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Decision No. 90740 AUG 28 1979

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 LINES, 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. 58347 (Filed September 11, 1978; amended January 11, 1979)

OPINION

Statement of Facts

The Greyhound Corporation is a holding company, owning stock and other securities in subsidiary and affiliated corporations. These subsidiary and affiliated companies are grouped for operational and financial purposes. The companies in the transportation group engage in regular route, charter, and tour intercity bus transportation, carrying passengers, baggage, packages, mail, and newspapers.

Greyhound Lines, Inc. (Greyhound), one of the wholly owned subsidiaries in the transportation group, operates regular route bus service in the 48 contiguous states, Alaska, and the District of Columbia, with extensions into Canada. In California, Greyhound operates intercity passenger and express service, transporting intrastate[1] and interstate[2] traffic, provides local commute and suburban service,[3] and offers statewide Class A charter-party carrier service.[4]

By this application Greyhound initially sought authority to increase passenger fares and freight rates, as well as interline express rates, 15 percent statewide to cover increased operating costs and to provide revenue levels sufficient to produce a reasonable level of return commensurate with Greyhound's capital investment and today's economy. Before the application could be acted upon, on October 24, 1978, the President of the United States directed his Council on Wage and Price Stability (Council) to issue voluntary standards for non-inflationary wage and price behavior.[5] Accordingly, on December 13, 1978 the Council published standards, setting up a price deceleration standard, and in the alternative for companies which cannot compute the average price change, or where uncontrollable price increases in goods and services bought are involved, a profit margin limitation. Seeking to conform to the President's guidelines, on January 11, 1979, Greyhound

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1/ Authorized by Appendix A to this Commission's Decision No. 55893 dated December 3, 1957 in Application No. 39394, as amended.

2/ Authorized by Certificate MC 1515 (Sub 7) issued by the Interstate Commerce Commission.

3/ Now reduced to Bay Area Peninsula Service: San Francisco-Mountain View, Santa Clara, San Jose, Cupertino, Saratoga, and Los Gatos, and East Bay Service: San Francisco-Vallejo.

4/ Authorized by Certificate No. TCP-12A issued by this Commission.

5/ Subsequently on December 26, 1978 the chairman of that Council asked the state regulatory bodies to apply the standards to the fullest extent possible. On January 30, 1979, this Commission by Resolution No. M-4704 resolved to support the program to the fullest extent possible.

filed an amendment to its application, adjusting its requested statewide increase in fares and rates downward to 13 percent. Greyhound estimates that a 13 percent statewide increase would generate an additional total revenue annually of $4,748,000; made up of $3,829,000 passenger revenue, and $919,000 express revenue, resulting in an 8.51 percent[6/] rate of return for California intrastate operations.

Operating costs not related to wage levels were last considered in depth by this Commission in Decision No. 80545 dated September 26, 1972 in Application No. 52591.[7/] Subsequent to that decision, additional statewide fare increases, primarily to offset increased wage costs, have been granted Greyhound as follows:

Decision No.	Application No.	% Incr.	Effective Date	Type Incr.
81647	53787	5.0	8/23/73	Labor
82540	54569	1.36	3/5/74	Fuel
83064	54569/54653	9.0	6/25/74	Labor
83777	54653	7.8	12/16/74	Labor
84717	55456	2.1*	8/13/75	Labor
85825	56073/55456	9.0	6/7/76	Labor
87632	56073/55456	5.2	8/8/77	Labor
89207	57966	3.2**	9/8/78	Labor

* Applicable only to local and suburban fares.

** Subsequently reduced to 2.3639 percent to "pass through" Proposition No. 13 savings, per CPUC order.

6/ A result which Greyhound points out is still substantially below the 10.5 percent rate of return on depreciated rate base found by this Commission to be reasonable in Decision No. 83777 dated December 26, 1974 in Application No. 54653.

7/ Our consideration therein resulted in increases being granted to Greyhound on its California intrastate mainline and commute fares and express rates (including intrastate interline express) in an amount required to produce a 7 percent rate of return on depreciated rate base.

While the labor and fuel offset increases granted by the Commission as set forth above have answered some of the specific economic problems encountered by Greyhound since Decision No. 80545, the company has received no general rate relief since 1972. Meanwhile, despite extensive sales and customer service programs, including the "Get in Touch With America" and "Say Hello to a Good Buy" programs in 1976 and 1977, employee training programs, and a continuous program of cost control, patronage (particularly the intrastate intercity passenger patronage which makes up the "bread and butter" of the operation) has declined significantly. California intrastate intercity passenger mileage, for example, declined 26.4 percent, from 764,024,000 miles in 1972, to 562,049,000 miles during the 12-month period ending June 30, 1978. Similarly, California intrastate intercity bus mileage declined 24.2 percent, from 34,979,000 miles in 1972 to 26,530,000 miles in the 12-month period ending June 30, 1978. In the intervening years since 1972 wage costs of supervisory employees, as well as operating costs not related to wage levels, have increased dramatically, and the difference between revenue and expenses in connection with Greyhound's California intrastate operations has narrowed. Presenting data which shows that total California operations for the 12 months ending June 30, 1978 produced an operating ratio (before taxes) of 97.1 percent, and a rate of return on depreciated rate base of only 4.19 percent, with California intrastate operations contributing a $185,780 operating income <u>loss</u> for this period, Greyhound asserts that in today's climate of increased costs and inflationary trends, its need for additional revenue from its California operations is critical. While package express and charter revenue[8] (both areas with growth potential as well as being areas able to withstand levels of rates designed to offset a greater share of operating expense) are relied on heavily to support regular route passenger revenue, the company must seek immediate rate relief, and accordingly asks for ex parte consideration and expeditious granting of the requested 13 percent relief set forth by this application. Greyhound's proposed increase, adjusted to 13 percent to comply with the Presidential Voluntary Guidelines, would affect its passenger fare and express rate structure as depicted below:

A - PASSENGER FARES - Mainline Mileage Scale

The present minimum fare of $0.60 was established in 1974. It is proposed that it be increased to $0.70 (13 percent adjusted to the nearest "0" or "5"). The minimum fare would be applicable, as now, between fare points that are 8 miles apart or less. The mileage scales from which mainline passenger fares are computed would be increased 13 percent. No change is proposed in previously authorized (Decision No. 89207) methods of constructing fares and rates. Mainline fare increases would be made effective by use of appropriate

