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ORIGINAL

Decision No. 83064

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
GREYHOUND LINES - WEST, DIVISION OF  
GREYHOUND LINES, INC., for an order  
authorizing a state-wide increase  
in intrastate passenger fares.

Application No. 54569  
(Filed January 11, 1974)

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

Application No. 54653  
(Filed February 13, 1974)

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at Law, for Greyhound Lines, Inc., Greyhound  
Lines - West Division, applicant.  
William H. Peake, for himself, protestant.  
Dwight M. Biscell, M.D., and Frank C. Nelson, for  
themselves, Interested parties.  
Timothy E. Treacy, 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 main line intercity passenger and express service generally statewide.

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Greyhound also provides extensive local commute and suburban passenger service in the San Francisco Bay area, and between Long Beach and Santa Monica.<sup>1/</sup> In addition to the above passenger stage operations, Greyhound conducts charter operations throughout the state.

The Commission's ex parte order in Decision No. 82540 of March 5, 1974 in Application No. 54569 granted Greyhound a fuel cost offset surcharge increase in passenger fares of 1.36 percent. In Application No. 54653 authority is requested for an additional two-step increase in intrastate passenger fares and express rates amounting to 16 percent.

Greyhound first seeks a fuel and labor cost offset interim increase of 11 percent. Then, after Greyhound and the Commission staff develop the information necessary to determine the appropriate level of Greyhound's earnings, authority for a second-step increase of 5 percent is requested.

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<sup>1/</sup> 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.
8. San Diego-San Ysidro.
9. Westmorland-Calexico.

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Public hearings in the consolidated proceedings were held before Examiner Gagnon on April 9 and 10, 1974 in San Francisco. Application No. 54569 was submitted on the latter date and Application No. 54653 was continued to a date to be set subsequent to the issuance of an interim decision relative to the sought increase of 11 percent. The director of traffic and assistant comptroller for Greyhound Lines - West Division presented evidence in support of the sought interim relief. A commuter on Greyhound's San Francisco-Pacific route opposed the sought increase due to the assignment of a certain model of buses to the Pacifica commute service. Two other interested parties, while not objecting to the sought adjustment in fares, requested the publication of 20-ride commute fares between Saratoga-Los Gatos and San Francisco. The Commission's Transportation Division staff also presented evidence relative to the sought interim relief.

Greyhound's present fares (main line, commute, and suburban) and express rates (local, interdivision, and interline) were established August 20, 1973 pursuant to Decision No. 81647 issued July 31, 1973 in Application No. 53787. That decision authorized a general 5 percent increase in fares and express rates as an offset for related increases in Greyhound's labor costs and allied payroll expenses effective generally as of March 1, 1973. The existing passenger fares were then made subject to a fuel cost offset surcharge of 1.36 percent on March 14, 1974 as authorized by Decision No. 82540 pending hearing in this proceeding.

Greyhound's Cost Offset Proposal

Since the level of Greyhound's fares and express rates were last adjusted it has experienced further substantial increases in fuel and labor costs. Greyhound drivers, and station and office employees are employed under two three-year labor agreements providing for periodic wage increases which commenced on March 1, 1972. A comparison of wage rates for representative employee classifications in effect as of March 1, 1973 and March 1, 1974 are:

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TABLE 1

Comparative Wage Rates  
By Selected Employee Classification

Employee Classification	Wage Rates		% Increase
	3/1/73	3/1/74	
Mechanics - San Francisco	\$ 6.945	\$ 7.315	5.328
Lubricators - Seattle	4.634	5.220	12.646
Washers - Minneapolis	4.175	4.565	9.341
Drivers - Western - Intercity	.19612	.21834	11.330
Western - Local	4.832	5.436	12.500
Ticket Clerks - Western - Class A Station	4.7813	5.3807	12.536
Bagg. & Expr. Clerks - Western - Class A Station	4.4450	5.0139	12.799
Janitors - Western - Class A Station	4.1037	4.6416	13.108
Travel Bureau Clerk - Western	5.1308	5.7620	12.302
Tele. Info. Clerk - Western	4.3297	4.8883	12.902
Jr. Clerk - Western Office, Class 11, 2nd Year	628.16	706.86	12.529
Acctg. Clerk - Western - Class 25, 2nd Year	745.19	838.57	12.531
Sr. Clerk - Western - Class 31, 3rd Year	781.23	879.11	12.529
Steno - Western - 2nd Year	718.18	808.17	12.530
Supv. Tabulating - Western	1,042.37	1,172.98	12.530

