

ORIGINAL

Decision No. 87632 JUL 19 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Application No. 56073  
(Filed November 17, 1975;  
amended January 28, 1977  
and March 17, 1977)

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

Application No. 55456  
(Order Granting Rehearing  
Decision No. 84954  
dated September 30, 1975)

W. L. McCracken, Attorney at Law,  
for Greyhound Lines, Inc., et  
al., applicants.  
Albert Lewis Gielegem, for himself,  
interested party.  
Thomas F. Grant, 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 Western Division, transports passengers, baggage, and express in 26 western states. In California it performs mainline intercity passenger and express service generally statewide, transporting both intrastate and interstate traffic. Greyhound also provides local commute and suburban services. In addition to its passenger stage and express operations Greyhound conducts a statewide Class A charter-party carrier service.

Background

In Application No. 56073 Greyhound first sought authority for a two-step increase in its passenger fares and local and interline express rates. A first-step increase of 9 percent was proposed to partially offset known labor cost increases experienced after October 31, 1974.

Public hearings concerning Step I were held before Examiner Gagnon on February 19 and 20, 1976 at San Francisco. On May 18, 1976 the Commission entered Decision No. 85825 authorizing the sought increase of 9 percent in passenger fares and express rates.

Application No. 56073 also proposed a second-step increase sufficient to provide a return on common equity of approximately 14 percent, which assertedly is equivalent to an 11.5 percent rate of return on depreciated rate base. Applicant sought an additional increase of 7 percent to achieve the results sought in Step II. The Order Granting Rehearing issued in Decision No. 84954 (Application No. 55456) was consolidated for hearing with the Step II phase of Application No. 56073. Hearings were held in San Francisco on October 26, 27, 28, and 29, 1976. Applications Nos. 56073 and 55456 thereafter stood submitted upon the receipt of a late-filed exhibit and replies thereto.

On December 22, 1976 Greyhound requested that the submission of Applications Nos. 56073 and 55456 be set aside and further hearing be held to permit it to apprise the Commission of a proposed contractual arrangement between Greyhound and San Mateo County Transit District and its impact upon the financial and operating evidence tendered by Greyhound in support of its Step II proposal.

Pursuant to Examiner Gagnon's ruling dated January 4, 1977 the submission of Applications Nos. 56073 and 55456 was set aside and the matter reopened for the receipt of additional evidence relative to the proposed arrangement between Greyhound and San Mateo County Transit District. A hearing was scheduled for February 10, 1977 in San Francisco. On January 28, 1977 applicant filed an amendment to Application No. 56073 which sought a labor cost offset increase of approximately 5 percent (Step I-A).<sup>1/</sup> The previously scheduled hearing date of February 10, 1977 was employed as a prehearing conference at which time certain procedural matters were resolved to permit expeditious consideration of Step I-A. A summary of the agreements reached at the prehearing conference is:

1. A hearing on Step I-A be scheduled for March 28 and 29, 1977 at San Francisco.
2. Exhibits were to be distributed 10 days prior to the hearing.
3. Applicant and the staff would utilize calendar year 1975 data for a historical year. Wage increases occurring on November 1, 1976 were to be annualized. Revenue levels last authorized would be used.

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<sup>1/</sup> By Second Amendment to Application No. 56073 the sought labor cost offset increase was revised to 5.3 percent.

4. Applicant agreed to introduce evidence depicting its passenger fare and express rate increases in other jurisdictions.
5. At the conclusion of the Step I-A hearings, an order would be entered disposing of Step I-A, making final Step I, and terminating Step II without relief or any discussion of the issues present in that phase.

At the hearings held at San Francisco on March 28 and 29, 1977 evidence was presented by Greyhound and the staff. On the latter date, Applications Nos. 56073 and 55456 were submitted.

#### Present Fares and Rates

The present level of Greyhound's passenger fares and express rates were established June 7, 1976 pursuant to Decision No. 85825 issued May 18, 1976 in Application No. 56073. The level of fares and rates granted by Decision No. 85825 was designed to afford Greyhound's California intrastate operations an opportunity to experience an operating ratio of 95 percent (after taxes) and earnings sufficient to yield a 10.4 percent rate of return.