8/ Greyhound conducts charter-party operations throughout California (See Footnote 4, supra). Although intrastate charter rates are not regulated, Greyhound publishes its rates in a tariff circular for uniform quotation by agents and to insure that the charges collected are compensatory. Each major component of its charter business, regular charter or SamTrans and Bart contract operations, makes its individual contribution, computed on an out-of-pocket basis, to the reduction of overhead. The importance of charter to intrastate operation rates can be readily seen by the fact that in 1979 Greyhound anticipates charter will contribute $2,070,742 (or 35.66 cents per charter mile) toward reduction of intrastate overhead.

conversion tables to be published in a special supplement.9/ A comparison of present and proposed mainline mileage scales follows for one-way passenger fares:

Miles		Rate Per Mile		
Over	But Not Over	Dec. No. 89207 Reduced per OH-19 9/28/78	Proposed Fare (13% Increase)	With No Fare Less Than Fare For
0	25	$.0760	$.0859	
25	50	.0709	.0801	25 Miles
50	100	.0670	.0757	50 "
100	150	.0612	.0692	100 "
150	200	.0585	.0661	150 "
200	250	.0570	.0644	200 "
250	300	.0559	.0632	250 "
300	400	.0546	.0617	300 "
400	-	.0535	.0605	400 "
Minimum Fare		$0.60	$0.70	
~~Round Trip~~		~~190%~~	~~190%~~	

9/ Greyhound asks for 8 months from the effective date of this order in which to revise tariffs. Most of Greyhound's California intrastate passenger fares are set forth in tariffs subject to conversion pursuant to authority granted August 8, 1978 in Decision No. 89207. New tariffs were to be issued by April 8, 1979. To avoid a double printing expense an extension to coincide with the above 8-month period is herein requested and will be granted.

B - PASSENGER FARES - Commute and Suburban Areas

As in the mainline group, the present minimum fare of $0.60 would be increased to $0.70, there would be no change in previously authorized methods of constructing fares, and it it proposed to use appropriate conversion tables to be published in a special supplement. The present 10-ride, 20-ride, and one-way single ride fares would be increased by 13 percent. Examples of present and proposed commutation and suburban fares follow:

ONE-WAY

Present	Proposed
$ .60	$ .70
.95	1.10
1.10	1.25
1.15	1.30
1.30	1.45
1.35	1.55
1.60	1.80
1.70	1.90
1.80	2.05
1.85	2.10
1.90	2.15
1.95	2.20
2.00	2.25
2.05	2.30
2.20	2.50
2.45	2.75
2.60	2.95
2.80	3.15
3.20	3.60
3.35	3.80
3.90	4.40

TWENTY-RIDE COMMUTATION

		Cost Per Ride #	
Present	Proposed	Present	Proposed
$15.93	$18.00	$ .796	$ .90
17.20	19.44	.86	.972
19.91	22.50	.995	1.125
26.45	29.89	1.322	1.494
27.31	30.86	1.365	1.543
30.38	34.33	1.519	1.716
31.80	35.93	1.59	1.796
32.43	36.65	1.621	1.832
32.78	37.04	1.639	1.852
34.43	38.91	1.721	1.945
36.43	41.17	1.821	2.058
38.45	43.45	1.922	2.172
41.47	46.86	2.073	2.343

TEN-RIDE COMMUTATION

		Cost Per Ride #	
Present	Proposed	Present	Proposed
$42.75	$48.31	$4.275	$4.831
49.90	56.39	4.99	5.639

Based on full usage.

C - EXPRESS RATES - Local, Interdivision, and Interline

Present rates would be increased by 13 percent, adjusted to the nearest "0" or "5", and the new express rates would also be utilized in constructing rates for packages shipped daily. The following named carriers, having a permanent concurrence on file with Greyhound for publication of joint tariffs, are parties to the proposed express rate increases on an interline basis: 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. Examples of various present and proposed express rates follow:

Where Mileage is			Not Over 2		Over 10 Not Over 20		Over 40 Not Over 50		Over 90 Not Over 100	
Over	Not Over	Scale	Present	Prop.	Present	Prop.	Present	Prop.	Present	Prop.
0	25	1	$2.45	$2.80	$2.60	$2.95	$3.20	$3.60	$ 4.40	$ 4.90
50	75	3	2.45	2.80	3.10	3.50	4.00	4.50	6.00	6.80
100	125	5	2.45	2.80	3.55	4.00	5.15	5.80	7.85	8.85
200	250	9	3.05	3.45	4.30	4.85	6.15	6.95	9.25	10.45
400	500	12	3.90	4.40	4.95	5.60	7.40	8.35	11.50	13.00

(Taken from Section D Rates)

Examples of rates on daily shipments follow:

Where Mileage is		Rates per Calendar Month	
Over	But Not Over	Present	Proposed
0	50	$29.40	$33.60
50	100	33.00	37.80
100	125	36.90	42.00
125	150	39.00	44.25
150	175	41.40	46.50
175	200	43.50	49.50
200	250	45.90	51.75
250	300	47.40	53.25
300	400	52.50	59.25
400	500	58.50	66.00

(Note: Shipments under this classification cannot exceed $1.00 in value or one pound per shipment, nor may there be more than one shipment per day between one specified origin point and one specified destination point.)

The instant application was filed September 11, 1978 and was listed on the Commission's Daily Calendar of September 12, 1978. There were no protests filed within the 30-day protest period provided under Rule 30 of the Commission's Rules of Practice and Procedure. The Commission, pursuant to Section 730.3 of the Public Utilities Code notified each state and local public agency and corporation operating a passenger transit system of the proposed rate increase, and solicited each one's analysis of the effect of the proposed rate increase on overall passenger transportation problems within the territory served by such system. Responses were received from the Board of Supervisors of the county of Tulare, the Placer County Department of Public Works transit manager, the general manager of Monterey Peninsula Transit, the director of the Kings County Regional Planning Agency, the vice-chairman of the North San Diego County Transit Development Board, and the manager of the Mendocino Transit Authority. Our consideration of these responses appears later herein under our Discussion of the issues. Several years ago for economy reasons the data processing section of the Commission dropped its statistical tracking program which included Greyhound. ~~and the Commission Transportation Division, post-Proposition No. 13, lacks staff to do a full allocation engineering economic study (as was done in 1972).~~ Accordingly, the staff recommended ~~ex parte~~ processing of the application with staff participation limited to testing the reasonableness of Greyhound's request. In mid-December Administrative Law Judge John B. Weiss, the assigned ALJ, after requesting additional data, advised Greyhound that the Commission probably would proceed without hearing ~~ex parte~~. Greyhound was also directed to post notices of the proposed increase in buses and terminals, and to publish this information in newspapers of general circulation in affected counties. This directive was followed.

