.9%	119.9%
Rate of Return	13.7%	4.6%	-	5.1%	-

() = Negative Amount

From Table 1 it will be noted that for the 1972 test year it was estimated Greyhound's California intrastate operations would experience an operating ratio (after taxes) of 100.8 percent.^{3/} From such level of earnings the conclusion was reached in Decision No. 80545 that Greyhound was in need of additional revenues. In Finding 3 of the decision a rate of return of 7 percent was found to be reasonable.^{4/} The net operating revenues required to produce an estimated 7 percent rate of return for Greyhound's 1972 California intrastate operations were determined to be:

3/ Exhibit 2 (Appendix A-4) indicates Greyhound Lines - West's operations for the year ended December 31, 1972 experienced an operating ratio (after taxes) of 94.0 percent which compares favorably with the adjusted results (93.1 percent) set forth in Table 1 hereof.

4/ Re Greyhound (1969) 69 CPUC 761, 769 Commission found (Finding 5) "A rate of return of 7 percent and an operating ratio of approximately 96.0 percent (after taxes) will not be unreasonable for Greyhound's total California intrastate operations...." This finding was affirmed in Re Greyhound (1969) 70 CPUC 429.

TABLE 2

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

California Intrastate Adjusted Operating
Revenues and Expenses for Year Ended
December 31, 1972 Modified to Reflect
A Rate of Return of 7 Percent
(+000)

<u>California Intrastate Gross Revenues</u>	<u>Table 1</u>	<u>Adjusted</u>
Intercity Passenger	\$31,337	\$35,035
Express	4,615	5,160
Transit	7,978	8,919
Other	1,380	1,380
Charter	2,941	2,941
Total	\$48,251	\$53,435
<u>Additional Expenses</u>		
Commissions Paid	-	\$ 239
Regulatory Taxes	-	64
Total		\$ 303
Total Operating Expenses	\$48,930	\$49,233
Income Taxes	\$ (284)	\$ 2,235
Net Income	\$ (395)	\$ 1,967
Rate Base	\$28,243	\$28,243
Rate of Return	-	7.0%
Operating Ratio	100.8%	96.3%

() - Negative Amount

The difference in gross revenues between the Table 1 column and the Adjusted column in Table 2 is 11.8 percent. This 11.8 percent increase was required to provide a rate of return of 7 percent on Greyhound's total California operations for the 1972 test year. The operating results for Greyhound's California intrastate operations for the 1972 test year

were developed in accordance with established separation and allocation procedures.^{5/}

Projected Results of Operations

Since the existing level of Greyhound's passenger fares and express rates became effective on October 7, 1972, it has experienced further substantive increases in labor costs and related expenses. Greyhound drivers and station and office employees are employed under two three-year labor agreements which became effective March 1, 1972. Each contract provides for periodic wage increases and contains provisions for cost-of-living adjustments. A wage increase of approximately 3.3 percent plus a cost-of-living adjustment became effective March 1, 1973. In addition, related payroll expenses for pension, health and welfare, Social Security, and supervisorial costs have increased since Greyhound's fares and rates were last adjusted.

In Exhibit 2 (Appendix A-5) Greyhound's Assistant Comptroller developed the amount of increase in labor costs and related expenses incurred by applicant as of March 1, 1973. He also demonstrated the amount of additional revenues required to offset the increase in expenditures for a projected rate year ending February 28, 1974. Increases in expenses and revenues were computed on the basis of the amounts determined in Decision No. 80545 for Greyhound's total California intrastate operations (Table 2 hereof) for the test year ended December 31, 1972. In addition, the witness computed the corresponding results for Greyhound's mainline and local service. Table 3 presents a summation of the comptroller's computations:

^{5/} Decision No. 78354 dated February 22, 1971 in Case No. 9168 adopted the separations and allocations procedures set forth in Exhibit 1-A in Case No. 9168 as a basis for the development of California intrastate revenues, expenses, investment, and taxes in studies presented to support revisions of the fares of Greyhound Lines, Inc. (West Division) and California Parlor Car Tours, Inc. (subsidiaries of The Greyhound Corporation) until further order of the Commission. Exhibit 1-A (the so-called "separations manual") serves as a basis for the development of studies by applicant and the staff.