Source: Exhibit 2 (Appendix A-4, Sheet 4 of 4)

In addition to the periodic increases in wage rates the labor agreements also contain provisions for cost-of-living allowances. Drivers' wages shown in Table 1 have increased 11.33 percent. This particular cost increase constitutes the largest single amount for which Greyhound now seeks additional offsetting revenues. Greyhound has also experienced substantial increases in other labor related payroll expenses.

Greyhound's average fuel cost for the year ending June 30, 1973 was shown to be approximately 13 cents per gallon, before taxes. As of February 1, 1974 the average cost for fuel had increased to about 23.5 cents per gallon, and the current average price for fuel paid by Greyhound is stated to be in excess of 25 cents per gallon, before taxes.

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Several financial statements were presented in evidence which pertain to the results of Greyhound's California intrastate operations under present and proposed fares and express rates. For the historical year ended June 30, 1973 Greyhound's California results of operations are shown to be:

TABLE 2

Adjusted Results of Operations  
For the Year Ended 6/30/73  
(In 1,000's)

	Greyhound Lines - West	Total California	Intrastate Operations		
			Total	Intercity	Local
<u>Operating Revenues</u>					
Passenger	\$144,417	\$57,865	\$38,254	\$30,121	\$ 8,133
Charter	18,071	7,279	3,370	3,370	-
Express	30,320	7,802	5,034	5,034	-
Other	4,020	1,774	1,259	974	285
Total Oper. Revenues	\$196,828	\$74,720	\$47,917	\$39,499	\$ 8,418
<u>Operating Expenses</u>					
Equip., Maint., & Garage	\$ 23,477	\$ 9,689	\$ 6,499	\$ 4,720	\$ 1,779
Transportation	65,993	26,508	18,013	12,486	5,167
Station	32,428	12,361	8,693	7,334	1,359
Traffic & Advertising	5,404	2,094	1,218	1,012	206
Insurance & Safety	4,294	1,588	1,035	846	189
Administrative & General	23,890	9,590	6,569	4,888	1,681
Depreciation	7,917	2,943	1,907	1,651	256
Oper. Taxes & Licenses	14,730	6,133	4,034	3,289	745
Operating Rents	(5)	(26)	(74)	(67)	(7)
Total Oper. Expenses	\$178,128	\$70,880	\$47,894	\$36,519	\$11,375
Operating Income	\$ 18,700	\$ 3,840	\$ 23	\$ 2,980	\$(2,957)
Fed. & State Income Tax	7,380	1,574	9	1,221	(1,212)
Net Income After Taxes	\$ 11,320	\$ 2,266	\$ 14	\$ 1,759	\$(1,745)
Rate Base	\$ 93,999	\$40,528	\$28,238	\$23,179	\$ 5,059
Oper. Ratio After Taxes	94.2%	97.0%	99.94%	95.55%	120.73%
Rate of Return	12.0%	5.6%	.0005%	7.6%	-

(Red Figure)

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Table 2 indicates that the intrastate operations of Greyhound are approximately at the break-even point for the historical rate year ended June 30, 1973. However, the intercity main line operations experienced an operating ratio of 95.55 and a rate of return of 7.6 percent after taxes. It is apparent that the operating costs for Greyhound's local commute and suburban service absorbs a significant portion of its intercity earnings.