In January 1979, well after the 30-day protest period provided by Rule 30, Trailways, Inc. (Trailways) and its subsidiary American Bus Lines, Inc., filed a letter with the Executive Director of the Commission opposing the Greyhound rate increase on grounds that: (1) the requested increase would create an "adverse image" which would tar Trailways with the same brush and discourage patronage; (2) the increase exceeded federal guidelines; and (3) increased revenues would enhance Greyhound's ability to continue domination of the California intercity motor coach market. Informed by the ALJ that the application was being processed ~~ex parte,~~ without hearing Trailways was told to furnish any data it possessed dealing with the rate of return issue central to the Greyhound case. In response Trailways advised that it did not propose to offer documentary evidence. Its primary interest, as expressed by its response, appeared to be to assure that Greyhound be required to apply any increase granted uniformly throughout its California system so as not to be able to use increased revenues to selectively destroy competition on competitive routes. We note that the issues of barriers to entry are part of the competitive posture questions involving Greyhound and Trailways being addressed in separate proceedings underway before ALJ Fraser in Applications Nos. 57939 and 57797, and we will not muddy those waters by expanding the issues into this proceeding. As will be noted later, the relief the Commission will authorize in this proceeding will be applicable across-the-board to all passenger and express fares and rates in California intrastate service. The basic issue in the instant proceeding is whether the resulting revenue levels provide a reasonable rate of return to Greyhound from its intrastate operations in California. For these reasons we have proceeded ~~ex parte~~ without hearing.

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Discussion

Using methods set forth in the Separations Manual 10/ (Manual) to make its allocations, for purposes of this application Greyhound developed operating results for its California intrastate operations for the 12-month period ending June 30, 1978, selecting this base (or historical) year because it was the last 12-month period for which complete data was available when the application was prepared. A recurrent problem over the past seven years has been the substantial operating loss incurred each year from unprofitable commute and suburban operations. But in recent years Greyhound has been successful in divesting itself of a substantial portion of this unprofitable service in the San Francisco Bay Area through substitution by transit district service or by means of executing operator contracts with the transit authorities. 11/ However, upon discontinuation of these Bay Area services, only avoidable costs were actually saved and other allocated costs which could not be translated into monetary savings therefore continue to be allocated according to the Manual. Nonetheless, a

10/ Greyhound's accounting exhibits submitted to justify California rate relief are prepared on the basis of a manual entitled "Separation and Allocation Procedures for Greyhound Lines" first adopted in 1961 and revised in 1971 to include all passenger stage corporations.

11/ Greyhound still provides a reduced service on the San Francisco Peninsula and between San Francisco and Vallejo. Operating results prepared for local or commute service are significantly affected by expense allocation methods. In California the Manual (see Footnote 10, supra) provides for separations and allocations on a "going concern" basis.

substantial portion of overhead expense formerly allocated to intrastate local operations is accordingly now charged to California interstate service.[12/] In 1974 losses incurred in local operations exceeded $2,400,000; in the year ending June 30, 1978 these losses had been reduced by about 60 percent, and Greyhound anticipates that in 1979 they will be down to about $600,000 (assuming the 13 percent revenue increase is granted).

A summary of operating results for this base year is set forth in Table A. As noted earlier, total California operations for this 12-month period resulted in a rate of return of 4.19 percent and an operating ratio of 97.1 percent. But California intrastate operations produced a rate of return of only 0.98 percent.

12/ For example, as late as 1975 overhead expenses of a fixed nature such as the real estate taxes on the San Francisco terminal and the terminal utility expenses (heat and light) were allocated 12 percent to California interstate accounts. Today the California interstate accounts are allocated 26 percent for these items.

A-58347

TABLE A
GREYHOUND LINES, INC. WESTERN DIVISION
STATEMENT OF OPERATIONS
FOR 12 MONTHS ENDED 6/30/78

	Greyhound Lines, Inc.	Total California	CALIFORNIA INTRASTATE Total	Intercity	Local
OPERATING REVENUES					
Passenger	$176,338,597	$62,142,861	$34,513,799	$33,496,808	$1,016,991
Charter	33,033,997	15,137,937	7,054,341	7,054,341	
Express	43,114,424	11,402,427	6,873,899	6,873,899	
Other	4,292,551	1,985,624	1,258,811	1,202,750	56,061
Total Operating Revenues	$256,779,569	$90,668,849	$49,700,850	$48,627,798	$1,073,052
OPERATING EXPENSES					
Equip. Maint. & Garage	$ 29,972,559	$11,796,965	$ 6,807,704	$ 6,552,506	$ 255,198
Transportation	93,384,237	32,623,518	17,950,971	17,040,446	910,525
Station	45,094,219	15,057,384	9,183,000	8,915,703	267,297
Traffic & Advert.	6,802,248	2,307,520	1,095,425	1,064,731	30,694
Insurance & Safety	9,682,677	3,183,533	1,741,808	1,687,902	53,906
Admin. & General	37,184,920	13,299,357	7,650,993	7,297,499	353,494
Depreciation	11,417,433	3,917,827	2,134,072	2,067,893	66,179
Oper. Taxes & Licenses	17,724,195	6,214,876	3,523,771	3,393,848	129,923
Oper. Rents	(44,118)	(330,207)	(201,114)	(198,273)	(2,841)
Total Operating Expenses	$251,218,370	$88,070,773	$49,886,630	$47,822,255	$2,064,375
OPERATING INCOME	$ 5,561,199	$ 2,598,076	$(185,780)	$ 805,543	$(991,323)
Fed. & State Income Taxes		742,000	(430,000)	96,000	(526,000)
Net Income After Taxes		1,856,076	244,220	709,543	(465,323)
Rate Base		44,254,646	24,797,981	24,202,075	595,906
Operating Ratio Before Taxes %		97.1	100.4	98.3	192.4
Operating Ratio After Taxes %		98.0	99.5	98.5	143.4
Rate of Return %		4.19	0.98	2.93	-

Selecting 1979 as test year for purposes of this application, Greyhound adjusted the components of its California Statement of Operations for the 12 months ending June 30, 1978 to reach a pro forma operating statement for 1979, showing all operating revenue annualized for increases previously granted during the historical or later period, and all operating expenses for the historical period adjusted for known increases and/or reductions.

