

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Tanner Motor Tours, Ltd. for permission
authorizing applicant to increase
certain rates.) Application No. 27217

In the Matter of the Application of
Tanner Motor Tours, Ltd., and Gray Line
Motor Tours Co. for permission author-
izing applicants to increase certain
rates.) Application No. 27913

Appearances

Tudor Gairdner, for applicants.

K. L. Vore, for the Los Angeles Chamber of Commerce;
C. O. Burgin, for the Office of Price Administration;
and A. R. Bannister and Faye A. McElroy, for Mac's
Auto Tours, all interested parties.

O P I N I O N

Tanner Motor Tours, Ltd., and Gray Line Motor Tours Co. are corporations engaged in the business of providing sightseeing and other passenger transportation services by motor bus, principally within southern California. By these applications they seek authority to increase certain fares.

Public hearings were had before Examiner Bryant at Los Angeles on November 6 and 7, 1946, and the matters are ready for decision.

The record shows that the two applicant companies offer a specialized, de luxe type of transportation service. Sightseeing tours, although operated throughout the year, are patronized principally during the summer months when tourist travel is at its peak. The two companies maintain several identical tours, but avoid duplicate service by using vehicles interchangeably under an agreement hereto-

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fore approved by this Commission.¹ Applicants also provide round-trip transportation between the Los Angeles area and race tracks at Arcadia and Inglewood during the winter and summer racing seasons, and to events at Pasadena on New Year's Day. During slack periods, which extend throughout a large part of the year, vehicles not required in scheduled services are made available to groups wishing to make special trips under charter arrangements.

Applicants are herein proposing to make a general readjust-²ment of their fares for scheduled services. The increases vary in amount and percentage, and some reductions are proposed. The principal purpose of the applications, as explained by the general manager, is to gain needed revenue; an incidental purpose is to correct inconsistencies in fares for comparable tours. The average fare increase for sightseeing services, as estimated by the witness, would be 10 per cent; a majority of such fares would be increased by approximately this percentage. The race track fares would be increased from \$1.00 to \$1.30, and the Pasadena New Year's Day fares would be increased from \$1.50 to \$2.00 for the half-day trip, and from \$2.50 to \$3.00 for the full day.

Evidence in support of the applications was introduced through testimony and exhibits offered by the general manager and by the auditor of the two companies. The witnesses testified in detail to substantial increases in operating costs. They stated that major items of expense had advanced by amounts ranging from 50 per cent to more than 100 per cent without adjustment of the fares,³ and declared

¹ Decision No. 22505, dated June 25, 1930, in Application No. 16648.

² Fares for charter services are not filed with this Commission.

³ There has been no material change in the fares since 1942. Applicants' common carrier services were suspended during the war period at direction of governmental agencies.

CORRECTION

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**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Decision No. 39800

ORIGINAL

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that future operations will be conducted at a substantial loss unless fare increases are authorized promptly. It was testified that costs were still advancing; that drivers' wages for 1947 would be some \$20,000 higher than for the year ending with June, 1946; that depreciation expenses would increase more than \$45,000 because of the acquisition of new vehicles; and that increases were being encountered in virtually all items of expense, including fuel, lubricants, repair parts, office salaries, supplies, advertising, licenses and taxes.

The general manager stated that unless the companies were able to earn an adequate profit during the present period of post-war tourist travel, they would be unable to withstand the period of declining volume which he feared would accompany any recession or depression of the general business level. He anticipated a substantial amount of travel for the next year or two, and said that it was essential that his companies earn a reasonable profit during this time. He said that the companies' opportunities for operating profitably were limited to periods when business generally was at a relatively high level; that in other periods the volume of sightseeing passenger business was sharply restricted.