Greyhound's intrastate results of operations for the historical year ended June 30, 1973 were annualized to reflect adjusted revenues, fuel and labor costs, and allied payroll expenses for a test year ended December 31, 1974. The adjusted results of operations are:

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TABLE 3

Adjusted Intrastate Results of Operations  
For the Test Year Ended 12-31-74  
At Present Passenger Fares and Express Rates  
(In 1,000's)

	Intrastate Operations		
	Total	Intercity	Local
<u>Operating Revenues</u>			
Passenger	\$41,056	\$32,340	\$ 8,716
Express	5,441	5,441	-
Charter	3,641	3,641	-
Other	1,259	974	285
Fuel Surcharge (1.36%)	378	301	77
Total	\$51,775	\$42,697	\$ 9,078
<u>Operating Expenses (Table 2)</u>	\$47,894	\$36,519	\$11,375
Increased Costs: Cal. Gross Rcpt. Tax	(529)	(516)	(13)
Commissions: Pass. - Reg.	119	94	25
Pass. - Surcharge	16	13	3
Express	42	42	-
Charter	17	17	-
Wages & Salaries	3,847	2,763	1,084
Pension	280	202	78
Health & Welfare	440	326	114
Federal Soc. Sec. Taxes	417	312	105
Fuel	868	683	185
Total	\$53,411	\$40,455	\$12,956
Operating Income	\$(1,636)	\$ 2,242	\$(3,878)
Income Taxes	(654)	897	(1,551)
Net Income	\$ (982)	\$ 1,345	\$(2,327)
Operating Ratio	101.9%	96.8%	125.6%
Rate of Return	-	5.8%	-

(Red Figure)

Table 3 shows that, in addition to increases in labor costs and allied payroll expenses, Greyhound has incurred \$868,000 in fuel cost increases for the 1974 test year. Of this amount \$378,000 is shown to be offset by the existing fuel cost offset surcharge of 1.36 percent. In the absence of the sought interim relief Greyhound anticipates its intrastate operations will experience an operating ratio of 101.9 percent for the 1974 test year. The rate of return for intercity main line operations is expected to decline from 7.6 percent to 5.8 percent, after taxes, under current passenger fares and express rates.<sup>2/</sup>

The \$3,847,000 increase in wages and salaries shown in Table 3 reflects the comparative percentage increase between the 1972-1973 level of wages and salaries in effect during the base historical year ended June 30, 1973, annualized for the 1974 test year, and the March 1, 1974 level of wages and salaries annualized for a like 12-month projected period ending December 31, 1974. This annualization procedure overstates the amount of increase in wages and salaries for the 1974 test year. For example, in Table 1 drivers' intercity and local March 1, 1973 wage levels are shown to have increased as of March 1, 1974 by 11.3 and 12.5 percent, respectively.

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<sup>2/</sup> Re Greyhound (1969) 69 CPUC 761, 769, the 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.



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However, in Exhibit 2 (Appendix A-4) Greyhound's annualization procedure results in intercity and local driver expenses to be increased by 15.6 and 17.7 percent, respectively. A more accurate result would have been obtained if March 1, 1973 annualized wage and salary expenses were compared with the March 1, 1974 annualized like expenses for the 1974 test year. Since the 5 percent increase in passenger fares and express rates authorized by Decision No. 81647 fully covered annualized increases in wages and salaries effective as of March 1, 1973, the 1972 wage and salary levels should not now be reflected in a fare increase to effect March 1, 1974 labor cost increases.