The 1979 pro forma operating revenues take into consideration passenger and express increases in the amounts of 5.2 percent effective August 8, 1977, 3 percent effective September 7, 1978, and a decrease in the amount of .6361 percent effective September 28, 1978. Charter revenue reflects increases of 13.1 percent effective September 1, 1977 and 12 percent effective September 15, 1978, as well as a decrease of .6361 percent effective September 28, 1978, and the $241,078 SamTrans increase. The revenue adjustments attributable to Contra Costa operations, based on Greyhound's contract with Bay Area Rapid Transit (BART)[13] reflect contractual additional passenger revenue as well as a decrease for reduced mileage operated. These latter revenues are then reclassified as intercity operations under charter.

Individual operating expenses for the historical period were adjusted to obtain corresponding 1979 pro forma operating expenses, reflecting known increases and reductions in the following areas:

1. For additional commissions on revenue increases for passenger, express, and charter.

13/ Since November 1, 1978 Contra Costa commute service has been operated under contract with BART.

2. For known wage increases allocated under the Manual to California, by job classifications for drivers, station personnel, and office workers (under the terms of the 3-year Amalgamated Transit Union contract, including cost of living quarterly adjustments); maintenance workers (under the terms of individual garage labor agreements); and for salaried employees and supervisors for 1979 over the base year. (Average wage rates for the year ending December 31, 1979 were computed on the basis of existing labor contracts adjusted for the cost of living index as of September 15, 1977 and a subsequent 1.5 percent increase in the index per quarter.)

3. For the growth in pension costs computed by applying applicable pension rates to increased wages.

4. For increases in health and welfare costs mandated by a contractual increase in funding requirements.

5. For increased Federal Social Security taxes resulting from the increase in the maximum taxable wage to $22,900 from $16,500, and an increase in the tax rate to 6.13 percent from 5.85 percent.

6. For decreased property taxes under Proposition No. 13 (computed by calculating taxes for the test year based on actual tax bills for fiscal year 1978-1979, including an assumption that property values would increase at the maximum permissible 2 percent annually).

7. The elimination of Federal Excise Taxes (per Energy Tax Act of 1978) on sale of buses, and on fuel, oil, and tires effective April 20, 1978. (With consonant adjustment of rate base and depreciation expense on buses purchased within the affected period.)

8. For increases in fuel costs (obtained by applying the ratio of current diesel fuel cost to the average fuel cost in the historical year).

9. For the projected decrease in scheduled miles under the BART contract, reflected by a corresponding percentage reduction in operating expenses. (The adjusted revenues and expenses were reclassified as intercity "charter" operations.)

After making the above stated adjustments, a pro forma operating statement for test year 1979 at present fares and rates[14/] was presented as set forth in Table B below for California operations:

14/ The resulting table reflects also the inclusion of a 5 percent passenger and 10 percent express interstate increase applicable in California effective January 13, 1978 (the express increase was replaced by a 5 percent increase effective August 19, 1978).

A.58347

TABLE B

GREYHOUND LINES, INC.

Statement of Operations for 1979 at Present Fares & Rates

	Total California	CALIFORNIA INTRASTATE Total	Intercity	Local
OPERATING REVENUES				
Passenger	$62,806,782	$34,837,099	$34,324,890	$512,209
Charter	16,586,372	8,502,776	8,502,776	
Express	11,618,060	7,071,489	7,071,489	
Other	1,985,624	1,258,811	1,202,750	56,061
Total Oper. Rev.	$92,996,838	$51,670,175	$51,101,905	$568,270
OPERATING EXPENSES				
Equip. Maint. & Garage	$12,391,382	$ 7,135,366	$ 6,976,351	$159,015
Transportation	35,382,192	19,390,076	18,874,832	515,244
Station	15,989,904	9,794,594	9,594,086	200,508
Traffic & Advert	2,356,020	1,114,003	1,099,049	14,954
Insurance & Safety	3,188,893	1,740,838	1,709,432	31,406
Admin. & Gen.	14,209,669	8,147,799	7,935,808	211,991
Depreciation	3,908,552	2,124,797	2,083,342	41,455
Oper. Taxes & Lic.	5,800,518	3,273,656	3,197,791	75,865
Oper. Rents	(332,787)	(203,694)	(193,977)	(9,717)
Total Operating Expenses	$92,894,343	$52,517,435	$51,276,714	$1,240,721
Operating Income	$ 102,495	$(847,260)	$(174,809)	$(672,451)
Fed. & State Income Taxes	(541,000)	(750,000)	(406,000)	(344,000)
Net Income After Taxes	643,495	(97,260)	231,191	(328,451)
Rate Base	43,841,489	24,575,906	24,157,593	418,313
Oper. Ratio Before Taxes %	99.9	101.6	100.3	218.3
Oper. Ratio after Taxes %	99.3	100.2	99.5	157.8
Rate of Return %	1.47		.96	-

The above table shows that total California operations for 1979 at present fares and rates would produce an operating ratio after taxes of 99.3 and a rate of return on depreciated rate base[15/] of only 1.47 percent, with California intrastate operations, the area of our specific jurisdiction, producing a $847,260 operating loss for the year. But regulated public utilities such as Greyhound are constitutionally entitled to an opportunity to earn a reasonable return on their investment lawfully devoted to the public use, (Gen. Tel. Co. (1971) 72 CPUC 652) and failure to allow a fair return constitutes unjust confiscation. (Universal Transport System, Inc. (1969) 70 CPUC 138.) It is evident from the above indicated level of return that Greyhound is in need of and entitled to additional revenues for its California intrastate operations. In Decision No. 83777, dated December 26, 1974, in Application No. 54653, we determined under not dissimilar economic conditions that a 10.5 percent rate of return on depreciated rate base would be reasonable for Greyhound's California intrastate operations. In this proceeding Greyhound is requesting a 13 percent increase for passenger and express carriage. The following table, Table C, sets forth an estimated operating statement for test year 1979 which gives effect to the requested increase applied to California intrastate traffic:

15/ The rate base for test year 1979 was adjusted to reflect elimination of the Federal Excise Tax on the purchase of buses, retroactively applicable to April 1, 1977. Greyhound had purchased buses before final passage of the Federal Energy Act, capitalizing the 10 percent tax expenditure as part of the cost of the buses purchased. When subsequently the tax became refundable back to April 1, 1977, the effect was to reduce the cost of these buses and to lower the rate base approximately $220,000 on California intrastate accounts (out of the over $1,000,000 applicable to the Western Division).

A-58347

TABLE C

GREYHOUND LINES, INC.

