

ORIGINAL

Decision No. 24450

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
TANNER MOTOR TOURS, LTD., for an
order authorizing applicant to in-
crease certain rates.

Application No. 24450

In the Matter of the Application of
TANNER MOTOR TOURS, LTD., and of
GRAY LINE MOTOR TOURS CO., for an
order authorizing applicants to in-
crease certain rates.

Amended
Application No. 24450

TUDOR GAIRDNER, for Applicant,
A. N. DAVIS, for Pacific Greyhound
Lines, Interested Party,
J. W. O'DAY, for California Parlor
Car Tours Co., Interested Party.

BY THE COMMISSION:

O P I N I O N

Tanner Motor Tours, Ltd., filed the above entitled appli-
cation requesting an order from this Commission authorizing an
increase in fares on three of its presently operated sightseeing
tours.

A public hearing on this application was held before
Examiner Gorman, at Los Angeles, on October 3, 1941, at which time
the matter was duly submitted and it is now ready for decision.

Tanner Motor Tours, Ltd., operates thirteen regular sight-
seeing tours and approximately twenty seasonal tours throughout
Southern California and between Southern California and points of
interest in other parts of California.

Applicant proposes to increase fares on the following tours:

<u>Tariff</u> <u>C.R.C. No. 11</u>	<u>Description</u>	<u>Present</u> <u>Fare</u>	<u>Proposed</u> <u>Fare</u>
Tour No. 2	Los Angeles-Pasadena	\$1.50	\$2.00
Tour No. 5	Motion Picture Studios Tour	4.00	4.75
Tour No. 6	Los Angeles-Hollywood- Beverly Hills and Beaches	2.25	2.50

Applicant's representatives testified that the three tours involved constitute the backbone of applicant's sightseeing operation; that the three tours are the most popular, most widely advertised and possess the greatest demand on the part of the sightseeing public of all the tours operated; that the volume of passengers carried on said tours far exceeds in number those carried on all the other tours combined; that the sightseeing business is highly seasonal, however, it is necessary for applicant to continue its operations throughout the year and that it is necessary to maintain sufficient trained personnel and equipment at all times so as to efficiently accommodate the peak loads during the heavy travel period.

Applicant further alleged that operating costs have increased materially during 1940 and 1941; that operating costs are continually increasing; that effective January 1, 1940, the City of Los Angeles required applicant to pay substantial license fees, which fees were not theretofore required; that drivers' wages were increased 10 per cent as of January 1, 1941; that gasoline, tires, repairs, and other operating costs have increased substantially during 1941; that applicant has recently executed a new contract with its drivers whereby drivers' wages have been increased 45 per cent on Tours 2 and 6, and 27 per cent on Tour No. 5, and that applicant anticipates an immediate increase of approximately 25 per cent in the wages paid

utility men, garage, and other employees.

The financial results of operation for Tanner Motor Tours, Ltd., for the period January 1 to June 30, 1941 are as follows:

GROSS REVENUE \$117,758.

OPERATING EXPENSE

Direct Operating Expense.....	\$45,778.	
Indirect " "	51,703.	
Administrative "	14,911.	
Depreciation.....	12,835.	125,227.

NET INCOME (\$ 7,469.)*

* () = Red Figure

Included in the above operating expenses is an amount of \$1,494. for various dues and donations, and an amount of \$991. for maintenance and depreciation of applicant's yacht. Applicant contended that the expenditure for dues and donations was essential to its business and likewise the expenditure for maintenance of a yacht was necessary, inasmuch as the yacht was used for entertaining Commission agents from various parts of the United States and foreign countries. Inasmuch as the operating statistics show that the applicant is operating at a loss of more than \$7,000. it is not necessary at this time to make a definite determination as to whether or not any part or all of the above two items should be properly included in operating expense.

Applicant estimates that unless some relief is granted by means of increased rates, the net loss for 1941 will amount to \$22,000.

The record shows that the proposed increase in rates will provide a maximum increase in revenue as follows:

	<u>Annual Increased Revenue</u>
Tour No. 2	\$ 3117.
Tour No. 5	5300.
Tour No. 6	<u>5214..</u>
Total Annual Increase	\$13,631.

Applicant's Assistant General Manager alleged that the estimated increase in revenue was based on the assumption that the same number of passengers utilizing these three tours during 1940 and 1941 would be transported during 1942, however, he was of the opinion that the estimated increased revenue would not be materialized in 1942 due to a reduction in the number of sightseeing patrons who would patronize these tours as a result of world war conditions and the National emergency.