The increases in fuel, labor, and commissions determined by Greyhound for the 1974 test year amount to approximately 11 percent of its total adjusted intrastate operating revenues for the same test period. A statement showing Greyhound's adjusted results of operations for the 1974 test year under the proposed 11 percent interim increase in passenger fares and express rates was introduced in evidence and is summarized in Table 4:

TABLE 4

Adjusted Intrastate Results of Operations  
For the Test Rate Year Ending 12-31-74  
At Proposed Passenger Fares and Express Rates  
(In 1,000's)

	<u>Intrastate Operations</u>		
	<u>Total</u>	<u>Intercity</u>	<u>Local</u>
<u>Operating Revenues</u>			
At Present Fares (Table 3)	\$51,775	\$42,697	\$ 9,078
Proposed Pass. Fare Inc.-11%	3,807	3,030	777
Proposed Express Rate Incr.-11%	599	599	-
Projected Revenue	<u>\$56,181</u>	<u>\$46,326</u>	<u>\$ 9,855</u>
<u>Operating Expenses</u>			
At Present Fares (Table 3)	\$53,411	\$40,455	\$12,956
Increase in Comms. Paid	224	191	33
Projected Expenses	<u>\$53,635</u>	<u>\$40,646</u>	<u>\$12,989</u>
Operating Income	\$ 2,546	\$ 5,680	\$(3,134)
Income Taxes	<u>1,018</u>	<u>2,272</u>	<u>(1,254)</u>
Income After Taxes	\$ 1,528	\$ 3,408	\$(1,880)
Rate Base	\$28,238	\$23,179	\$ 5,059
Operating Ratio (After Taxes)	97.3%	92.6%	119.1%
Rate of Return	5.4%	14.7%	-

(Red Figure)

Table 4 shows that the proposed 11 percent interim adjustment in fares and rates will produce annual revenues of \$4,406,000. In addition \$378,000 in annual revenues is anticipated from the 1.36 percent fuel cost offset surcharge. The total annual revenue increase of \$4,784,000 which Greyhound has determined it will receive under the sought interim relief is \$1,068,000 less than the \$5,852,000 increase in fuel and labor costs which Greyhound contends its intrastate operations will incur (Table 3) for the 1974 test year.

While no cost offset increase in unregulated charter fares is proposed Greyhound has included all increases for fuel, labor, and commissions assignable to such service in its development of adjusted intrastate results of operations for the 1974 test year. All revenue adjustments for prior and proposed fare increases reflect an anticipated loss of revenue by Greyhound due to an expected diminution of traffic pursuant to such upward adjustments in fares. For example, the \$3,807,000 in annual passenger revenues determined by Greyhound to be generated by the 11 percent interim fare adjustment is \$709,000 less than the \$4,516,000 increase in revenues resulting from a direct application of the 11 percent fare increase to the adjusted passenger revenues of \$41,056,000 computed by Greyhound for the 1974 test year (Table 3). This loss of passenger revenues was taken by Greyhound without a related reduction in operating expenses resulting from the expected diminution of traffic. No current passenger traffic study was conducted by Greyhound to support its projected diminution of traffic and resulting revenue loss. In the absence of such a traffic analysis it cannot be determined to what extent, if at all, the current energy crisis and resulting fuel cost increases affected Greyhound's intrastate patronage.

Proposed Fares and Rates

Greyhound requests authority to incorporate the 11 percent interim increase into its established fares and express rates as follows:

1. Passenger Fares - Main Line Mileage Scale.

The existing 1.36 percent fuel offset surcharge and the sought 11 percent interim cost offset increase to be applied to the present mileage scale as a composite percent of 12.5096:

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Present and Proposed Mileage Scale  
For One-way Main Line Passenger Fares

<u>Over</u>	<u>But</u> <u>Not Over</u>	<u>Present</u> <u>Per</u> <u>Dec. 81647</u>	<u>1.36%</u> <u>A. 54569</u> <u>Filed 1/11/74</u>	<u>12.5096%</u> <u>A. 54653</u> <u>Filed 2/13/74</u>
0	25	.0544	.0551	.0612
25	50	.0508	.0515	.0572
50	100	.0480	.0487	.0540
100	150	.0437	.0443	.0492
150	200	.0419	.0425	.0471
200	250	.0407	.0413	.0458
250	300	.0400	.0405	.0450
300	400	.0390	.0395	.0439
400		.0382	.0387	.0430

Minimum fare \$0.60 for adults and children.