Operating Statement for 1979 at Proposed
13% Increase in Passenger & Express Rates

	Total California	CALIF. INTRASTATE		
		Total	Intercity	Total
OPERATING REVENUES				
Passenger	$66,635,387	$38,665,704	$38,102,343	$563,361
Charter	16,586,372	8,502,776	8,502,776	
Express	12,537,354	7,990,783	7,990,783	
Other	1,985,624	1,258,811	1,202,750	56,061
Total Oper. Rev.	$97,744,737	$56,418,074	$55,798,652	$619,422
OPERATING EXPENSES				
Equip. Maint. & Garage	$12,391,382	$ 7,135,366	$ 6,976,351	$159,015
Transportation	35,382,192	19,390,076	18,874,832	515,244
Station	16,281,236	10,085,926	9,882,853	203,073
Traffic & Advert.	2,356,020	1,114,003	1,099,049	14,954
Insurance & Safety	3,188,893	1,740,838	1,709,432	31,406
Admin. & General	14,209,669	8,147,799	7,935,808	211,991
Depreciation	3,908,552	2,124,797	2,083,342	41,455
Oper. Taxes & Lic.	5,800,518	3,273,656	3,197,791	75,865
Oper. Rents	(332,787)	(203,694)	(193,977)	(9,717)
Total Operating Expenses	$93,185,675	$52,808,767	$51,565,481	$1,243,286
Operating Income	$ 4,559,062	$ 3,609,307	$ 4,233,171	$(623,864)
Fed. & State Income Taxes	1,726,000	1,517,000	1,836,000	(319,000)
Net Income After Taxes	2,833,062	2,092,307	2,397,171	(304,864)
Rate Base	43,841,489	24,575,906	24,157,593	418,313
Operating Ratio Before Taxes %	95.3	93.6	92.4	200.7
Operating Ratio After Taxes %	97.1	96.3	95.7	149.2
Rate of Return %	6.46	8.51	9.92	-

From Table C it can be seen that the resulting rate of return on depreciated rate base for total California operations, after addition of the 13 percent, increases to 6.46 percent on an after-tax operating ratio of 97.1. California intrastate operations, with an operating ratio after taxes improved to 96.3, would produce a rate of return of 8.51 percent, still below the 10.5 percent found reasonable in Decision No. 83777, but a rate of return which, in view of the restraints requested under the President's Anti-Inflationary Program, we will find reasonable herein.

We are also not unmindful of the responsibility placed upon us by the provisions of Section 730.5 of the Public Utilities Code to consider the effect of the proposed new fares on the acceptance of bus service to the public. When making this application, before the 1979 gasoline supply crisis broke, Greyhound estimated that a 13 percent increase would result in an overall traffic diversion of less than 2 percent. This, absent the fuel crisis, might well have been overly sanguine, especially when weighed against the record of steady year-to-year declines in mainline passenger mileage logged by Greyhound intrastate in California. However, the estimate in part was based upon a 1976 "Traffic and Diversion Study" done by our staff (see Exhibit No. 32 in Application No. 55131), and reflects the generally accepted conclusion that demand for bus transportation tends to be basically inelastic in relation to fare levels. While concerned with any patronage loss, Greyhound considers this potential 2 percent loss in ridership an unavoidable tradeoff to its basic necessity to insure its financial stability so that the company can continue to provide the traveling public with the benefits of a safe, dependable bus service on a scheduled basis, peak season and slow, over high traffic routes and sparse. We recognize that changed life styles and individual preference for the personal mobility provided by the passenger automobile, as well as the competition intercity of the airlines, have contributed in recent years to a lessened role for the intercity bus in the mainstream of American life. However, the stark facts of life in an era of decreasing petroleum supplies are just beginning to reintroduce our citizens to the vital and convenient service provided by the bus, and increasing numbers of travelers are and will be turning to this safe, reliable, and relatively economical transportation mode for more and more of their travel needs. Financially sound, innovative, creative, and well-managed bus companies ready and able to furnish quality transportation service are essential in these troubled days. The transportation industry has no immunity from the cost pressures that besiege all of us, and they must recover their costs and obtain a fair and reasonable return on investment if they are to continue to provide essential service. Certainly, from the above, it appears clear that a 13 percent increase in mainline and local fares and in express rates would not provide excessive earnings for the applicant's California intrastate operations under today's economic conditions.

As noted earlier, pursuant to the requirements of Section 730.3 of the Public Utilities Code we notified state and local public agencies and corporations operating passenger transit systems of the proposed rate increase and solicited their analysis of the potential effect on overall transportation problems within their territory. The responses received are summarized below:

1. Tulare Board of Supervisors - Urged full consideration of Proposition No. 13 property tax reductions.
2. Placer Public Works - No negative impact on its Mini-Bus System, but could substantially affect elderly fixed-income riders.

3. Monterey Peninsula Transit - No significant impact.
4. Kings County Regional Planning - Regrets any increases as could affect low income persons' ability to utilize.
5. North San Diego County Transit Development Board - Reasonable rate of return is proper, but expects Greyhound to "demonstrate a similar and reciprocal spirit of cooperation" when needed in the future.
6. Mendocino Transit Authority - Deny application as maybe Proposition No. 13 savings would offset need.

As required under the Public Utilities Code we have considered these responses in arriving at our determination on this application. We have also considered the half dozen letters from concerned citizens, all in opposition. At the onset it must be noted that Proposition No. 13 savings by Greyhound were previously reflected in an offset of 0.6351 percent ordered by the Commission to pass through Greyhound's Proposition No. 13 tax savings. This offset was included in the provisions of Decision No. 89207 effective September 8, 1978 in Application No. 57966. The concern expressed over the resultant hardship to some people in any increase is a concern shared by this Commission, but it is also clear that the carrier cannot be expected to assume the burden of subsidizing transportation for a class of people, however deserving. If this is an obligation it rightfully belongs to all society. ~~Section 453 of the Public Utilities Code provides that no preference or advantage as to rates or charges shall be extended to any person. While the Legislature has seen fit to provide for a "lifeline" exception applicable to gas and electric utilities, and deemed necessary for essential human needs, there is no such legislative authorization for a similar exception for bus transportation.~~ We would also observe, in a different but related issue, that Trailways' appropriately expressed concerns are met as the increase will also be uniformly spread over all California intrastate regulated passenger traffic.