#### Labor Cost Increases

A collective bargaining agreement with the Amalgamated Transit Union covering Greyhound's drivers, station personnel, and office workers was negotiated for a three-year period commencing November 1, 1974 with resultant annual increases in wages and allied payroll expenses. A comparison of percentage wage increases between 1975 and 1977 for representative employee classifications as computed by Greyhound and the staff is given in Table I.

TABLE I

Comparison of Wage Rate Increases for Selected  
Employee Classifications, 1977 Over 1975

<u>Employee Classification</u>	<u>% Increase Company</u>	<u>Staff</u>
Mechanics (1)	17.7066	18.1494
(2)	8.6382	8.6394
Lubrication (1)	18.5666	21.7691
(2)	8.9957	6.9960
Washing & Cleaning (1)	17.6951	20.3125
(2)	9.3763	9.3756
Drivers: Mainline Local (1)	15.0645	15.0645
(2)	15.6115	15.6115
Station (1)	20.1663	20.1670
Office (1)	19.8260	19.8260
Other (1)	21.1128	19.253

(Source: Exhibit 28, Appendix A-3,  
Sheet 10 of 11 and Exhibit 33, Table 1)  
(1) Western Division.  
(2) Central Division.

Greyhound's labor costs are approximately 65 percent of the total operating expenses and drivers' wages constitute the greatest portion of such costs. Most employees receive periodic wage increases as provided for in collective bargaining agreements as well as cost of living increases. Corresponding wage increases were also given to Greyhound's supervisory and other noncontract employee classifications. In addition to increases in direct labor costs, indirect costs have escalated. Pension contributions are related to wage levels and thus have increased as wage levels have risen. Federal Social Security contributions have risen as a result of an increase from \$14,100 to \$16,500 in taxable wages. The taxable base for California Unemployment taxes has increased from \$4,200 to \$7,000 and the rate from 2 to 2.5 percent. The accumulated net increases in expenses reflected in Table II amount to \$2,027,000 on an intrastate California basis.

TABLE II  
 Net Increases in Intrastate Revenues and Expenses  
 Restated Year 1975  
 (Rounded to \$1,000)

<u>Item or Account</u> <u>No. Description</u>		
<u>Revenues</u>		
3200	Passenger	\$ 2,873
3210	Charter	251
3400	Express	517
	Other	-
	Total Revenues	3,641
<u>Expenses</u>		
4100	Maintenance	\$ 551
4200	Transportation	2,294
4300	Station	1,387
4400	Traffic	63
4500	Insurance	15
4600	Admin. & General	919
5000	Depreciation	-
5200	Operating Taxes	439
5300	Rents	-
	Total Expenses	\$ 5,668
	Net Increase in Expenses	\$(2,027)

(Source: Exhibit 28, Appendix A-3, Sheet 4 of 11)

#### Cost Offset Proposal

The assistant to the vice president-accounting for Greyhound's Western Division presented a series of financial statements pertaining to Greyhound's California intrastate results of operations (Exhibit 28). The historical year ending December 31, 1975 was employed as a basis for these statements and for the projected results of operation. The results of operations for the historical year are:

TABLE III

Adjusted Intrastate Results of  
Operations for the Historical Year Ending 12-31-75  
 (Dollars in Thousands)

<u>Operating Revenues</u>	<u>California Intrastate</u>		
	<u>Total</u>	<u>Intercity</u>	<u>Local</u>
Passenger	\$37,569	\$32,524	\$5,045
Charter	3,033	3,033	-
Express	5,743	5,743	-
Other	<u>1,221</u>	<u>1,016</u>	<u>205</u>
Total Oper. Rev.	47,566	42,316	5,250
<u>Operating Expenses</u>			
Equip., Maint., & Garage	6,116	4,921	1,195
Transportation	17,264	13,605	3,659
Station	8,622	7,427	1,195
Traffic & Advertising	1,260	1,153	1,107
Insurance & Safety	1,669	1,435	234
Admin. & General	6,628	5,346	1,282
Depreciation	1,752	1,567	185
Oper. Taxes & Licenses	3,259	2,667	592
Operating Rents	<u>(255)</u>	<u>(247)</u>	<u>(8)</u>
Total Oper. Expenses	46,315	37,874	8,411
<u>Operating Income</u>	1,251	4,442	(3,191)

(Red Figure)

The separation and allocation of revenues and expenses from Greyhound's system operations to its California state and intrastate operations are based upon procedures prescribed in the "California Separations Manual" (Decision No. 78354 dated February 22, 1971 in Case No. 9168). The result of operations from the historical year summarized in Table III was brought forward to reflect subsequent changes in revenues and expenses for the rate year ending December 31, 1977 based upon present fares, rates, and expenses. A summary of the projected results of operation is set forth in Table IV.