Round-trip fare 190% of one-way fare.

- (a) In the case of tickets covering travel over both branch line and main line routes, the fare will be based upon the combination of fares.
- (b) 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 fare will continue to be based upon mileage computations including full constructive mileage over each bridge.
- (c) One-way fares to be adjusted to the nearest cent, 0.5 cent being considered nearest to the next higher cent.
- (d) Pending reissuance of tariffs, main line fare increases to be made effective by use of appropriate conversion tables to be published in a special tariff supplement.

2. Passenger Fares - Commute and Suburban Areas.

Increase 20-ride commutation fares and one-way single ride fares by 12.5096 percent.

- (a) The fares so constructed to be adjusted to the nearest cent, 0.5 cent being considered nearest to the next higher cent.
- (b) Round-trip fares will be (2) times the one-way fare where the one-way fare is \$1.00 or less. Round-trip fares, where the increased one-way fare is \$1.05 or more, shall be constructed on the basis of 190 percent of the one-way fare, subject to a minimum round-trip fare of \$2.00.
- (c) The minimum one-way single ride fare for adults and children shall be \$0.60.
- (d) Increased fares to be adjusted to the nearest cent, 0.5 cent being considered nearest to the next higher cent.

3. Express Rates.

- (a) Local, interdivision and interline rates to be increased 11 percent plus further increased when necessary so that all rates end in 0 or 5.
- (b) Package daily shipment rates to be based on increased express rates.

4. Charter Coach Charges - No change.

The Las Vegas-Tonopah-Reno Stage Line, Inc., Orange Belt Stages, Inc., Peerless Stages, Inc., 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 \$9,852 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 Rule 23 to the extent such information is not included herein. This same request was previously granted in Decision No. 81647 under like circumstances and similar action is indicated in this proceeding.

Staff Proposal

The Commission's Transportation Division staff presented a report concerning its investigation and study of the sought 11 percent interim increase. The staff limited its scope of inquiry to Greyhound's intercity main line operations. Since the volume of intercity passenger and express traffic produces a major portion of Greyhound's intrastate operating revenues and expenses, the staff concluded that the results of its study apply equally to the local commute and suburban services of Greyhound.

The staff's study is predicated upon the results of intercity operations for the historical test year ended December 31, 1970. This period was selected because it reflects the last revenue and expense allocations found acceptable in Decision No. 80545 dated September 26, 1972 in Application No. 52591. The historical results of intercity operations for the 1970 base year were brought forward to reflect subsequent changes in Greyhound's intercity passenger and express revenues and labor related expenses for the 1974 test year. The adjusted results for Greyhound's intercity operations constitute the basis for the staff's suggested interim relief. A comparison of the cost increases computed by the staff with those determined by Greyhound for the 1974 test year is:

TABLE 5

(Amounts shown in 1,000's)

<u>Accounts</u>	<u>Intrastate Service</u>			<u>Total GL-W</u>
	<u>Intercity</u>	<u>Staff</u>	<u>Local</u>	
	<u>GL-W</u>		<u>GL-W</u>	
Maintenance	\$ 245	\$ 211	\$ 106	\$ 351
Transportation	1,715	1,282	836	2,551
Station	637	632	108	745
Traffic & Advertising	31	29	8	39
Insurance & Safety	7	6	2	9
Adm. & General	114	82	38	152
Total Wages & Salaries	\$2,749	\$2,242	\$1,098	\$3,847
Zone Grp. 63 Adjustment	14	-	(14)	-
Pension	202)	377	78	280
Health & Welfare	326)		114	440
Social Security Taxes	312	247	105	417
Total Labor Expenses	\$3,603	\$2,866	\$1,381	\$4,984
Fuel	683	-	185	868
Total Fuel & Labor	\$4,286	\$2,866	\$1,566	\$5,852

The staff's labor cost computations shown in Table 5 do not include labor costs assignable to Greyhound's charter operations. However, the like computations of Greyhound include all labor cost increases assignable to its charter operations. The staff analysis summarized in Table 5 makes no provision for the increases in fuel costs incurred by Greyhound since the current fuel offset surcharge of 1.36 percent was established. It will be noted that the \$2,866,000 increase in intercity labor costs determined by the staff for the 1974 test year is \$737,000 less than the \$3,603,000 like computations of Greyhound. This difference is primarily due to the staff's omission of computations of any labor cost increases assignable to Greyhound's charter service and the methods employed by Greyhound to update its historical June 30, 1973 test year..



