

ORIGINAL

Decision No. 89207 AUG 8 - 1978

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., VACA VALLEY BUS LINES, INC., DESERT
 STAGE LINES, and REDWOOD EMPIRE LINES, INC.,
 for an order authorizing a statewide
 increase in interline express rates.

Application No. 57966
(Filed March 29, 1978)

W. L. McCracken, Attorney at Law, for
 Greyhound Lines, Inc., et al., applicants.
Frederick W. Foley, 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.

By this application Greyhound seeks authority to increase passenger fares and express rates to recover increased labor costs resulting from the collective bargaining agreement negotiated for a three-year term with the Amalgamated Transit Union. Greyhound

estimates that a 3.0 percent increase in its passenger fares and local and interline express rates will recover its increased labor costs. It is estimated that passenger and express revenues generated by this proposed increase will amount to \$1,103,000 annually.

A duly noticed public hearing was held in this matter before Administrative Law Judge Gagnon on June 2, 1978 at San Francisco. No one appeared in opposition to the sought relief. The Commission's Transportation Division staff advises that, in the absence of protests, the sought 3.0 percent increase may be granted ex parte.

Present Fares and Rates

The present level of Greyhound's passenger fares and express rates were established August 8, 1977, pursuant to Decision No. 87632 issued July 19, 1977 in Application No. 56073. The level of fares and rates granted by Decision No. 87632 was designed to afford California intrastate operations an opportunity to experience an operating ratio of 97.8 percent (before taxes) and earnings sufficient to yield 10.4 percent rate of return.

Labor Cost Increase

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, 1977, with cost of living adjustments in the basic wage rates on a quarterly basis and wage increases on an annual basis. In computing 1978 wage levels for the instant application, the cost of living index for December 1977 was used without further adjustment. Table I sets forth the percentage increase of wages of representative employee classifications as shown by applicant.

TABLE I

Known Wage Increase By Job
Classification 1978 Over Level
Of Decision No. 87632

<u>Employee Classification</u>		<u>Percent Increase</u>
Mechanics	(1)	8.1530
	(2)	7.8190
Lubrication	(1)	5.3257
	(2)	8.5300
Washing and Cleaning	(1)	5.8463
	(2)	8.6121
Drivers: (1) Mainline		.8909
	Local	.8205
Station	(1)	.8193
Office	(1)	.7308
Other	(1)	10.9716

(Sources: Exhibit 1, Appendix A-2)

(1) Western Division

(2) Central Division

Greyhound's labor costs are approximately 65 percent of its 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 have increased as wage levels have risen. Federal Social Security contributions have risen as a result of an increase from \$16,500 to \$17,000 in taxable wages and the contribution percentage has increased from 5.85 percent to 6.05 percent. The total known increase in expenses reflected in Table II amounts to \$1,076,692 on a California intrastate mainline basis.

TABLE II

Known Wages & Related Increases
California Intrastate - Mainline
Rate Year 1978

	<u>California Intrastate Mainline</u>
<u>Wages</u>	
Maintenance	\$ 225,298
Transportation	185,770
Station	101,280
Traffic & Advertising	25,609
Insurance & Safety	4,436
Admin. & General	<u>30,271</u>
Total	572,664
Pension	183,933
Health & Welfare	200,555
Social Security Tax	<u>119,540</u>
Total Known Increases	1,076,692

Partial General Rate Relief

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. The historical year ending December 31, 1977, as shown in Application No. 56073 (Exhibit 28) was employed as a basis for

these statements and for the projected results of operation. Greyhound's 1977 results of operations prior to the 5.2 percent increase authorized by Decision No. 87632 are:

TABLE III

Detailed Results of Operations for 1977
Prior to 5.2% Increase
California Intrastate

	<u>Total</u>	<u>Mainline</u>	<u>Local</u>
<u>Operating Revenues</u>			
Passenger	\$40,442,000	\$35,016,801	\$5,425,199
Charter	3,283,919	-	-
Express	6,260,297	6,260,297	-
Other	1,221,113	1,015,466	205,489
Total	<u>51,207,329</u>	<u>42,292,564</u>	<u>5,630,688</u>
<u>Operating Expenses</u>			
Equip. Maint. & Garage	6,666,946	4,950,771	1,313,763
Transportation	19,557,973	14,050,348	4,196,803
Station	10,008,754	8,435,996	1,375,859
Traffic & Advertising	1,323,493	1,179,285	114,442
Insurance & Safety	1,684,055	1,359,134	236,378
Admin. & General	7,546,422	5,786,724	1,459,744
Depreciation	1,751,437	1,567,383	184,054
Oper. Taxes & Licenses	3,698,660	2,865,015	680,412
Operating Rents	(254,817)	(246,508)	(8,309)
Total Operating Expenses	<u>51,982,923</u>	<u>39,948,148</u>	<u>9,553,146</u>
Operating Income	(775,594)	2,344,416	(3,922,458)