TABLE 3

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

Summary of Earnings on a Depreciated Rate Base
For California Intrastate Operations
(+000)

	California Intrastate		
	Total	Mainline	Local
<u>Section A</u>			
Per Dec. 80545			
Operating Revenues	\$53,435	\$44,239	\$ 9,196
Operating Expenses	49,233	38,121	11,112
Operating Income	4,202	6,118	(1,916)
Income Taxes	2,235	2,943	(708)
Net Income	1,967	3,175	(1,208)
Rate Base	28,243	24,284	3,959
Operating Ratio After Taxes	96.3%	92.8%	113.1%
Rate of Return	7.0%	13.1%	-
<u>Section B</u>			
Adjust to Wage Rates as of 3/1/72			
Operating Revenues (Section A above)	\$53,435	\$44,239	\$ 9,196
Operating Expenses (Section A above)	49,233	38,121	11,112
Adjustments to Wages, Pension, and Welfare	69	18	51
	\$49,302	\$38,139	\$11,163
Operating Income	4,133	6,100	(1,967)
Income Taxes	2,199	2,934	(735)
Net Income	1,934	3,166	(1,232)
Operating Ratio After Taxes	96.4%	92.8%	113.4%
Rate of Return	6.8%	13.0%	-
<u>Section C</u>			
Giving Effect to Proposed Increase in Rates and Additional Revenues and Expenses			
Operating Revenues (Section B above)	\$53,435	\$44,239	\$ 9,196
Increase in Charter Rev.	170	170	-
Increase from Proposed Rates	2,547	2,108	439
	\$56,152	\$46,517	\$ 9,635
Operating Expenses (Section B above)	\$49,302	\$38,139	\$11,163
Increases in Wages, Pension, Welfare, Social Security, and Charter Expense	2,585	1,899	686
Increase in Commission Paid	119	102	17
Increase in Gross Receipts Tax	32	32	-
	\$52,038	\$40,172	\$11,866
Operating Income	4,114	6,345	(2,231)
Income Taxes	2,189	3,060	(871)
Net Income	\$ 1,925	\$ 3,285	\$(1,360)
Operating Ratio After Taxes	96.6%	92.9%	114.1%
Rate of Return	6.8%	13.5%	-

Section A of Table 3 summarizes the net operating results determined in Decision No. 80545 to be required to produce a 7 percent rate of return for Greyhound's California intrastate operations for the 1972 test year. Section B of the Comptroller's tabulation indicates the adjustments to wages, pension, and social welfare expenditures required to reflect actual rates in lieu of the overall labor increase factor of 5-1/2 percent employed in Decision No. 80545.^{6/} This latter adjustment lowered the prior authorized 7 percent rate of return to 6.8 percent for the 1972 test year.

Section C of Table 3 indicates that the sought 6 percent increase in Greyhound's California intrastate passenger fares and express rates will produce \$2,547,000 in additional revenues over that authorized in Decision No. 80545. To this sought increase in regulated passenger and express revenues, \$170,000 in additional charter revenue is added pursuant to an increase in charter rates on January 1, 1973. This latter adjustment was designed to produce a 5.77 percent increase in Greyhound's California intrastate charter revenues. Corresponding increases in Greyhound's California intrastate operating expenses are estimated to be \$2,736,000. This increase in expenses is shown in Appendix A-5 and A-7 of Exhibit 2 to be generated from the following sources:

^{6/} The Comptroller for Greyhound explained that the final wage agreement provided for increases in wage rates less than 5-1/2 percent but established pension, health, and welfare provisions not previously considered in Decision No. 80545.

TABLE 4
California Intrastate Operations
 (+000)

<u>Expenses</u>	<u>Total</u>	<u>Mainline</u>	<u>Local</u>
Shop Wages	\$ 191	\$ 135	\$ 56
Supervision Salaries	100	65	35
Drivers' Wages	997	672	325
Station Salaries	408	351	57
Traffic Salaries	29	24	5
Insurance Salaries	7	5	2
Office Salaries	84	65	19
Pension, Health and Welfare	470	349	121
Social Security Taxes	283	217	66
Commission on Charters	13	13	-
Gross Receipts Tax on Charters	3	3	-
Sub-total	\$2,585	\$1,899	\$ 686
Commission on Fares	119	102	17
Gross Receipts Tax	32	32	-
Total	<u>\$2,736</u>	<u>\$2,033</u>	<u>\$ 703</u>