KJ

Greyhound's commitment to its obligations as the primary California intrastate bus operators is evidenced by its announced plans to aggressively revitalize its quality image. It has announced plans to build a major new bus terminal in San Francisco; it is adding more of the new MC-9[16] intercity buses to its California licensed fleet; it has reduced "down time" of its equipment by changing maintenance responsibilities, and it has instituted quality assurance efforts to spot-check buses and terminals in support of its 1979 advertising program promise of "Go Greyhound and leave everything to us!" It has taken steps in the direction of incentive pricing adapted to intrastate travel, including the "California Pass", a planned "California Midweek Pass", and experimental "energy saver" fares - keeping in mind always its need to attract new riders who can be encouraged to leave their cars at home. At the same time through its continuous program of cost control it diligently is trying to hold the line on costs.

Early in the proceeding the ALJ directed the applicant to produce information to assist in determining whether Greyhound's California intrastate charter operations were returning more than mere out-of-pocket costs to perform the service. Past Commission decisions have included charter operations in test year California intrastate operating results, and Greyhound's revenue needs were determined on the basis of the inclusion of charter operations. The Manual adopted in Decision No. 79368 in Case No. 9168 includes charter operations under California intrastate mainline

16/ Also known as the "Americruiser 2".

operations. In response to the ALJ's direction, the company prepared a 1979 projection showing in detail out-of-pocket costs, account by account. The projection shows that each of the major charter business components, regular charter, SamTrans operations, and the BART Contra Costa contract operation, will make a contribution above and beyond out-of-pocket costs. In 1979 these contributions are respectively estimated to be $1,439,999, $489,413, and $141,330. For regular charter operations the full amount allocated to the various accounts under the Allocations Manual was used in determining these out-of-pocket costs. On the other hand for the SamTrans and BART services, wage and other costs for the most part reflect actual expenditures.[17/] The table below shows projected 1979 charter operations applicable to California intrastate operations:

GREYHOUND LINES, INC., WESTERN DIVISION

California Intrastate Charter Operations - Projected 1979

		Amount	Cents/Mile
Bus Miles Operated	5,806,674		
Operating Revenues		$8,505,824	146.48
Out-of-Pocket Costs			
Maintenance		776,486	13.37
Transportation		3,964,946	68.28
Station		229,075	3.95
Traffic & Advert.		6,482	.11
Insur. & Safety		213,762	3.68
Admin. & General		914,814	15.76
Oper. Taxes & Licenses		315,465	5.43
Oper. Rents		14,052	.24
Total Out-of-Pocket Costs		$6,435,082	110.82
Contribution to Reduction in Overhead		$2,070,742	35.66

17/ The costs of drivers, mechanics, dispatchers, etc., used in the latter services were computed using prevailing wage rates and applicable benefits, taxes, etc. The costs of fuel and oil were allocated on the basis of the Manual. The cost of tires was based on mileage costs determined for the type bus used.

(It should be noted that the above-stated out-of-pocket costs include all known applicable increases for the test year while charter revenues were determined at current rate levels.) From the foregoing the significant contribution to reduction of intrastate mainline overhead is apparent.

As the heading of this application denotes, Greyhound was joined by six interlining passenger stage carriers in its request for a 13 percent increase in intrastate express rates applicable to interline express shipments which move, in part, over the route or routes of Greyhound, and, in part, over the route or routes of one or more of these passenger stage corporations. Greyhound asserts that the 13 percent increase from the interline express rates will not have a significant effect on the gross revenue of these carriers, that the precise amount can only be determined by special detailed studies, but based upon available information, Greyhound believes it will increase total gross revenues of the six named carriers approximately $26,000 annually. In view of the minimal nature of the increased revenues to the six carriers, these carrier-applicants ask, and the Commission will grant, their request made pursuant to Rule 87 of its Rules of Practice and Procedure, to waive the informational requirements of Rule 23. Greyhound, on its own behalf, has complied with the requirements of Rule 23.

Finally, we have examined the proposed 13 percent increase for compliance under the general thrust of the provisions of the President's Anti-inflationary Program. We note that in some instances the President's Council on Wage and Price Stability (Council) has recognized that some companies may face special circumstances which would make application of either the price deceleration standard or the profit margin limitation standard inequitable, and has granted exceptions accordingly. Generally, some of these involved situations where the companies were subject to the restraints of governmental regulatory bodies and where application of rigid formulae would threaten the viability of the company.18/ In such circumstances the Council has left it up to the regulatory body involved to make appropriate modification of the Council's guidelines or to adopt its own procedures to obtain restraints while still providing the relief necessary to avoid injustice to the applicant.

Greyhound, a regulated common carrier in California, cannot increase its fares and rates at will, or unilaterally reduce its service to meet cost pressures. Furthermore, despite its stated efforts over recent years to stem the losses, it has incurred a declining patronage to automobiles and airlines in its intrastate intercity traffic, while inflationary pressures have forced wage and operating costs ever upward. In part, these upward pressures have been met by our interim orders

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18/ See Teleprompter Manhattan Cable TV (Dec. 5/22/79). In that instance the Council determined that the circumstances did not fit its standards and that the appropriate rate relief applicable would best be left to the judgment of the state regulatory body. In Teleprompter the company had no appropriate base year data, was operating at a loss, and had had no rate increase for a long time. Having made a substantial investment in cable TV hookups, it was finally in a position to market its heavy investment. The Council determined that the company should not be hampered in gaining viability by close rate restraints.

granting labor and fuel offset increases, but the difference between intrastate revenue and expense has narrowed until California intrastate operations contributed an operating loss for the 12-month period ending June 30, 1978. Nonetheless, to the extent it proves rational, we will subject Greyhound's instant application to the tests of the guidelines provided under the Anti-inflationary Program. As set forth herein, this is what we have done.

Since Greyhound does not maintain statistical records of sufficient depth to economically permit the calculation of an average price charge,19/ we could not apply the average price level test of the guidelines, but necessarily turned to the provisions of the Council's alternative test under the profit margin limitation approach. Under the circumstances attendant here this latter test essentially requires that (1) the profit margin for the test year must be no larger than the average, or the best two out of the last three fiscal years prior to October 2, 1978, and (2) the test year profit anticipated must not exceed the base year profit by more than 6.5 percent plus any percentage growth in physical volume from the base year to the test year.

19/ Greyhound does not maintain summary records of passenger, express, and charter sales by origin and destination. Such a summary of actual millions of transactions, even were the detailed records available, is at this point economically not feasible.

During the three fiscal years completed prior to October 2, 1978, Greyhound achieved profit margins of 4.15 percent, 3.23 percent, and 4.13 percent (respectively for the fiscal years ending September 30, 1976, 1977, and 1978) on bus operations nationwide including charter. Thus, its profit margin limitation (the arithmetic average of the highest two) applicable herein would be 4.14 percent.