TABLE IV

Adjusted Intrastate Results of Operations for  
The Rate Year Ending 12-31-77 at  
Present Rates and Fares  
(Dollars in Thousands)

	<u>California Intrastate</u>		
	<u>Total</u>	<u>Intercity</u>	<u>Local</u>
<u>Operating Rev. (Table III)</u>	\$47,566	\$42,316	\$5,250
Intrastate Increases:			
Passenger 8/13/75 (2%)	47	-	47
6/7/76 (9%)	2,826	2,493	333
Express 6/7/76 (9%)	517	517	-
Charter 9/1/75 (11.24%)	219	-	-
9/1/76 (.9816%)	32	-	-
Total Adjusted Oper. Rev.	51,207	42,293	5,630
<u>Operating Exp. (Table III)</u>	46,315	37,874	8,441
Increases:			
Commissions			
Passenger	127	110	17
Express	54	54	-
Charter	15	-	-
Wage Incr.	4,302	3,251	864
Pension Incr.	609	465	119
Health & Welfare	122	90	24
Fed.Soc. Sec. Taxes	233	175	47
Cal. Unempl. Tax	206	155	41
Adjusted Oper. Exp.	51,983	39,948	9,553
Operating Income	(776)	2,345	(3,923)

(Red Figure)



The operating revenues shown in Table IV were annualized for increases granted during the historical period through the rate year. Operating expenses were adjusted for known increases only, which were primarily wages and related payroll expenses. Pension costs were computed by applying the appropriate pension rates to increased wages as well as providing for additional funding requirements which became mandatory under the new labor agreement. The increase in Federal Social Security taxes reflects the effect of raising taxable wages from a maximum of \$14,100 to \$16,500. California Unemployment taxes were adjusted to account for the increase in the taxable base from \$4,200 to \$7,000. Added commission expense reflects the increase in revenues. The total increase shown in Table IV for wages, pension, health and welfare, Federal Social Security taxes, and California Unemployment taxes amount to \$5,472,000.

Table IV also indicates that Greyhound expects its California intrastate operations to experience a deficit of \$776,000 in 1977 under present fares and express rates. Greyhound's local commute and suburban operations are expected to incur a net operating deficit of \$3,923,000 under present rates.

TABLE V

Adjusted Intrastate Results of Operations  
For the Rate Year Ending 12-31-77,  
At Proposed Increase of 5.3 Percent  
(Dollars in Thousands)

<u>Operating Revenues</u>	<u>California Intrastate</u>		
	<u>Total</u>	<u>Intercity</u>	<u>Local</u>
At Present Fares	\$51,207	\$42,293	\$5,630
Proposed Pass. Increase 5.3%	1,804	1,592	212
Proposed Express Inc. 5.3%	<u>332</u>	<u>332</u>	<u>-</u>
Projected Oper. Rev.	53,343	44,217	5,842
<u>Operating Expenses</u>			
At Present Fares	51,983	39,948	9,553
Increase in Commissions			
Passenger	79	70	9
Express	<u>34</u>	<u>34</u>	<u>-</u>
Projected Oper. Exp.	52,096	40,052	9,562
Operating Income	1,247	4,165	(3,720)

(Red Figure)

Table V. illustrates Greyhound's estimate that a 5.3 percent increase in passenger fares and express rates would produce before tax operating income of \$1,247,000 for the projected rate year ending December 31, 1977. This compares with before tax operating income of \$1,251,000 realized by California intrastate operations for the year 1975. The projected results for the year 1977 achieve a before tax operation ratio of 97.7 percent, which compares with a before tax operating ratio of 97.4 percent for the historical period of 1975. The estimated operating results for 1977 reflect a higher after tax operating ratio than the 95.8 percent found to be reasonable in Decision No. 85825.