The increase in supervisory salaries is not the direct result of any outstanding labor agreement but rather applicant's express desire to maintain existing salary differentials between various employee classifications. The increase in commissions paid is not labor cost oriented but, on the contrary, reflects a percentage of the proposed and actual increase in fares and rates. Although the projected expenses exceed the sought increase in revenues by approximately \$19,000, the estimated results of operations reflect (after taxes) an operating ratio of 96.6 percent and a 6.8 percent rate of return.

The Commission's Transportation Division staff report on its study of Greyhound's California intrastate revenue requirements to offset labor cost increases was received as Exhibit 4. The staff's estimated results of operations under the sought relief are with but minor differences, the same as applicant's presentation. The conclusions and recommendations reached by the staff are:

1. The requested fare and rate increases are reasonable.

2. All increases in fares or rates should be computed on the following basis:

- (a) Commute fares to be rounded to the nearest 5 cents.
- (b) Mainline fares to be rounded to the nearest 1 cent.
- (c) Express rates to be rounded to the nearest 5 cents.
- (d) Minimum fares to be raised to 55 cents.

Charter Service

In Greyhound Lines, Inc. (1969) 70 CPUC 429, the Commission stated:

"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 8.75 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.... 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 intrastate 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...adopted in Decision No. 75939."

In reflecting a similar effort by the staff in Decision No. 80545, the Commission concluded, for purposes of that particular decision, that charter operations should be included in Greyhound's total California intrastate operations.

In this proceeding the staff did not pursue its historical position relative to the treatment of applicant's charter revenues when making a determination of Greyhound's California intrastate revenue requirements for a projected rate year. The staff and applicant have both included Greyhound's charter operations in its total California intrastate results of operations for the computation of the carrier's projected revenue needs. Such action is consistent with the procedures adopted in the previous decisions referred to herein. The Commission's action in Greyhound Lines, Inc. (1969) 70 CPUC 429 and related Decisions Nos. 75939 and 80545 is premised, of course, upon the understanding that Greyhound's unregulated charter rates yield revenues at least sufficient to cover the out-of-pocket costs of performing the charter service. Failing such test the charter rates become vulnerable to an allegation of unreasonableness and/or undue discrimination to the extent they may have had any influence upon the level of Greyhound's regulated passenger fares and express rates.^{7/}

Greyhound's California intrastate charter rates were increased on January 1, 1973 in a manner estimated to produce an effective increase in charter revenues of 5.77 percent. In Table 3 (Section C) it will be observed that the increase in charter revenues is shown to be \$170,000. To what extent, if at all, such increase represents an offset for like increases in charter expenditures involved in Decision No. 80545 or the labor cost increase incurred generally as of March 1, 1973, now under consideration in this proceeding, is not known. It is the testimony of Greyhound's Director of Traffic (RT 34) that the carrier's charter service fully covers out-of-pocket costs and contributes to overhead. In the circumstances, and in view of the Commission's prior consideration of applicant's California intrastate charter revenues, it will be expected that in like future revenue proceedings Greyhound will

^{7/} Article XII, Section 21 of the Constitution.

supplement its oral testimony relative to the sufficiency of its California intrastate charter rate scales with documentary evidence.

Increases in Commission Expenses

Certain of Greyhound's station agents receive compensation based on a percentage of the revenues received from their sale of Greyhound transportation. This means that each time Greyhound is authorized to increase its passenger fares or rates to provide additional revenues to offset like increases in cost-based expenditures, a percentage of the revenue increase is automatically siphoned off in advance in the form of revenue-oriented commissions. Such dilution of revenues occurs in spite of the fact that the agent's cost of sales may have been reduced, remained unchanged, or increased at a lesser rate than other expenses which are cost based.

Greyhound has computed its labor cost offset revenue requirements to include in the projected operating expenses for the test year provisions for the contemplated increases in commissions. For example, it will be noted in Table 3 applicant has included \$119,000 for estimated increases in commissions to be paid in the event the sought increase is authorized. It will also be noted that the total labor cost increase of \$2,585,000 includes \$13,000 in increased commissions which are paid at the rate of 7.5566 percent on the known increases in charter revenues (RT 65).