Prior to 1932 applicant maintained the following fares on the three tours involved:

Tour No. 2	\$2.00
Tour No. 5	6.00
Tour No. 6	2.50

As a result of the business depression, applicant reduced, during 1932, the fares on these tours to the present level and at the same time reduced the length of Tour No. 5.

The undepreciated book value of the physical properties of Tanner Motor Tours, Ltd., as of June 30, 1941 is as follows:

Automobiles	\$ 934.60
Busses	286,341.95
Furniture & Fixtures	3,172.91
Tools & Equipment	7,191.08
Grandstand	<u>280.00</u>
Sub-Total	\$297,920.54
Yacht	<u>7,540.00</u>
TOTAL:	\$305,460.54

It may be readily seen that applicant's rate base would be in excess of \$300,000. when proper allowance had been made for working cash capital and materials and supplies.

Assuming that applicant was successful in securing the maximum increase in revenue, the earning would still be less than sufficient to meet a reasonable return upon the rate base.

Subsequent to submission of this matter, an amended application was filed, on October 30, 1941, in which Gray Line Motor Tours Co. ⁽¹⁾ requested authority to increase rates on two of its tours. Gray Line operates two tours, (1) Los Angeles-Pasadena, and (2) Los Angeles-Hollywood-Beverly Hills and Beaches, which are identical to Tours Nos. 2 and 6 of Tanner Motor Tours, Ltd.

The present and proposed rates of Gray Line for the two tours herein involved are as follows:

<u>Tariff C.R.C. #3</u>	<u>Present Fare</u>	<u>Proposed Fare</u>
Tour No. 1	\$1.50	\$2.00
Tour No. 4	\$2.00	\$2.50

This Commission by its Decision No. 22585, dated June 25, 1930, on Application No. 16648 approved an operating agreement between Tanner Motor Livery (now Tanner Motor Tours, Ltd.) and Gray Line Motor Tours Co., which agreement provided in substance that on any given day on which the sales of tickets by both companies do not justify the operation of cars by both companies, the sightseers may be transported on the equipment of either company, thus permitting one of the companies to cancel its scheduled trip in favor of the company selected to perform the service.

(1) Hereinafter referred to as Gray Line.

Under this operating arrangement, the rates of both companies for identical tours should be the same, otherwise discrimination would result therefrom.

Applicant introduced evidence at the hearing on the original application with respect to the financial results of operation of Gray Line; all of the capital stock of which is owned by Tanner Motor Tours, Ltd.

The financial results of operation of Gray Line Motor Tours Co. for the period January 1 to June 30, 1941 are as follows:

GROSS REVENUE.....\$16,468.

Operating Expense

Direct Operating Expense.....	\$6371.	
Indirect " "	7560.	
Administrative "	2832.	
Depreciation.....	1316.	18,079.
		<u>18,079.</u>

(\$ 1,611.)*

* () = Red Figure

The undepreciated book value of the equipment of Gray Line as of June 30, 1941 was \$74,488.

The amount of increased revenue which would result from the proposed increase in fares for Gray Line is included in the amount shown above for Tours Nos. 2 and 6 of Tanner Motor Tours, Ltd.

Applicants aver that they have attempted to effect economies wherever possible but were unsuccessful in reducing operating costs to the extent that increased rates would be unnecessary and that to derive the necessary revenue by increasing rates on tours other than those proposed would make the rates of these tours too high and unreasonable.

The record shows that applicant's representatives have contacted numerous passengers utilizing the tours involved, as well as travel agents, ticket sellers, hotel representatives, sightseeing

representatives and hotel and resort operators as to the advisability of increasing the fares as proposed and received from each one contacted favorable reaction.

Six witnesses representing travel agencies, etc. testified that in their opinion the rates proposed were lower than the rates charged for similar tours in other cities and that the sightseeing public would not object to paying higher rates for the tours involved.

After carefully considering all of the evidence in this proceeding we are of the opinion and hereby find that the increases in rates proposed by Tanner Motor Tours, Ltd., and Gray Line Motor Tours Co., are justified and should be authorized.

O R D E R

A public hearing having been held in the above entitled matter, and the Commission being fully apprised of the facts,

IT IS HEREBY ORDERED that Tanner Motor Tours, Ltd., and Gray Line Motor Tours Co. be and they are hereby authorized to establish, on not less than ten (10) days' notice to the Commission and to the public, the passenger fares proposed in the above entitled amended application.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become null and void if not exercised within sixty (60) days from the date hereof.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 25th day of
November, 1941.

[Signature]
W. R. Rice
Justice J. Coe
Francis D. Haven
[Signature]
Commissioners.