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A summary of the adjusted revenue and expense computations of the staff with those developed by Greyhound for its intercity operations, together with the percentage increase therein deemed necessary to offset increased operating expenses for the 1974 test year, follows:

TABLE 6

<u>Accounts</u>	<u>Intercity Operations</u>			
	<u>Staff</u>		<u>Greyhound</u>	
	<u>Year Ended</u>	<u>Total</u> (In 1,000's)	<u>Year Ended</u>	<u>Total</u> (In 1,000's)
<u>Operating Revenues</u>				
Passenger	12-31-70	\$30,750	6-30-73	\$30,121
Express	"	4,358	"	5,034
Charter	"	-	"	3,370
Other	"	-	"	974
<u>Adjustments</u>	"	\$35,108	"	\$39,499
Passenger	12-31-74	8,216	12-31-74	2,219
Express	"	1,091	"	407
Charter	"	-	"	271
Adjusted Revenues	"	\$44,415	"	\$42,396
Surcharge (1.36%)	"	(1)	"	301
Adjusted Revenues	"	\$44,415	"	\$42,697

(1) Fuel surcharge revenue included in passenger revenue.

Operating Expenses

<u>Adjustments</u>				
Labor cost increases	12-31-74	\$ 2,866	12-31-74	\$ 3,603
Commissions	"	138	"	166
Total	"	\$ 3,004	"	\$ 3,769
% Adjusted Revenues	"	6.76%	"	8.82%
Fuel cost increases	"	-	"	683
Total Cost Increases		-		\$ 4,452
% Adjusted Revenues		-		10.43%

The staff analysis in Table 6 indicates \$3,004,000 in additional annual revenues is necessary to offset increases in labor and allied payroll expenses incurred by Greyhound's intercity operations. Accordingly, the staff recommends that Greyhound's present level of intrastate passenger fares and express rates be raised 6.76 percent pending further hearing of Application No. 54653. The staff's proposed interim relief is in addition to the current fuel cost offset surcharge of 1.36 percent.

The staff also recommends that minimum fares not be increased at this time and that the proposed interim relief be made subject to the following disposition of fractions rule:

Increased fares and express rates be calculated to the nearest one cent, except in areas where exact fares are required fractional fares should be rounded to the nearest 0 or 5 cents (2.50 cents being considered nearest to the next higher amount ending in 0 or 5 cents).

A comparison of the staff's and Greyhound's analyses of the latter's adjusted results of intercity operations for the 1974 test year, as summarized in Table 6, reveals the basis for the rather significant difference in the amount of their respective proposed interim relief. This disparity is primarily due to:

1. The adjusted intercity operating revenues developed by the staff for a projected 1974 test year were shown to be overstated.
2. The staff's omission of any provision for further fuel cost increases not covered by the current 1.36 percent fuel offset surcharge.
3. The inclusion of charter operating revenues and expenses by Greyhound in its calculations for the 1974 test year.

4. Greyhound's allowance for loss of revenue due to an anticipated diminution of traffic account increases in fares.
5. Greyhound's sought offset of fuel cost increases not reflected in the 1.36 percent fuel offset surcharge.
6. The staff's exclusion of any specific consideration for cost increases incurred by Greyhound's local commute and suburban area operations.