While the Commission has previously allowed increases in commissions, resulting from sought or known increases in fares or rates, to be considered as an item of expense in the determination of Greyhound's California intrastate revenue requirements, it is highly questionable that such a basis for fixing fares or rates over a protracted period of time is, in fact, defensible. In any event, because of Rule 23.1 of the Rules of Practice and Procedure of the Commission, this Commission can no longer certify that such contemplated or known expenditure, in the form presented, is cost-justified and does not reflect future inflationary trends.

The following table shows the adjusted net operating revenues required to yield an estimated rate of return of approximately 7 percent for Greyhound's California intrastate operations for the projected 1972 rate year when allowances for increases in commissions are excluded.

TABLE 5

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

California Intrastate Adjusted Operating
Revenues and Expenses for 1972 Rate Year
Adjusted to Reflect a Rate of Return of
Approximately 7 Percent When Provisions
For Increases in Commission Expenses are Excluded
(+000)

California Adjusted
Gross Revenues-Expenses
Per Decision No. 80545

	Table 3	Adjusted
Intercity Passenger	\$35,035	\$36,787
Express	5,160	5,418
Transit	8,919	9,365
Other	1,380	1,380
Charter	<u>2,941</u>	<u>2,941</u>
Sub-total	\$53,435	\$55,891
Increase in Charter Revenues (1/1/73)	170	170
Increase from Proposed Fares/Rates	<u>2,547</u>	<u>-</u>
Total	<u>\$56,152</u>	<u>\$56,061</u>
<u>Total Operating Expenses</u>		
Decision No. 80545 - Adjusted	\$49,302	\$49,302
Adjustments - 3/1/73	2,736	2,736
Less: Increase in Commissions		
Charter Rates	-	(13)
Regulated Fares and Rates	<u>-</u>	<u>(119)</u>
Total Adjusted Expenses	<u>\$52,038</u>	<u>\$51,906</u>
Operating Income	\$ 4,114	\$ 4,155
Income Taxes	2,189	2,210
Net Income	<u>\$ 1,925</u>	<u>\$ 1,945</u>
Rate Base - Dec. 80545	\$28,243	\$28,243
Operating Ratio After Taxes	96.6%	96.5%
Rate of Return	6.8%	6.9%

() = Negative Amount

Table 5 indicates that when no provision is made for an increase in commissions a 5 percent increase in passenger fares and express rates will provide a 6.9 percent rate of return on Greyhound's total California intrastate operations for the 1972 test year.

Interline Express Rates

The Las Vegas-Tonopah-Reno Stage Line, Inc., Orange Belt Stages, Inc., Peerless Stages, Inc., San Pedro Transit Lines, and Vaca Valley Bus Lines join with Greyhound in seeking increases in express rates applicable to interline shipments which move, in part, over routes of Greyhound and, in part, over routes of one or more of the aforementioned passenger stage corporations. The same level of express rates is sought for interline shipments as for local express service.

The application states that it is anticipated that the sought rate increase will have only a small effect on the revenues of the carriers. The precise amount of additional revenue which will accrue to applicants from the increase in interline express rates can only be determined by special and detailed studies. Based upon preliminary information, however, applicants believe such total increase in gross revenue will not exceed \$3,730 annually.

In view of the minimal nature of the increased revenues to be derived by all applicants from an increase in interline express rates, applicants other than Greyhound request that, pursuant to Rule 87 of its Rules of Practice and Procedure, the Commission waive the informational requirements of Rules 23 and 23.1 to the extent such information is not included herein. This same request was previously granted in Decision No. 80545 under like circumstances and similar action is indicated in this proceeding.

Disposition of Fractions

It is proposed that the computation of the sought increase in passenger fares and express rates be made subject to the following provisions for the disposition of fractions:

1. Passenger Fares - Mainline

- (a) 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 \$1.15 and not ending in 0 or 5 cents may be further increased to the next higher 0 or 5 cents.
- (b) Any increase in one-way fares resulting in amounts greater than 60 cents and any increased round-trip fares resulting in amounts greater than \$1.15 shall be adjusted to the nearest cent, one-half cent being considered nearest to the next higher cent.

