

Decision No. 83924

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. 55111
(Filed August 13, 1974)

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 a general nine percent increase in their California intrastate local and joint passenger fares and express rates.

The proposed rates are the same as the rates authorized Greyhound Lines, Inc. (Greyhound Lines - West Division) in Decision No. 83064 (1974). Applicants are competitive with Greyhound at substantially all common points served. The California intrastate local and joint passenger fares of applicants historically have been maintained at the same level as those of Greyhound between points served both by applicants and Greyhound.^{1/} Traditionally Greyhound has been considered as the fare basing carrier for California intercity fares.

^{1/} Decisions Nos. 65989 (1963), 70407 (1966), 71629 (1966), 73087 (1967), 75154 (1968), 77027 (1970), 79567 (1972), 81133 (1973), 82774 (1974), and 83487 (1974).

Applicants' present fare structure in California was established by Decision No. 81133, as follows:

ONE-WAY DISTANCE FARES

<u>Over</u>	<u>Miles</u> <u>But Not Over</u>	<u>Rate Per Mile</u>	<u>With No Fare</u> <u>Less Than Fare For</u>
0	25	\$ 0.0518	Minimum Fare
25	50	0.0484	25 miles
50	100	0.0457	50 miles
100	150	0.0416	100 miles
150	200	0.0399	150 miles
200	250	0.0388	200 miles
250	300	0.0381	250 miles
300	400	0.0371	300 miles
400	-	0.0364	400 miles

MINIMUM FARES 50¢

ROUND-TRIP FARE 190% of one-way fare

Decision No. 81133 authorized applicants to publish fares based on combinations over junction and main line points on the level authorized Greyhound in Decision No. 80545. The above fares were increased 5 percent by Decision No. 82774 (1974) and 1.36 percent by Decision No. 83487^{2/} (1974) to levels authorized Greyhound in Decisions Nos. 81647 and 82540, respectively.

The passenger fare increases are proposed to be applied as follows:

1. All fares to be increased by 9 percent.
2. Any increased one-way fare resulting in figures less than 60 cents and not ending in 0 or 5 to be further increased to the next 0 or 5.
3. Any increased one-way fare resulting in figures greater than 60 cents to be rounded to the nearest cent, 5 cents being considered nearest to the next higher cent.

^{2/} The California intrastate operations of applicants were last described in Decision No. 83487.

4. Round-trip fares to be 190 percent of one-way fares.
5. The minimum one-way fare to be 60 cents.
6. The sought increases to be in addition to the 1.36 percent increase authorized by Decision No. 83487.

Applicants request authority to depart from the mileage scale of rates to such extent as may be necessary to permit them to maintain rates between common points at the same level as the presently effective rates of Greyhound. Applicants further request that in the case of a ticket covering travel over both branch line and main line routes the fare will be based upon the full combination of fares. This is the same basis for constructing rates heretofore authorized applicants and Greyhound. Applicants intend to continue all of their present rules and regulations in conjunction with the proposed fare structure.

Applicants state that if the general passenger fare increase is authorized approximately six months will be required to rework all of the point-to-point fares over their lines within California. Applicants request authority to place the sought fares into effect by means of a conversion table as set forth in Exhibit 1 to the application.

The present express rates of applicants were authorized by Decision No. 82774 (1974), and are the same as authorized Greyhound in Decision No. 83064. In connection with the requested nine percent increase in express rates applicants propose that any increase not ending in 0 or 5 be further increased to the next 0 or 5 (2.5 cents being considered the next higher amount ending in 0 or 5). The proposed express rates are set forth in Exhibit 2 to the application.

Applicants assert that the findings made in Decision No. 83064 as justification for the grant of authority to Greyhound to increase its fares apply with equal or greater force to each of the applicants. The application states that past experience has demonstrated that an increase in the fares of Greyhound without a corresponding increase in the fares of applicants results in increased losses to applicants. They state that the volume of traffic handled by applicants increases as a result of the disparity in rates, but the increased revenue does not offset the added costs of performing the additional transportation service. Applicants contend that it is necessary that their fares be increased to the same level authorized 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. Applicants' California intrastate results of operations require a separation of revenues and expenses from System to California and then from California to Intrastate. The "System" results of operations refers to the total operations of the three applicants; the "California" operations refers to interstate and intrastate operations originating in California; and the "Intrastate" operations are the operations in California intrastate commerce. The California intrastate operations of applicants have been conducted at a loss. Applicants disclose that under existing contracts there were substantial increases in costs of labor in 1974 compared to 1973, and that there will be corresponding further increases in 1975. An intrastate California income and expense statement for the three applicants for the twelve months ended June 30, 1974 was attached to the application (Exhibit 9). This statement reflects the general increase authorized by Decision No. 82774 and estimates the results of operation under the proposed nine percent increase. Applicants' intrastate California statement is reproduced in Table 1, below.