When the adjusted operating revenues and fuel cost increases computed by Greyhound in Applications Nos. 54569 and 54653 are employed in conjunction with the labor cost increases developed by the staff, a modified adjusted result of operations for Greyhound's total intrastate services is produced in which most of the undesirable elements contained in the individual presentations of Greyhound and the staff are excluded. Such modified results of operations are:

TABLE 7

Modified Adjusted California Intrastate Results of  
Operations for the Test Year Ending December 31, 1974  
At Present Passenger Fares and Express Rates

<u>Accounts</u>	<u>Total</u>	<u>Intrastate Operations</u>	
		<u>Inter-city</u> (Amounts in 1,000's)	<u>Local</u>
<u>Operating Revenues</u>			
Passenger	\$38,254	\$30,121	\$8,133
Express	5,034	5,034	-
Other	1,259	974	285
	<u>\$44,547</u>	<u>\$36,129</u>	<u>\$8,418</u>
<u>Adjustments for Increases in Fares &amp; Rates</u>			
Passenger	\$ 3,097	\$ 2,439	\$ 658
Express	407	407	-
Surcharge (1.36%)	562	443	119
Total Revenue Increases	<u>\$ 4,066</u>	<u>\$ 3,289</u>	<u>\$ 777</u>
Total Base Revenue	\$48,613	\$39,418	\$9,195
<u>Change in Operating Expenses</u>			
Labor	\$ 4,247	\$ 2,866	\$1,381
Fuel	306	240	66
Commissions on Adjustments for Increases in Fares & Rates	128	106	22
Increased Costs to be Offset	<u>\$ 4,681</u>	<u>\$ 3,212</u>	<u>\$1,469</u>
California Gross Receipt Tax	(484)	(471)	(13)
Net Cost to be Offset	<u>\$ 4,197</u>	<u>\$ 2,741</u>	<u>\$1,456</u>
Commission Expense to Offset	190	132	58
Total Offset Revenue	<u>\$ 4,387</u>	<u>\$ 2,873</u>	<u>\$1,514</u>
% Adjusted Revenues	9.02%	7.29%	16.47%

Under the modified results of intrastate operations shown in Table 7 Greyhound will require an interim increase of approximately 9 percent in its intrastate passenger fares and express rates in order to obtain additional annual revenues sufficient to offset fuel and labor cost increases incurred generally as of March 1, 1974. The modified interim adjustment in Greyhound's intrastate fares and rates suggested herein constitutes the maximum interim relief that can be justified on the basis of the partial evidence presented to date. In view of the comparatively higher increases previously authorized in Greyhound minimum one-way fares, the staff's recommendation that such fares should not be increased at this time has merit and should be adopted.

Findings

1. Greyhound Lines, Inc.'s (Greyhound Lines - West Division) present fares (main line, commute, and suburban) and express rates (local, interdivision, and interline) were established August 20, 1973 pursuant to Decision No. 81647 dated July 31, 1973 in Application No. 53787. That decision authorized a 5 percent increase in fares and rates as an offset to like increases in Greyhound's labor costs and allied payroll expenses effective generally as of March 1, 1973.

2. The current passenger fares of Greyhound were made subject to a fuel cost offset surcharge of 1.36 percent on March 14, 1974 pursuant to the Commission's interim order in Decision No. 82540 dated March 5, 1974 in Application No. 54569.

3. Since Greyhound's passenger fares and express rates were last generally adjusted it has experienced substantive increases in its fuel and labor costs.

4. In Application No. 54653 authority is requested for a two-step increase in Greyhound's California intrastate passenger fares and express rates amounting to 16 percent. Initially, Greyhound seeks a fuel and labor cost offset interim fare and rate increase of 11 percent. Subsequent to the implementation of the contemplated interim relief and the time required by applicant and the Commission's staff to develop the information necessary to fully evaluate and determine the appropriate level of Greyhound's earnings, a second-step increase of 5 percent in passenger fares and express rates is proposed.