Financial figures of record indicate that the two companies earned a net operating profit of \$15,539 for the year ending June 30, 1946. Allowing for some increase in business, the general manager estimated that the proposed fares would increase the gross operating revenue by \$55,247 for the year 1947. Taken together with the known increases in wages and depreciation, the estimates indicate the applicants' 1947 operations would result in a loss of about \$48,000 at present fares, and in a profit of about \$5,800 at the proposed fares. Applicants' estimates for 1947 appear to be low in certain

respects, however, both as to revenues and expenses. Making adjustments as indicated in the footnote, the following table of operating results for the year 1947 may be developed:

	Estimated Operating Results Year 1947	
	Present Fares	Proposed Fares
<u>Gross Operating Revenues</u>		
Sightseeing	\$200,000	\$223,855
Race Track	150,000	195,000
Charter	163,290	163,290
Other	<u>8,039</u>	<u>8,039</u>
	\$521,329	\$590,184
<u>Operating Expenses</u>		
Wages	\$ 99,588	\$ 99,588
Depreciation	63,825	63,825
Other	<u>409,485</u>	<u>409,485</u>
	\$572,898	\$572,898
<u>Net Operating Revenues</u>	* (\$51,569)	\$ 17,286
Operating Ratio	109.9%	97.1%

* Loss

The record is clear that applicants' operations in 1947 will result in substantial losses if present fares are continued, and that operating profits under the proposed fares will not be excessive. The operating ratio of 97.1 per cent would leave less than three per cent of the gross operating revenues for income taxes and profit. Rate base figures are not available, but the estimated profit of \$17,286 for 1947 is less than six per cent of the cost of new vehicles added to the fleet in 1946 alone. Even should the operating experience prove

Estimates of 1947 revenue from race-track service were based largely upon experience for the year ended with June, 1946, which included only about 45 per cent of the season at Inglewood. By projection, it may be calculated that experience for the full season would increase revenues by about \$50,000, and would increase expenses by about \$53,500.

to be considerably more favorable than now anticipated, it appears unlikely that the proposed fares would return more than a minimum reasonable profit.

The operations of the two applicant companies have been presented and considered herein as one. This method is acceptable in this instance by reason of the almost unique place which these carriers occupy in the public utility field. Their vehicles are operated interchangeably; they maintain a number of identical tours on which they must necessarily have identical fares; their operations are extremely seasonal; they have a common ownership and management; and they are both subject to Commission jurisdiction. Their charter operations complement and supplement the common carrier services. It is doubtful whether the latter could be maintained successfully if the vehicles and trained drivers were not used in other services during slack periods.⁵ All of these factors combine to distinguish these companies from passenger stage corporations generally.

No one appeared to interpose any objections to the proposed fares nor to contend that they would be excessive or otherwise unreasonable. A representative of the Office of Price Administration participated in the cross-examination of witnesses, but did not oppose granting of the applications. With reference to the race track services particularly, it was testified by the general manager of the applicants that several hundred passengers had been personally informed of the proposal and that none of them had indicated any objection whatsoever. There were received in evidence letters addressed to the Commission by the operators of the race tracks, stating that they offered no objection to the higher fares.

⁵ Questioned whether additional revenues could be obtained by increasing the charges for charter services, the general manager explained that rates for charter vehicles were restricted by competition between bus companies.

Upon careful consideration of all of the facts and circumstances of record, the Commission finds as a fact that the increased fares proposed by applicants in these proceedings are justified, and that publication of the increases and reductions on one (1) day's notice to the Commission and to the public is justified under the circumstances herein disclosed. The applications will be granted.

O R D E R

Public hearings having been had in the above entitled applications, and based upon the evidence received at the hearings and upon the findings and conclusions set forth in the preceding opinion,

IT IS HEREBY ORDERED that the applicants herein be and they are hereby authorized to establish, on not less than one (1) day's notice to the Commission and to the public, the revised fares as specifically set forth in the applications.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void except to the extent that the rates and charges published pursuant to this authority are filed and made effective within ninety (90) days from the effective date of this order.

This order shall become effective on the date hereof.

Dated at San Francisco, California, this 30th day of

December, 1946

Harold P. Kels
Justus F. Calver
Harold P. Kels
R. E. Dwyer
Commissioners