(Red Figure)

The result of operations from the historical year summarized in Table III was brought forward to reflect changes in revenues authorized by Decision No. 87632 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 Year Ending December 31, 1977
(In 1,000's)

	<u>California Intrastate</u>		
	<u>Total</u>	<u>Mainline</u>	<u>Local</u>
<u>Operating Revenues</u>			
Revenues: (Table V, D.87632)	\$51,207	\$42,293	\$5,630
Pass. Increase per D.87632 5.2%	1,803	1,561	242
Express Incr. per D.87632 5.2%	326	326	-
Total	<u>53,336</u>	<u>44,180</u>	<u>5,872</u>
<u>Operating Expenses</u>			
Expenses: (Table V, D.87632)	51,983	39,948	9,553
<u>Increase in Commission</u>			
Passenger	76	66	10
Express	34	34	-
Total	<u>52,093</u>	<u>40,048</u>	<u>9,563</u>
Operating Income	1,243	4,132	(3,691)

(Red Figure)

TABLE V

Proposed Revenue Increases
Rate Year 1978

(In 1,000's)

	<u>California Intrastate Mainline</u>	
Known Increases in Expenses (Table II)		\$1,077
Passenger Revenue	\$36,578	
Express Revenue	6,586	
Other Revenues	1,016	
Total Operating Revenues (Table IV)	<u>44,180</u>	
Revenue Required to Offset Known Expense Increases:		
Passenger (3.0% Increase)	939	
Express (3.0% Increase)	198	
	<u>1,137</u>	
<u>Applicable Commissions</u>		
Passenger (4.398%)	41	
Express (10.499%)	21	
	<u>62</u>	
Net Revenue Increase		\$1,075

Table V illustrates Greyhound's estimate that a 3.0 percent increase in passenger fares and express rates would produce a net revenue increase of \$1,075,000 on California Intrastate mainline operations. This revenue increase would offset the known wage and related increases in California intrastate mainline set forth in Table II of \$1,077,000.

Proposed Fares and Rates

Greyhound's proposed increase of 3.0 percent would affect its passenger fare and express rate structure as follows:

1. Passenger Fares - Mainline Mileage Scale

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

<u>Over</u>	<u>Miles</u> - <u>But Not Over</u>	<u>Rate Per Mile</u>		<u>Proposed Increase 3%</u>	<u>With No Fare Less Than Fare For</u>
		<u>Present (D.87632)</u>			
0	25	\$.0743		\$.0765	
25	50	.0693		.0714	25 Miles
50	100	.0654		.0674	50 "
100	150	.0598		.0616	100 "
150	200	.0572		.0589	150 "
200	250	.0557		.0574	200 "
250	300	.0547		.0563	250 "
300	400	.0533		.0549	300 "
400	-	.0522		.0533	400 "
Minimum Fare		\$0.60		\$0.60*	
Round Trip		190%		190%*	

*No Change

- (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 3.0 percent.

- (a) Minimum fare \$0.60.
- (b) Methods for constructing fares adopted by Decisions Nos. 83777 and 84717 to be continued.

Comparison of Present and Proposed Adult One-Way,
Ten-Ride, and Twenty-Ride Commutation Fares

<u>One-Way</u>		<u>Twenty-Ride Commutation</u>			
<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>	<u>Cost Per Ride**</u>	
				<u>Present</u>	<u>Proposed</u>
\$.60	\$.60	\$12.00*	\$12.00*	\$.600	\$.600
.90	.95	14.90	15.35	.745	.767
1.05	1.10	15.56	16.03	.778	.801
1.10	1.15	16.80	17.30	.840	.865
1.25	1.30	18.95	19.52	.947	.976
1.30	1.35	19.46	20.04	.973	1.002
1.55	1.60	21.87	22.53	1.093	1.260
1.65	1.70	23.13	23.82	1.156	1.910
1.75	1.80	23.75	24.46	1.187	1.223
1.80	1.85	25.84	26.62	1.292	1.331
1.85	1.90	26.68	27.48	1.334	1.374
1.90	1.95	27.15	27.96	1.357	1.398
1.95	2.00	29.06	29.93	1.453	1.496
2.00	2.05	29.68	30.57	1.484	1.528
2.15	2.20	31.07	32.00	1.553	1.600
2.40	2.45	31.69	32.64	1.584	1.632
2.50	2.60	32.03	32.99	1.601	1.649
2.60	2.70	32.86	33.85	1.643	1.692
2.70	2.80	33.64	34.65	1.682	1.732
3.10	3.20	35.59	36.66	1.779	1.833
3.15	3.25	37.57	38.70	1.878	1.935
3.25	3.35	40.52	41.74	2.026	2.087
3.85	3.95				