2. Passenger Fares - Commute and Transit Fares

Any increased 20-ride and one-way single ride fares not ending in 0 or 5 cents may be further increased to the next 0 or 5 cents.

3. Express Rates

Any increased rate not ending in 0 or 5 cents would be further increased to the next higher 0 or 5 cents.

It is a well-established rule of rate making that whenever the construction or adjustment of a rate structure requires the rounding-off of fractional portions of rates the resulting increases and reductions from such dispositions of fractions should, to the extent possible, be largely offsetting. In no event should a method for the disposition of fractions be deliberately employed so as to effectuate an increase in rates higher than that for which authority is sought.

The accounting witness for Greyhound explained (RT 46-47) that the disposition of fractions rule employed by applicant for reflecting increases in its passenger fares and express rates results in an effective increase 1 to 1-1/2 percent higher than the increase actually authorized. For example, the 6 percent increase sought in this proceeding is anticipated to produce, under Greyhound's current method for reflecting such increase in its passenger fares and rate scales, an effective increase of approximately 7 to 7-1/2 percent. The accounting witness estimates such effective rate increase will produce additional express revenues of \$45,000 and approximately \$65,000 in additional revenues from applicant's commute operations. This indirect source of revenue is not reflected in the revenue projections (Table 3) upon which the sought increase in Greyhound's California intrastate revenue requirements is predicated.

Greyhound's current practice of uniformly disposing of fractions to the next highest amount ending in 0 or 5 cents should be modified in a manner similar to that recommended by the Commission staff. For example, wherever Greyhound now proposes that all increases in fares and rates be rounded off to the next highest amount ending in 0 or 5 cents, such computations should be revised so that the resulting increased fare or rate would be rounded off to the nearest amount ending in 0 or 5 cents with 2.51 cents being considered nearest to the next higher 0 or 5 cents, as the case may be. This modification in Greyhound's current practice for computing increased fares will eliminate to a large extent, if not completely, the \$110,000 in additional California intrastate revenues not specifically requested or otherwise justified.

Minimum Passenger Fares

It is proposed that Greyhound's California intrastate minimum mainline passenger fare be increased from 50 cents to 55 cents. It is also requested that Greyhound's California intrastate current published minimum fare of 55 cents for commute and local operations be increased to 60 cents.

In the proceeding involving Decision No. 80545 Greyhound requested authority to increase its minimum commute and local one-way fare from 45 cents to 50 cents. However, in granting the requested increase the minimum fare was erroneously printed in Appendix B of the decision as 55 cents which, in turn, was published by Greyhound in its tariff schedules. Greyhound now seeks to further increase the erroneous 55-cent minimum fare to 60 cents.

The minimum fare for Greyhound's commute and local operations should be no higher than its mainline minimum passenger fare which is proposed to be increased from 50 cents to 55 cents. In the circumstance no increase in the minimum commute and local fare of 55 cents should be authorized.

Findings

1. Greyhound Lines, Inc. (Greyhound Lines - West Division) was authorized an interim increase in passenger fares and express rates of 6-1/2 percent by Decision No. 78939 dated July 27, 1971, plus a further increase of 11.8 percent (total 19.07%) by Decision No. 80545 dated September 26, 1972.

2. A rate of return of 7 percent and an operating ratio of 96.0 percent (after taxes) were found to be not unreasonable for Greyhound's total California intrastate operations in Greyhound Lines, Inc. (1969) 69 CPUC 761, 769. This finding was affirmed in Greyhound Lines, Inc. (1969) 70 CPUC 429 and in applicant's last revenue proceeding involving Decision No. 80545.

3. Since Greyhound's California intrastate passenger fares and express rates were last generally adjusted, effective October 27, 1972 by Decision No. 80545, it has experienced further substantive increases in labor costs and related expenditures as of March 1, 1973. This increase in applicant's operating expenses is not reflected in the current level of Greyhound's California intrastate passenger fares and express rates.

4. Greyhound seeks authority to increase passenger fares and express rates by 6 percent in order to provide additional annual gross revenues from its California intrastate operations sufficient to offset the March 1, 1973 increases in labor costs and related expenditures.