5. Greyhound and the Commission staff have presented estimated results of Greyhound's California intrastate operations based upon adjusted operating revenues and expenses for a historical base year ending June 30, 1973 and December 31, 1970, respectively. The evidence introduced by Greyhound and the Commission staff together with their respective recommendations differ substantially.

6. Applicant and the Commission staff have each endeavored to bring forward their respective development of Greyhound's intrastate operations for a selected historical period to reflect like adjusted results of operations for a projected test year ending December 31, 1974.

7. Greyhound's intrastate adjusted results of operations found to be justified in Decisions Nos. 81647 and 82540 will materially deteriorate without the benefit of additional revenues to offset further increases in its fuel and labor costs effective generally as of March 1, 1974.

8. The adjusted results of intrastate operations as developed by Greyhound and the staff for the projected 1974 test year each contains infirmities as previously noted in the opinion herein which, standing alone, make them incapable of supporting a finding of the specific amount of interim relief deemed justified in the circumstances.

9. Greyhound seeks authority for a fuel and labor cost offset increase of 11 percent in its passenger fares and express rates. The staff, on the other hand, recommends that such sought interim relief not exceed 6.76 percent. In view of Finding 8 the interim fare and rate proposals of applicant and the staff have not been shown to be fully justified by transportation conditions.

10. The modified adjusted intrastate results of operations summarized in Table 7 of the opinion reasonably represent the results of that portion of Greyhound's California intrastate operations for which interim authority to increase passenger fares and express rates is requested.

11. The modified adjusted results of intrastate operations summarized in Table 7 indicate that Greyhound will incur an overall increase of approximately \$4,387,000 in its costs for fuel, labor, and related payroll expenditures for the 1974 test year. To offset such increases in operating expenses Table 7 indicates a 9 percent increase in annual operating revenues is justified. A like increase of 9 percent in the interline express rates of all applicants in this proceeding has also been shown to be justified.

12. 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 Rule 23 of the Commission's Rules of Practice and Procedure by all applicants other than Greyhound is reasonable and should be granted.

13. 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.

Conclusions

1. The increase in California intrastate passenger fares and express rates sought in Application No. 54653 should be granted to the extent such increase does not exceed 9 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 Rule 23 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, the interim relief sought in Application No. 54653 should be denied.

7. To the extent not authorized herein, the relief sought in Application No. 54569 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 interim increase in its California intrastate passenger fares and express rates proposed in Application No. 54653 to the extent such increase in fares and rates does not exceed 9 percent in addition to the existing fuel offset surcharge of 1.36 percent, and minimum fares remain unchanged. When computing the increased fares and rates authorized herein, Greyhound's proposed rule for the disposition of fractions shall apply subject to the following modifications:

- a. Passenger Fares: Increased fares to be adjusted to the nearest cent as proposed by Greyhound, except in areas where exact fares are required increased fares shall be adjusted to the nearest 0 or 5 cents (2.50 cents being considered nearest to the next higher amount ending in 0 or 5 cents).
- b. Express Rates: Increased rates to be adjusted to the nearest 0 or 5 cents (2.50 cents being considered nearest to the next higher amount ending in 0 or 5 cents).

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.

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3. Greyhound Lines, Inc. and the other applicants named in Application No. 54653 are authorized to increase their interline express rates by 9 percent as set forth in paragraph 1. The requested waiver of Rule 23 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. 54569 is denied.

9. To the extent not specifically authorized herein the interim increase in passenger fares and express rates sought in Application No. 54653 is denied.

10. Further hearing shall be held for the receipt of evidence relative to the final disposition of Application No. 54653.

A. 54569, A. 54653 eak

11. At the further hearing in Application No. 54653 Greyhound will be expected to inform the Commission as to the results of its investigation and recommendations relative to the request for the establishment of through commute fares from Saratoga-Los Gatos to San Francisco.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 25<sup>th</sup>  
day of JUNE, 1974.

Vernon L. Shuman  
President  
William L. Shuman  
W. H. Shuman  
Shuman  
Shuman  
Commissioners