From Table C above, we note that California Intrastate Operating Results, including the proposed 13 percent increase, would produce an operating ratio before taxes of 92.4 percent and a profit margin for the test year of 6.4 percent. This would exceed the 4.14 percent limitation. For this testing purpose, however, Greyhound asserts that those figures are not reflective of the actual results which will be attained for 1979. Greyhound asserts that based upon its analysis of actual operating results to be anticipated, the 13 percent increase produces a result within the profit margin limitation. Its analysis necessarily involves the injection of certain "inflationary expectations" not normally permitted in regulatory accounting procedures. Using as its base, the results actually achieved for the 12-month period ending June 30, 1978, to project results to be actually expected for year 1979, it makes the following adjustments to the base year results:

1. To the $49,701,000 June 30, 1978 operating revenue base, it added the $1,696,000 of revenue it anticipated would be forthcoming from previously

authorized increases in fares and express rates, and the $4,245,000[20] anticipated out of the 13 percent increase requested by this application. The base plus these adjustments produce total anticipated actual 1979 revenues of $55,915,000.

2. To the $49,887,000 June 30, 1978 operating expense base, it added the $2,630,000 in net additional expenses which will derive from the additional commissions on previously authorized fare and rate increases, known increases on wages, pensions, health and welfare, and Social Security taxes, and the fuel cost adjustment, and it applied reductions derived from Proposition No. 13 tax reductions, the eliminated Federal Excise taxes, and the Contra Costa adjustment for reduced mileage operated. Then, Greyhound added an item of $260,000 representing commissions which would be payable on the 13 percent increase herein requested; the requested amount representing 10½ months in 1979 (see Footnote 19). Next, a total of $818,000 was added in additional adjustments to operating expense items as follows: recognizing the prospective effect of inflation on certain June 30, 1978 expense items, Greyhound applied percentage inflation factors to these expense items to project them through 1979 realistically. For tires and tubes, light, heat, water and power, insurance, ticket stocks and other supplies, station expense and repairs, and "other" expense, it applied an inflation factor of 7 percent compounded. On the same rationale for fuel costs, it (pre-1979 fuel crisis) applied an inflation factor of only 6.5 percent compounded.

20/ This $4,245,000 represents a pro rata share of the total $4,748,000 annualized 13 percent increase. In that Greyhound had anticipated that the increase would be approved and effective by February 15, 1979, they used 10½ months of the increase.

> For advertising it merely adopted its full actual budgeted amount. The base plus the above enumerated operating expense adjustment amounts produce total test year 1979 operating expenses anticipated at $53,595,000.

From these projected operating revenues and expenditures, based upon anticipated actual results for calendar year 1979, Greyhound forecasts an operating profit before taxes of $2,320,000. This result would provide an operating ratio before taxes for California intrastate operations of 95.85 and a profit margin of 4.15. These results are set forth below in table form:

TABLE D

GREYHOUND LINES, INC.

Projected California Intrastate Operating Results
(Dollars in Thousands)

	12 Mos. Ending 6/30/78	Rate Year 1979	Operating Year 1979 (Projected Results) Adjustments	Total
Operating Revenues				
Total Oper. Revenues	$49,701	$49,701	$ -	$49,701
Known Increases	-	1,969	-	1,969
Proposed 13% Incr.	-	4,748	-	4,245*
Total Revenues	$49,701	$56,418	$ -	$55,915
Operating Expenses				
Total Oper. Expenses	$49,887	$49,887	-	$49,887
Known Exp. Increases	-	2,630	-	2,630
Comm. on Prop. 13% Incr.	-	291	-	260*
Projected Inflat. Increases				
Tires & Tubes	-	-	91)	
Fuel	-	-	206)	
Lt., Ht., Wtr. & Pwr.	-	-	52)	
Insurance	-	-	112)	
Ticket Stock & Other Supplies	-	-	55)	818
Station Expense & Repairs	-	-	83)	
Other	-	-	130)	
Advertising	-	-	89)	
Total Expenses	$49,887	$52,808		$53,595
Operating Profit	$ (186)	$ 3,610		$ 2,320
Profit Margin		6.4		4.15

(Red Figure)

* It was assumed that the requested increase would become effective as of 2/15/79.

As Greyhound points out, these projections were made in anticipation that the 13 percent increase would become effective February 15, 1979. Obviously, it did not. The delay serves to lessen the prospective profit margin, bringing it further below the 4.15 percent projected in Table D and therefore within the 4.14 percent limitation of the Guideline standards. In addition, it must be noted that the fuel inflation factor originally used by the applicant in its application filed before the 1979 fuel crisis is, in retrospect, grossly inadequate. Were we to apply the same 7 percent compounded factor to fuel that the applicant used in Table D to certain other expenses, the $2,122,085 base year fuel component would increase $234,000 instead of the more modest $206,000 increment used by Greyhound (and in light of the 1979 fuel crisis developments even this 7 percent factor would be very conservative). However, passing the $28,000 difference ($234,000 - $206,000 = $28,000) through operating expenses serves to reduce the operating profit and would produce a profit margin of 4.10 percent, well within the 4.14 percent Guideline limitation applicable to Greyhound. Within the limited considerations involved in the voluntary Anti-inflationary Program we must be flexible in methodology. We believe that there is merit to the applicant's inclusion of these inflationary expectations in its ancillary projections made herein to determine the profit margin which reasonably can be anticipated for 1979 and which would be appropriately applicable in measuring compliance with anti-inflationary guidelines. Accordingly, we accept the projections and their attendant justifications for this limited purpose and conclude that the applicant's projected 1979 profit margin will be within the profit margin historical limitation of the first phase of the test.

However, when we turn to the second phase of the profit margin test, the margin of the test year gain over the base year, we meet a problem. In the base year applicable here, 1978, Greyhound's California intrastate operations were performed at a loss of $185,780. Furthermore, there was no gain in physical volume 1979 over 1978 (i.e., passenger traffic volume). ~~Strict application of the Council's standard~~ would mean that any betterment in Greyhound's results could not exceed a 6.5 percent backoff from the $185,780 loss incurred in 1978. But a public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties. (San Diego Gas & Elec. Co. (1972) 74 CPUC 93, quoting Bluefield Water Works & Imp. Co. v West Virginia Pub. Serv. Comm'n. (1923) 262 U S 679, 43 S Ct. 675, 67 L Ed 1176.)