5. Applicant and the Commission staff presented estimated results of Greyhound's California intrastate operations under the relief sought based upon the adjusted results of operations determined in Decision No. 80545 for a test year ending December 31, 1972. The data introduced by applicant and the Commission staff are substantially the same.

6. The adjusted results of operations for the 1972 test year summarized in Table 1 were found in Decision No. 80545 to reasonably represent the results of Greyhound's California intrastate operations for the 1972 test year. Table 2 of this opinion sets forth the increases in revenues found justified and reasonable in Decision No. 80545 to produce an estimated rate of return of 7 percent on a depreciated rate base for Greyhound's California intrastate operations during the 1972 test year.

7. Greyhound has demonstrated (Exhibit 3) that its projected California intrastate adjusted earnings found just and reasonable in Decision No. 80545 will materially deteriorate without the benefit of additional revenues to offset the March 1, 1973 increases in labor costs and related expenditures. It is estimated that Greyhound's California intrastate operations will experience an operating ratio (after taxes) of 98.6 percent and a rate of return of 2.7 percent on a depreciated rate base for the 1972 test year.

8. Table 3 sets forth a summary of Greyhound's estimated additional revenue requirements considered necessary to produce an operating ratio (after taxes) of 96.6 percent and a 6.8 percent rate of return on a depreciated rate base for its California intrastate operations in the 1972 test year found justified in Decision No. 80545.

9. Greyhound estimates its California intrastate annual revenues will increase by \$2,547,000 from the sought relief, plus \$170,000 additional annual charter revenues from unregulated charter rates. The projected total increase of \$2,717,000 will offset all but \$19,000 of Greyhound's calculated increase of \$2,736,000 in labor costs and related expenditures for the 1972 test year.

10. The Commission has previously held that a determination of a reasonable operating ratio and rate of return for Greyhound's total California intrastate operations should reflect the results of its charter service. This finding is predicated upon the understanding that the unregulated charter rates generate revenues sufficient to at least cover the carrier's out-of-pocket costs for providing charter service.

11. No factual evidence was presented to support Greyhound's contention that the results of its California intrastate charter service fully cover the out-of-pocket costs of providing the service. This factual omission, while not fatal to the instant relief sought, should be corrected in any like future proceeding.

12. Greyhound's estimated results of its total California intrastate operations under the sought relief, as set forth in Table 3, reflect additional revenue sufficient to offset \$132,000 in anticipated increases in commissions. An increase in passenger fares or charter rates results in an increase in Greyhound's operating expenses for commissions. Such increase in expenses is revenue oriented and not cost based.

13. In Table 5 the contemplated increases in commission expenses have been excluded from the computation of the revenue increases

required to produce a reasonable rate of return for Greyhound's total California intrastate operations in the 1972 test year. A 5 percent increase in passenger fares and express rates as indicated in Table 5 will provide a 6.9 percent rate of return and is justified. An increase of 5 percent in the interline express rates of all applicants in this proceeding is also justified.

14. In view of the minimal nature of the increased interline revenues to be derived by all applicants, the requested waiver of the informational requirements of Rules 23 and 23.1 of the Commission's Rules of Practice and Procedure by all applicants other than Greyhound is reasonable and should be granted.

15. Greyhound's present rule for the disposition of fractions when reflecting authorized percentage increases in certain of its passenger fares and express rates is to consistently round off the resulting increased fares or rates to the next highest amount ending in 0 or 5 cents. Such procedure results in effective increases 1 to 1-1/2 percent higher than originally sought or otherwise found justified. In this proceeding it was demonstrated that Greyhound expects to experience an effective increase above the sought 6 percent adjustment sufficient to provide \$110,000 in additional California intrastate revenues not specifically requested or otherwise justified.

16. Greyhound should be directed to establish a disposition of fractions rule for reflecting authorized percentage increases in fares and rates that results in fractional increases and reductions which are largely offsetting so that any differential that may occur between the authorized increase and the actual effective increase is, for all practical purposes, insignificant.

17 Greyhound's proposal to increase its California intrastate minimum commute and local fare from 55 cents to 60 cents has not been shown to be justified and should not be authorized.