Proposed Fares and Rates

Greyhound's proposed increase of 5.3 percent would effect its passenger fare and express rate structures as follows:

1. Passenger Fares - Mainline Mileage Scale

Present and Proposed Mileage Scale  
For One-Way Mainline Passenger Fares

Rate Per Mile

<u>Over</u>	<u>Miles But Not Over</u>	<u>Present (Per D.85825)</u>	<u>Proposed (5.3% Increase)</u>	<u>With No Fare Less Than Fare for</u>
0	25	.0706	.0743	
25	50	.0659	.0694	25 Miles
50	100	.0622	.0655	50 "
100	150	.0568	.0598	100 "
150	200	.0544	.0573	150 "
200	250	.0529	.0557	200 "
250	300	.0520	.0548	250 "
300	400	.0507	.0534	300 "
400	-	.0496	.0522	400 "
Minimum Fare		\$0.60	\$0.63	
Round Trip		190%	190%	

- (a) Previously authorized method for constructing fares adopted by Decision No. 83777 to be continued.
- (b) Mainline fare increases to be made effective by use of appropriate conversion tables to be published in a special interim tariff supplement.

2. Passenger Fares - Commute and Suburban Areas

Present 10-ride, 20-ride, and one-way single fares to be increased by 5.3 percent.

- (a) Minimum fare increased to \$0.65.  
 (b) Methods for constructing fares adopted by Decisions Nos. 83777 and 84717 to be continued.

Comparison of Present and Proposed  
 Selected Adult One-Way and 20-Ride  
 Commutation Fares

<u>From San Francisco to</u>	<u>Adult One-Way Fares</u>		<u>20-Ride Commute Fares</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
<u>Peninsula</u>				
Bayshore	\$ .60	\$ .65	\$12.00	\$13.00
Burlingame	1.45	1.55	18.87	19.87
San Mateo	1.65	1.75	19.81	20.86
Redwood City	1.80	1.90	21.65	22.80
Menlo Park	1.90	2.00	23.50	24.75
Palo Alto	2.30	2.40	25.36	26.70
Mountain View	2.55	2.70	28.21	29.71
Sunnyvale	2.95	3.10	30.12	31.72
Santa Clara	3.05	3.20	31.98	33.67
San Jose	3.20	3.35	33.83	35.62
<u>Ocean - Ocean Skyline</u>				
Westlake (Skyline)	\$1.00	\$1.05	\$16.09	\$16.94
Sharp Park	1.20	1.25	17.03	17.93
Moss Beach	1.70	1.80	19.81	20.86
Half Moon Bay	1.80	1.90	21.65	22.80
<u>Contra Costa</u>				
Orinda	\$1.65	\$1.75	\$21.99	\$23.16
(1)	.85	.90	14.16	14.91
Lafayette	1.75	1.85	25.81	27.18
(1)	1.05	1.10	18.01	18.96
Walnut Creek	1.85	1.95	27.62	29.08
(1)	1.25	1.30	20.79	21.89
Pleasant Hill	2.05	2.15	29.53	31.10
(1)	1.55	1.65	22.58	23.78
Concord	2.40	2.55	31.24	32.90
(1)	1.70	1.80	24.56	25.86

(1) From: Oakland

3. Express Rates

- (a) Local, interdivision, and interline rates to be increased by 5.3 percent adjusted so that all rates end in the nearest 0 or 5.
- (b) Package daily shipment rates to be constructed from increased express rates.

The Desert Stage Lines, Las Vegas-Tonopah-Reno Stage Line, Inc., Orange Belt Stages, Inc., Redwood Empire Stages, Inc., Peerless Stages, Inc., and Vaca Valley Bus Lines have joined with Greyhound in seeking increases in express rates applicable to interline shipments which move, in part, over routes of one or more of the aforementioned passenger stage corporations. The same levels of express rates are sought for interline shipments as for local express service.

It is anticipated that the sought increase will have only a minimal effect upon the gross revenues of these six interline 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 available information, however, applicants believe that the proposed increase in interline express rates will increase the gross revenues of the aforementioned six interline carriers by less than \$10,000 annually.