Applicants' Consolidated
Income & Expense Statement Intrastate California
For The Twelve Months Ended June 30, 1974
Reflecting Decision No. 82774 Increase (1974)
And Proposed Nine Percent Increase

	Intrastate California	Decision No. 82774 Increase	Adjusted Constructive Year Excluding Proposed 9% Increase	Proposed 9% Increase	Constructive Year Including 9% Increase
<u>Operating Revenue</u>					
Passenger	\$1,854,545	\$ 71,738	\$1,926,283	\$199,563	\$2,125,846
Special Bus	616,839	-	616,839	-	616,839
Baggage	804	-	804	-	804
Mail	0	-	0	-	0
Express	92,589	3,101	95,690	7,847	103,537
Newspaper	7,438	-	7,438	-	7,438
Misc. Station	23,308	-	23,308	-	23,308
Other Misc.	34,121	-	34,121	-	34,121
Total Oper. Rev.	2,629,644	74,839	2,704,483	207,410	2,911,893
<u>Operating Expenses</u>					
Equip. Maint. & Gar.	\$ 433,764	\$ 25,462	\$ 459,226	\$ -	\$ 459,226
Transportation	967,264	118,103	1,085,367	-	1,085,367
Station	544,839	28,756	573,595	14,311	587,906
Traf. Solic. & Adv.	172,355	4,171	176,526	-	176,526
Insurance & Safety	100,417	231	100,648	-	100,648
Administrative	202,196	6,248	208,444	-	208,444
Depreciation	179,656	23,733	203,389	-	203,389
Oper. Taxes & Lic.	226,360	6,248	232,608	-	232,608
Operating Rents	50,360	0	50,360	0	50,360
Total Oper. Exp.	2,877,211	212,952	3,090,163	14,311	3,104,474
Net Operating Revenue	\$ (247,567)	\$(138,113)	\$ (385,680)	\$193,099	\$ (192,581)
Other Income	30,352	0	30,352	0	30,352
Other Expenses	31,657	0	31,657	0	31,657
Net Income Before Taxes	(248,872)	(138,113)	(386,985)	193,099	(193,886)
Income Taxes	(62,716)	(34,804)	(97,520)	48,661	(48,859)
Net Income After Taxes	(186,156)	(103,309)	(289,465)	144,438	(145,027)
Oper. Ratio Before Taxes	109.4%		114.3%		106.6%
Oper. Ratio After Taxes	107.1%		110.7%		105.0%

(Red Figure)

Table 1 shows that the intrastate operations of applicants continue to be conducted at a loss (operating ratios of 109.4 before taxes and 107.1 after taxes). The proposed nine percent increase is expected to provide additional passenger revenue of \$199,563 and additional express revenue of \$7,847, for a total of \$207,410. The projected operating ratio after the proposed nine percent increase is 106.6 before taxes and 105.0 after taxes.^{3/} Applicants state that if they are to maintain service in California adequate to meet public requirements it is imperative that they have increased revenue to offset the increasing costs of providing service.

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. The application was noticed in the Commission's Daily Calendar of August 16, 1974. There are no protests. The staff recommends that the application be granted. A public hearing is not necessary.

Findings

1. Applicants seek a general nine percent increase in their California intrastate passenger fares and express rates.
2. Applicants' California intrastate passenger stage operations are being conducted at a loss on a consolidated basis.
3. Anticipated revenues from the proposed increased passenger fares and express rates will not result in an operating profit for applicants' California intrastate operations.

^{3/} Table 1 does not reflect the 1.36 percent fuel cost offset surcharge authorized in Decision No. 83487 which was issued subsequent to the filing of Application No. 55111. The 1.36 percent increase is expected to provide an additional \$34,038 which would have little effect on the financial condition of Continental Trailways (Decision No. 83487, Page 4).

4. Applicants and Greyhound are competitive at substantially all common points served.

5. 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 Greyhound. Present fares and express rates are approximately nine percent below the fare levels authorized to Greyhound in Decision 83064. An increase of approximately nine percent in applicants' local and joint passenger fares and express rates to the levels authorized Greyhound in Decision No. 83064 is justified.

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

We conclude that the application should be granted.

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 passenger fares and express rates proposed in Application No. 55111, and are authorized to depart from the mileage scale of passenger fares to the extent necessary to establish fares on a point-to-point basis at the level currently authorized Greyhound between points served both by applicants and Greyhound.

2. Pending the filing of tariffs to reflect the increases authorized in paragraph 1 hereof, applicants are authorized to make effective increases in passenger fares published on a point-to-point basis by application of the conversion tables attached to the application as Exhibit 1, providing the tariffs containing such fares are republished within six months after the effective date of this order to eliminate the use of conversion tables.

3. Applicants' request for waiver of Rule 23(g) of the Commission's Rules of Practice and Procedure is granted.

4. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and 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.

5. The authority herein granted 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, 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.

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.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 50th
day of DECEMBER, 1974.

James L. Sturgeon
President
William J. Guss
Thomas Moran
Robert E. McDaniel
Commissioners