18. In compliance with Rule 23.1 of the Commission's Rules of Practice and Procedure, the evidence in this proceeding demonstrates that:

- (a) An increase of 5 percent in the California intrastate passenger fares and express rates of Greyhound Lines, Inc. (Greyhound Lines - West Division) was found justified in this proceeding.
- (b) The authorized increase in passenger fares and express rates is expected to increase Greyhound's California intrastate annual gross revenues by approximately \$2,456,000.
- (c) The increase granted by the order herein will afford Greyhound an opportunity to experience a 6.9 percent rate of return from its California intrastate operations, which approximates the rate of return previously found not unreasonable in prior orders of this Commission.
- (d) The increase authorized is cost justified and does not reflect inflationary trends.
- (e) The increase authorized does not reflect labor cost increases in excess of those allowed by policies of the Federal Cost of Living Council.

- (f) There are no known or expected productivity gains which would offset, in whole or in part, the labor cost offset increase in passenger fares and express rates.
- (g) The increase authorized is the minimum required to assure continued adequate and safe service.
- (h) Reasonable opportunity for participation by all interested parties was afforded.
- (i) No other carrier appeared at the hearings in this matter to present evidence expressing a willingness and capacity to provide service at the existing levels of Greyhound's California intrastate passenger fares and express rates.

Conclusions

1. The increase in California intrastate passenger fares and express rates sought in Application No. 53787 should be granted to the extent such increase does not exceed 5 percent.

2. Applicants should be authorized to publish the resulting increased passenger fares and express rates on five days' notice to the Commission and the public.

3. The requested waiver of Rules 23 and 23.1 of the Commission's Rules of Practice and Procedure by all applicants other than Greyhound relative to the increase authorized in interline express rates should be granted.

4. Pending the reissuance of passenger tariffs containing fares on a point-to-point basis, Greyhound should be authorized to place in effect the increases authorized herein by use of a conversion table as requested. This tariff relief should expire six months after the effective date of the order herein.

5. Authority to depart from the long- and short-haul provisions of Section 460 of the Public Utilities Code to establish the increased fares and express rates should be granted.

6. To the extent not authorized herein, Application No. 53787 should be denied.

O R D E R

IT IS ORDERED that:

1. Greyhound Lines, Inc. (Greyhound Lines - West Division) is hereby authorized to establish the increased California intrastate passenger fares and express rates proposed in Application No. 53787 to the extent such increase in fares and rates does not exceed 5 percent, except that the minimum fare for local commute service shall remain unchanged. When computing the increased fares and rates authorized herein, that part of the current tariff rule of Greyhound Lines, Inc. providing for the disposition of fractions by rounding off such fares and rates to the next higher amount ending in 0 or 5 cents shall be revised so as to provide:

Any increased fare and rate not ending in 0 or 5 cents shall be adjusted to the nearest amount ending in 0 or 5 cents (2.51 cents being considered nearest to the next higher amount ending in 0 or 5 cents), as the case may be.

2. Pending establishment of the specific fares authorized in paragraph 1 hereof, Greyhound Lines, Inc. is authorized to make effective increases in passenger fares published on a point-to-point basis by means of appropriate conversion tables, providing that the resulting increased fares do not exceed the fares authorized in paragraph 1 hereof, and that tariffs containing such fares are republished within six months after the effective date of this order to eliminate the use of the aforementioned conversion tables.

3. Greyhound Lines, Inc. and the other applicants named in Application No. 53787 are authorized to increase their interline express rates by 5 percent as set forth in paragraph 1. The requested waiver of Rules 23 and 23.1 of the Commission's Rules of Practice and Procedure by all applicants other than Greyhound Lines, Inc. is granted.

4. Tariff publications authorized to be made as a result of the order herein may be made effective on not less than five days' notice to the Commission and the public.

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

6. In addition to the required posting and filing of tariffs, Greyhound Lines, Inc. shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. 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.

7. Applicants, in establishing and maintaining the fares and express rates authorized hereinabove, are hereby authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorization; such outstanding authorization is hereby modified only to the extent necessary to comply with this order; and schedules containing the rates published under this authority shall make reference to the prior orders authorizing long- and short-haul departures and to this order.

8. To the extent not specifically authorized herein Application No. 53787 is denied.

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

Dated at San Francisco, California, this 31st day of JULY, 1973.

William J. Gurnea President
[Signature]
[Signature] Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

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