

Decision 84-09-118 September 19, 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Application 84-05-093
(Filed May 25, 1984)

O P I N I O N

By this application, Trailways Lines, Inc. and American Buslines, Inc. (applicants) seek authority to increase intrastate California passenger fares. In their application, applicants allege that the requested increase would equate their California intrastate fares with their interstate fares between the same points, and that the increase would be approximately equivalent to a 42.7 per cent increase. Applicants request that round-trip fares be set at double the one-way fare.

Trailways Lines also seeks to have the Commission order "give effect... to change in the corporate name from Trailways, Inc. to Trailways Lines, Inc.", its name since July, 1983.

Under Rule 24 of the Commission's Rules of Practice and Procedure, applicants served notice of their application on 122 cities and 29 counties in California.

Each applicant is presently conducting operations as a passenger stage corporation. Trailways (PSC-838) conducts its operations generally between (1) San Francisco and Los Angeles and intermediate points via Stockton, Fresno, and Bakersfield; (2) Los Angeles and the California/Arizona state line at Needles and Blythe via San Bernardino and Riverside, respectively; and (3) San Francisco and Stockton and the California/Oregon state line. American (PSC-284) conducts its operations between (1) Los Angeles and San Diego and intermediate points; (2) Sacramento and the California/Nevada state line; (3) San Diego and the California/

Arizona state line via El Centro; and (4) Calexico and Los Angeles. Both applicants serve most intermediate points along the various routes. There are restrictions against local service along certain authorized routes.

Each applicant, Trailways (TCP-146A) and American (TCP-22A), also conducts operations as a Class A charter-party carrier of passengers.

American is a wholly owned subsidiary of Trailways.

Applicants' existing California intrastate local and joint passenger fares and express rates were established on authority of Decision (D.) 83-11-057 dated November 22, 1983 in Application (A.) 83-08-46, which granted a 15% increase.

A.84-05-093 was noticed on the Commission Transportation Calendar on May 30, 1984. The Commission has received no requests for notification under PU Code Section 730.3. No formal protests to the application have been received.

The Federal Bus Regulatory Reform Act and its Relevance to this Proceeding.

The Federal Bus Regulatory Reform Act of 1982 (BRRRA) went into effect November 19, 1982. By its provision, the Commission now has 120 days from the date a fare increase application is properly filed with the Docket Office to issue a final order deciding the case. If the Commission fails to issue an order authorizing the requested fare increase, applicants have the option of petitioning the Interstate Commerce Commission to grant the request. The 120 day deadline for Commission action in this proceeding is September 22, 1984 (based on the application filing date of May 25, 1984). There were no protests or requests for hearing and none was scheduled.

Financial Information and Results of Operation

Table 1 sets forth the applicants' financial data based on a historical year ended September 30, 1983. The data is from Exhibit G of the application. The historical year was chosen to end in September to eliminate the distortions caused by the Greyhound

strike during November and December 1983. The allocation procedures used to generate the "California" and "Intrastate" columns from the "System" figures are explained in Schedule 5 of Exhibit G of the application. The "Baseyear" column reflects the 15% increase granted by D.83-11-057 after the end of the historical year. The "Request" column is projected using an increase of 42.7%.

The Commission considers the magnitude of the increase requested by the applicants unreasonable and unjustified for the following reasons:

1. The resulting operating ratio (81%) is unreasonably low.
2. The resulting fares are unreasonably high.

In previous decisions the Commission has authorized applicants to set fares at the level of Greyhound fares. With very minor exceptions, the applicants' existing California intrastate fares are identical to Greyhound's California intrastate fares. If the full increase requested in this application were granted, applicants' fares would greatly exceed those found reasonable for its major competitor. Such a disparity of fares would likely result in a rapid loss of ridership for the applicants, accompanied by a rapid decline in revenue, and possible abandonment of service. This would be a disservice to the public, since loss of one of two competitors would leave a monopoly service, which we have previously determined to be not satisfactory service (D.91054).

We have previously found that an operating ratio of 93.3% would be reasonable. This was the projected ratio in D.83-06-062 which granted Greyhound a portion of its requested fare increase in its last application before this Commission. Table 2 sets forth the estimated results of operation with an increase of 14.6%, which results in an operating ratio for applicants of 93.3%. Passenger revenue would go from \$1,869,135 to \$2,142,029 resulting in an operating income before taxes of \$209,462.

Findings of Fact

1. Applicants' present California intrastate passenger fares

were established November 22, 1983 by D.83-11-057 and are inadequate for the future.

2. Applicants submitted adequate information showing a need for some fare increase.

3. At present fares, it is estimated that applicants would lose \$36,143 in the test year ending September 30, 1985.

4. At fares 14.6% higher than present fares, it is estimated that applicants would have an operating ratio of 93.3% before taxes and would have a net operating revenue of \$209,462.

5. No protests have been received. A public hearing is not necessary.

6. The fare increase should be made effective as soon as possible in order to take effect within the 120-day limit provided by the federal Bus Regulatory Reform Act of 1982.

7. The Commission has received no requests for notification under PU Code Section 730.3.

8. Trailways Lines, Inc. is the new name for Trailways, Inc.

Conclusions of Law

1. Applicants should be authorized to increase California intrastate passenger fares by 14.6% which is the amount justified by the information furnished with their application.