<u>Ten-Ride Commutation</u>			
<u>Present</u>	<u>Proposed</u>	<u>Cost Per Ride**</u>	
		<u>Present</u>	<u>Proposed</u>
\$41.77	\$43.02	\$4.177	\$4.302
48.76	50.22	4.876	5.022

* - Based on 20 times the minimum fare.
 ** - Based on full usage.

3. Express Rates

- (a) Local, interdivision, and interline rates to be increased by 3.0 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 not have a significant effect on their revenue.

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 prior like decisions under similar circumstances, and it is reasonable to grant the request in this proceeding.

Staff Proposals

The Commission's Transportation Division staff conducted an independent analysis of applicants' operations following conclusion of the labor negotiations. The staff's analysis, dated February 15, 1978, indicated that any request of less than a 4.0 percent increase was justified. The staff's support of the sought 3.0 percent increase does not necessarily reflect concurrence with applicants' separation procedures.

In accordance with Section 730.3 of the Public Utilities Code, affected state and local public agencies and corporations operating passenger transit systems were notified of the application and were requested to furnish an analysis of the effect of the proposed rate increase on overall transportation problems within the territories served by such passenger transit systems. Monterey Peninsula Transit, Fresno Transit, and Placer County Mini Bus System replied that the increase would have a negative impact on their bus systems. However, Placer County did express some concern for the elderly fixed-income people who use Greyhound between Auburn and Sacramento.

In accordance with Section 730.5 of the Public Utilities Code, we find that the fare increase granted by this decision will result in an insignificant decrease in patronage. The fare increase will have no effect upon public transit systems as proposed in required transportation plans prepared pursuant to Chapter 2.5 of Title 7 of the Government Code.

Findings

1. Greyhound's present California intrastate mainline and local passenger fares and express rates (local and interline) were established August 8, 1977, pursuant to Decision No. 87632 issued July 19, 1977.

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

3. Greyhound estimates its proposed increase of 3.0 percent will generate additional net revenues of \$1,103,000.

4. Greyhound's adjusted California intrastate results of operations for a historical rate year ended 1977 reflect operating income (before taxes) of \$1,248,000.

5. The known labor cost increases for Greyhound's California intrastate intercity mainline operations (excluding local commute services) for the projected 1978 rate year amount to \$1,077,000.

6. To the extent that Greyhound seeks labor cost offset increases in fares and rates of less than 4.0 percent, the Commission staff recommends that the sought relief be granted.

7. Applicants' sought labor cost offset increases in California intrastate fares and rates have been shown to be justified.

8. The increase in rates to be authorized herein should be subject to the timely filing by applicant of an advice letter for a rate reduction based on the estimated 1978-79 ad valorem tax decrease. The 1978-79 estimate shall use the market values adopted by the County Assessor or the State Board of Equalization on or after May 24, 1978. The applicant should be directed to establish a tax initiative account pursuant to Commission OII 19, issued June 27, 1978.

Conclusions

1. The authority requested in Application No. 57966 for an increase in California intrastate passenger fares and express rates should be granted to the extent such increase does not exceed 3.0 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. Since the labor cost increases incurred by Greyhound have been in effect since February 1, 1978, the ensuing order should be made effective on not less than 20 days' notice.

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. 57966 to the extent such increase in fares and rates does not exceed 3.0 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. 57966 are authorized to increase their interline express rates by 3.0 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. Applicant is directed to establish a tax initiative account pursuant to Commission OII 19, issued June 27, 1978.

9. The increase in rates ordered herein is subject to the filing of an advice letter on or before September 23, 1978 requesting a rate reduction based upon the estimated reduction in ad valorem taxes on applicant's property as of July 1, 1978. In the absence of such a filing the rate increase hereby authorized shall automatically terminate on September 23, 1978. The rates

in effect immediately prior to the increase ordered herein shall apply thereafter and the applicant shall immediately file appropriate tariffs in compliance with General Order No. 79.

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

Dated at San Francisco, California, this 8th day of AUGUST, 1978.

Robert Bateman
President

Vernon L. Sturgeon
Charles P. Howell

Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dodrick, being necessarily absent, did not participate in the disposition of this proceeding.