In view of the modest nature of the additional revenues to be generated by the proposed 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 Decisions Nos. 85825, 84717, and 83777 under like circumstances.

### Staff Proposals

The Commission's staff has completely audited Greyhound's records for the historical year of 1975 and has undertaken efforts similar to those of applicant to project revenue and expenses for the rate year ending December 31, 1977. Although the staff pursued an independent course in determining revenues and expenses for the rate year, the end result is substantially the same as applicant's.

The staff recommends a 5.2 percent increase in rates and fares and no increase in minimum fares. It is estimated that a 5.2 percent increase would produce \$2,129,000 in additional revenues less \$110,000 in additional commission expenses for a net increase of \$2,019,000. Applicant calculated a 5.3 percent increase would produce \$2,023,000 in net additional revenue.

### Charter Service

In Decision No. 81647 dated July 31, 1973, the Commission reiterated previous expressions that Greyhound had the burden of establishing that its unregulated intrastate charter rates yield revenues at least equal to the out-of-pocket costs of performing the service. Greyhound introduced several exhibits in this proceeding which are convincing that charter rates are returning substantially more than out-of-pocket costs.

### Findings

1. Greyhound's present California intrastate mainline and local passenger fares and express rates (local and interline) were established June 7, 1976 pursuant to Decision No. 85825 issued May 18, 1976.

2. Greyhound has incurred annual labor cost increases which have not been fully reflected in its current level of fares and express rates.

3. Greyhound estimates its proposed increase of 5.3 percent will generate additional revenues of \$2,136,000. The staff estimates its proposed increase of 5.2 percent will produce \$2,129,000 in additional revenues.

4. Greyhound's adjusted California intrastate results of operations for a historical rate year ending December 31, 1975 were brought forward to reflect the results of operations for a rate year ending December 31, 1977.

5. The adjusted intrastate results of operations as developed by Greyhound for the test year ending December 31, 1977 at the present levels of fares and express rates reflect a deficit of \$776,000. The local commute and suburban operations are expected to incur a net operating deficit of \$3,923,000.

6. At the proposed 5.3 percent increase, Greyhound indicates its adjusted intrastate results of operations for the test year ending December 31, 1977 will reflect an operating ratio of 97.7 percent (before taxes). Under the staff proposal, a like operating ratio of 97.8 percent is anticipated.

7. Since Greyhound seeks only a labor cost offset increase in revenues, the staff's adjusted intrastate results of operations for a 1977 test year under a proposed 5.2 percent increase in fares and rates have been shown to be justified.

8. Greyhound has requested that the rehearing in Application No. 55456 be terminated without consideration of the further relief sought therein.

Conclusions

1. The authority requested in Application No. 56073 for an increase in California intrastate passenger fares and express rates should be granted to the extent such increase does not exceed 5.2 percent.

2. Applicants' request for a labor cost offset increase in fares and express rates is in conformity with the statutory provisions set forth in Sections 730.3 and 730.5 of the Public Utilities Code.

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

4. 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.

5. 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.

6. 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.

7. The interim relief granted by Decision No. 85825 should be made final, and the consolidated proceeding involving Applications Nos. 56073 and 55456 should be terminated.

8. To the extent not authorized herein, the relief sought in Application No. 56073 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 increases in its California intrastate passenger fares and express rates proposed in Application No. 56073, as amended, to the extent such increase in fares and rates does not exceed 5.2 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 eight 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. 56073 are authorized to increase their interline express rates by 5.2 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. The interim increases authorized by Decision No. 85825 are made final.

A.56073, A.55456 ddb

9. To the extent not specifically authorized herein, the increases in passenger fares and express rates sought in Applications Nos. 56073 and 55456 are denied.

10. The Commission's Order Granting Rehearing Decision No. 84954 in Application No. 55456 is discontinued.

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

Dated at San Francisco, California, this 19<sup>th</sup> day of JULY, 1977.

Robert Bateman  
President  
William J. Quinn  
Vernon L. Stetson  
Richard P. Howell

Commissioners

Commissioner CLAIRE T. DEDRICK

Present but not participating.