2. The 42.7% increase requested by applicants would result in an operating ratio of 81% which is unreasonably low.

3. Applicants have not justified the fare increases which would result from a 42.7% increase.

4. Round-trip fares should be set at twice the one-way fares.

5. Pending the reissuance of passenger tariffs containing fares on a point-to-point basis, applicants should be authorized to place into effect the increases authorized here by use of conversion tables. The authority to use such conversion tables on an interim basis should expire 90 days after the effective date of this order.

6. This decision should be effective on the date it is signed.

7. Trailways Inc. should henceforth be known as Trailways Lines, Inc.

O R D E R

IT IS ORDERED that:

1. In the Commission records the corporate name of Trailways, Inc. shall henceforth be Trailways Lines, Inc.

2. Applicants Trailways Lines, Inc. and American Buslines, Inc. are authorized to establish increased fares at 14.6% above present fares. Applicants are authorized to round the increased fare to the nearest 0 or 5 cents. Applicants are authorized to set round-trip fares at twice the one-way fares.

3. The authority shall expire unless exercised within 90 days after the effective date of this order.

4. In addition to posting and filing tariffs, applicants shall post a printed explanation of their fares in their buses and terminals. The notice shall remain posted for at least 30 days.

5. Applicants are authorized to make effective increases in passenger fares published on a point-to-point basis by means of appropriate conversion tables, providing the tariffs containing such fares are republished within 90 days after the effective date of this order to eliminate the use of conversion tables.

6. The application is granted in part as set forth above.

This order is effective today.

Dated SEP 19 1984, at San Francisco, California.

Commissioner William T. Bagley
being necessarily absent, did
not participate.

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

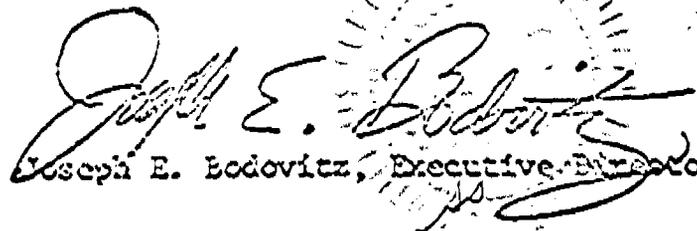

Joseph E. Bodovitz, Executive Director

Table 1

Financial Data Submitted By Applicant
Based On Year Ended 9/30/83

TRAILWAYS LINES, INC.	SYSTEM	CALIF.	INTRA- STATE	BASEYEAR*	REQUEST (+42.7%)
OPERATING REVENUE:					
Passenger	41841212	9348045	1598515	1869135	2667256
Special Bus	6816066	2560900	776813	776813	776813
Baggage	608	162	24	24	24
Mail	720	191	28	28	28
Express	7471344	1921289	186365	189488	189488
Newspaper	10377	2766	417	417	417
Misc. Station	273873	73024	11026	11026	11026
Other	<u>55351</u>	<u>14758</u>	<u>2228</u>	<u>2228</u>	<u>2228</u>
Total Operating Revenue	56469551	13921135	2575416	2849159	3647280
OPERATING EXPENSES:					
Equip. Maint. & Garage	10709344	2855489	493999	493999	493999
Transportation	24561055	6548844	1132950	1132950	1132950
Station	10288696	2656939	459650	459650	539462
Traffic, Solic. & Advert.	1462076	377564	65318	65318	65318
Insurance & Safety	2236651	596370	103172	103172	103172
Administrative	8782658	2341766	405125	405125	405125
Depreciation	411995	109852	19004	19004	19004
Operating Taxes & Licenses	3570645	952060	164706	164706	164706
Operating Rents	<u>897040</u>	<u>239182</u>	<u>41378</u>	<u>41378</u>	<u>41378</u>
Total Operating Expenses	62920160	16678066	2885302	2885302	2965114
Net Operating Revenue	-6450609	-2756931	-309886	-36143	682166
Operating Ratio, %	111.42	119.80	112.03	101.27	81.30
Schedule Bus-Miles	33072723	8504798			
Charter Bus-Miles	4009504	1382633			
Total Bus-Miles Operated	37082227	9887431			
Passenger-Miles Operated	672454205	173653714			

*Reflects 8% increase effective 12/20/82
and 15% increase effective 12/19/83

Table 2

Estimated Results of Operation with 14.6% Fare Increase

TRAILWAYS LINES, INC.	BASEYEAR	+14.6%
OPERATING REVENUE:		
Passenger	1869135	2142029
Special Bus	776813	776813
Baggage	24	24
Mail	28	28
Express	189488	189488
Newspaper	417	417
Misc. Station	11026	11026
Other	2228	2228
Total Operating Revenue	<u>2849159</u>	<u>3122053</u>
OPERATING EXPENSES:		
Equip. Maint. & Garage	493999	493999
Transportation	1132950	1132950
Station	459650	486939
Traffic, Solic. & Advert.	65318	65318
Insurance & Safety	103172	103172
Administrative	405125	405125
Depreciation	19004	19004
Operating Taxes & Licenses	164706	164706
Operating Rents	41378	41378
Total Operating Expenses	<u>2885302</u>	<u>2912591</u>
Net Operating Revenue	-36143	209462
Operating Ratio, %	101.27	93.3

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