The applicant has a constitutional right to earn a reasonable return on its rate base. In past proceedings, under similar difficult days and straitened circumstances (See Decision No. 83777 dated November 16, 1974 in Application No. 54653), we determined that a rate of return of 10.5 percent was reasonable for this operation. The projected 13 percent rate increase will provide an 8.5 percent rate of return - less than that previously found reasonable. Here again we conclude that in the spirit of Teleprompter (See Footnote No. 18) strict application of the Council's standard would impair the viability of the applicant's operations, and that the voluntary standards must therefore yield to our statutory and constitutional duty to provide no limitation less than a reasonable rate of return.

In summary on this final issue, we find that granting the 13 percent increase requested would be in general conformity with the overall objectives of the President's Anti-inflationary Program.

In view of the demonstrated urgent need for rate relief, this increase will be authorized to be effective the date of issuance of this order.

Findings of Fact

1. Greyhound's present California intrastate passenger fares and express rates (local and interline) were established September 7, 1978, pursuant to Decision No. 89207 issued August 8, 1978.

2. However, Greyhound's operating costs not related to wage and fuel costs were last considered in depth in Decision No. 80545 dated September 26, 1972.

3. Greyhound has incurred cost increases in the intervening period since 1972 which have not been fully reflected in its current level of fares and express rates.

4. Results of operations for a 12-month period ending June 30, 1978 were presented by Greyhound to reflect results for its most recent 12-month period prior to submission of this application. These results are set forth herein as Table A.

5. The results of operations set forth herein as Table A representing Greyhound's California intrastate revenues, expenses, operating income, rate base, operating ratio, and rate of return show that Greyhound's California intrastate operations for the 12-month period were conducted at a loss of $185,780.

6. Greyhound presented estimated results of operations at presently authorized fares and rates for a test year ending December 31, 1979. These estimated results are set forth herein as Table B, and give effect to known increases and/or reductions and shifts in operating revenues and expenses, including the effect of Proposition No. 13's decreased property taxes and diminished commute operations.

7. The data contained in Table B indicates that Greyhound's California intrastate operations if conducted at presently authorized fares and rates will again produce an operating loss, estimated to be $847,000, and would produce an operating ratio after provision for income taxes of 100.2 percent. This indicates that Greyhound is in immediate need of additional revenues for its California intrastate operations.

8. By the instant application filed on September 11, 1978 and amended on January 11, 1979, Greyhound seeks as relief an increase of 13 percent in passenger fares and express rates (local and interline); an increase sufficient to provide gross revenues on its California intrastate operations to yield a rate of return on depreciated rate base of 8.51 percent for the test year ending December 31, 1979.

9. Greyhound presented results of operations for test year 1979 giving effect to the proposed 13 percent increase applicable to California intrastate operations. These results appear to reasonably represent Greyhound's California intrastate operations projected for test year 1979 and are set forth herein as Table C.

10. The estimated results of operations set forth in Table C giving effect to the 13 percent increase show that Greyhound's California intrastate operations for test year 1979 would show an operating income of $3,609,307, and after provision for income taxes, produce an operating ratio of 96.3 percent, and a rate of return on depreciated rate base of 8.51 percent.

11. The rate of return of 8.51 percent sought herein would not result in excessive earnings for Greyhound's California intrastate operations, inasmuch as this 8.51 percent rate of return is lower than the 10.5 percent rate of return previously found reasonable by the Commission in Decision No. 83777 dated November 26, 1974 during a period of similar cost and economic concerns as those prevailing today.

12. The increased fares and express rates necessary to produce a 8.51 percent rate of return are justified, and said fares and express rates will be just and reasonable. Increased interline express rates on the same level as increased local express rates are justified and will be just and reasonable.

13. Greyhound produced data to show that its California intrastate charter operations are returning more than mere out-of-pocket costs to perform the service, and that charter makes a substantial contribution to offset intrastate operations overhead expense. These data are set forth in tabular form herein.

14. Within the context of Sections 730.3 and 730.5 of the Public Utilities Code, a 13 percent passenger fare increase has not been shown as likely to have any significant effect upon overall transportation problems within the territories served by passenger transit systems and Greyhound, nor has it been shown that such a fare increase would significantly affect public acceptance of Greyhound's transportation service.

15. Notice of filing of the instant application appeared in the Commission's Daily Calendar September 12, 1978. No protests were received. After ~~ex parte~~ consideration and preparation of a decision had commenced, by letter dated January 16, 1979, Trailways objected to granting of the requested increase. Although offered opportunity to do so, Trailways advised it had no evidence to introduce. Collateral issues raised by Trailways are being considered elsewhere. Accordingly, public hearing herein is unnecessary. djl

16. In that for apparently prudent cost reasons Greyhound cannot maintain statistical data of sufficient depth to permit the calculation of average price charges, the provisions of the alternate profit margin limitations test must be used to measure Greyhound's compliance with the President's Anti-Inflation Program.

17. The 13 percent passenger fare and express rate increases requested by Greyhound would be in general conformity with the overall objectives and approved exceptions of the President's Anti-inflationary Program.

Conclusions of Law

1. The 13 percent increase in passenger fares and express rates (local and interline) requested by the applicants should be granted.

2. The requested waiver of Rule 23 of the Commission's Rules of Practice and Procedure by all applicants other than Greyhound relative to the increases authorized in interline express rates should be granted.

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

4. Pending the reissuance of passenger tariffs containing fares on a point-to-point basis, Greyhound should be authorized to place into effect the increases authorized herein by use of conversion tables. The authority on an interim basis to use such conversion tables should expire eight months after the effective date of the order herein.

5. Long- and short-haul relief from the provisions of Sections 461.5 of the Public Utilities Code necessary to establish the increased passenger fares and express rates should be authorized.

O R D E R

IT IS ORDERED that:

1. Greyhound Lines, Inc. (Greyhound) is hereby authorized to establish the increases in its California intrastate passenger fares and express rates proposed by Application No. 58347, as amended, to the extent such increases in fares and rates do not exceed 13 percent, and minimum one-way fares applicable between fare points that are eight miles apart do not exceed 70 cents. When computing the increased fares and rates authorized herein, Greyhound's 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 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, and all other tariff changes previously authorized by prior orders, are republished within eight months after the effective date of this order to eliminate the use of the aforementioned conversion tables.

3. Greyhound and the other applicants named in the heading to this decision and order are authorized to increase their interline express rates by 13 percent as set forth in paragraph 1. The requested waiver of Rule 23 of the Commission's Rules of Practice and Procedure by all named applicants herein other than Greyhound 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.

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6. In addition to the required posting and filing of tariffs, Greyhound 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.

The effective date of this order is the date hereof.

Dated AUG 28 1979, at San Francisco, California.

John E. Bryson
President

Commissioners

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