

Decision 89 04 030 APR 12 1989

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Western Greyhound
Lines Co. to establish a Zone of
Rate Freedom for Passenger Stage
Service between certain points in
California.)
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Application 88-12-051
(Filed December 27, 1988)

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APR 15 1989

OPINION

Western Greyhound Lines Co. (Greyhound) holds a passenger stage corporation certificate (PSC-1). It seeks authority to establish a "Zone of Rate Freedom" (ZORF) between certain points as identified in Exhibit 1 attached to the application. Greyhound proposes that it be allowed to adjust its passenger fares 10% higher than its authorized fares and 50% lower than its authorized fares. The proposed increases and/or decreases would be effected by the issuance of conversion supplements to its existing one-way passenger fare tariffs. The supplements would be constructed so that fares not ending in "0" or "5" would be rounded to the next higher "0" or "5" cents. Round trip fares would be computed at 190% of the one-way fare.

Greyhound's current passenger fares were authorized by Decision (D.) 86-04-031. In that decision, Greyhound was authorized to increase its passenger fares by 13%.

The application alleges that:

"Greyhound has not been able to fully implement the rate increase previously authorized by the Commission because its major competitors have maintained pricing practices which make full implementation impossible. The result of the inability to fully implement the previously authorized rate increase is that Greyhound has not realized the additional revenue from its California intrastate operations that were envisioned by Greyhound or by the Commission when the rate increase was granted.

"So as to relieve that revenue shortfall, and so as to allow Greyhound to assess rates that are more in line with the rates its competitors are assessing for similar transportation, Greyhound is requesting authority to establish a ZORF to increase or decrease its rates between those limited number of city pairs where it is currently assessing its maximum authorized fares.

"Greyhound needs a ZORF in connection with its pricing between the identified city pairs so as to respond to pricing changes initiated by its competitors. Greyhound needs that freedom because its competitors, unlike Greyhound, are not encumbered by regulatory constraints in making pricing changes.

"The constraints that Greyhound's competitors encounter relate to changes in market conditions, and although those constraints are substantial, they do not interfere with those competitors ability to act quickly once a decision to change prices is made. Greyhound, on the other hand, is not able to quickly respond to changes in market conditions because of the time required to obtain a rate adjustment through the normal regulatory process.

"Two of Greyhound's major competitors, Amtrak and the airlines, have unlimited ability (from a regulatory perspective) to increase or decrease their passenger fares based on market factors. Likewise, use of the private automobile is governed by market factors such as the cost of gasoline, relative strength of the economy, perceived availability of fuel, dealer incentives associated with new car purchases, etc. As those market factors change (and they do change often and with mercurial speed), consumers perceptions of the relative value of each of the various transportation alternatives change. Amtrak and the airlines have the ability to immediately change their pricing to reflect those changes in perception. However, Greyhound, unlike its competitors, must obtain regulatory approval to adjust its pricing before changes may be implemented which

results in missed, often fleeting revenue opportunities, and lost sales.

"So as to alleviate the above situation, Greyhound is requesting that it be authorized to establish a ZORF increase fares up to 10% and to decrease fares up to 50% between the identified city pairs."

Notice of the filing of the application appeared on the Commission's Daily Transportation Calendar dated January 5, 1989. No protests to the granting of the application have been received. The staff of the Transportation Division's Tariff and License Branch has reviewed the application and recommends that in the absence of protest that the application be granted.

Findings of Fact

1. Greyhound seeks authority to establish a ZORF between the points set forth in Exhibit 1 attached to the application which will allow it to increase fares from its present authorized fares by 10% and decrease fares from its present authorized fares by 50%.

2. Greyhound has not been able to fully implement its last authorized fare increase because of pricing practices of its major competitors namely Amtrak and the airlines.

3. The requested ZORF will enable Greyhound to respond to pricing changes initiated by its competitors.

4. A public hearing is not necessary.

Conclusions of Law

1. The application should be granted as set forth in the ensuing order.

2. This order should be effective on the date signed because there is an immediate need for the requested relief.

ORDER

IT IS ORDERED that:

1. Western Greyhound Lines Co. is authorized to establish fares within a Zone of Rate Freedom (ZORF) between the lower limit of the ZORF of 50% below the present fares and the upper limit of the ZORF of 10% above the present fares.

2. The ZORF authorized by paragraph 1 is applicable only between the paired points as specified in Exhibit 1 of this application.

3. Applicant shall file a tariff based on the ZORF on no less than 10 days' notice to the Commission and the public subject to Commission approval. This authority shall expire unless exercised within 120 days after the effective date of this order.

4. Any fare changes within applicant's ZORF may be made by applicant by filing and amending its tariff on no less than 10 days' notice to the Commission and the public. The tariff shall include for each fare point, the authorized maximum fare, the authorized minimum fare, and the fare to be actually charged.

5. In addition to posting and filing tariffs, applicant shall post a printed explanation of its fares in its buses and terminals. The notice shall be posted at least 5 days before the effective date of the fare changes and shall remain posted for at least 30 days.

6. Applicant is relieved from the provisions of the long- and short-haul requirements of Public Utilities Code Section 460 only where the charging of any rate is within its authorized ZORF.

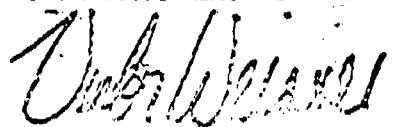
This order is effective today.

Dated April 12, 1989, at San Francisco, California.

G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.

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


Victor Weisner, Executive Director
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6. Applicant is relieved from the provisions of the long and short-haul requirements of Public Utilities Code Section 460 only where the charging of any rate is within its authorized ZORF.

This order is effective today.

Dated APR 12 1989, at San Francisco, California.

G. MITCHELL WILK

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