

ORIGINAL

Decision No. 42493

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
THE GRAY LINE, INC., a corporation,)
and FIALER'S LIMOUSINES, INC., a)
corporation, for an order granting)
permission to increase and adjust)
rates and fares for the transporta-)
tion of persons on sightseeing tours)
in the State of California.)

Application No. 29772

McCutchen, Thomas, Matthew, Griffiths & Greene by
Robert M. Brown, for applicants.

O P I N I O N

By this application, The Gray Line, Inc., and Fialer's Limousines, Inc., seek authority to increase and adjust certain rates or fares for the transportation of persons on sightseeing tours. A public hearing was held before Examiner Bradshaw at San Francisco. No one opposed the granting of the application.

Applicants are owned by the same stockholders, have the same officers and jointly use certain facilities. Gray Line operates sightseeing tours in the San Francisco Bay area and between San Francisco and the Petrified Forest in Sonoma County, the Mother Lode country, Yosemite Valley and the Monterey Peninsula. It also transports passengers between San Francisco and Oakland and various race tracks, operates a charter-car service and maintains a travel bureau. Fialer's Limousines operates sightseeing tours in the Bay area, using limousines instead of larger capacity sightseeing coaches. It also transports passengers between various places in downtown San Francisco and the San Francisco Municipal Airport.

Evidence in support of the application was presented by applicants' president and traffic manager as well as by a consulting engineer who was formerly in charge of applicants' operations.

According to an exhibit of record, Gray Line's total operating revenue during the 12 months ended November 30, 1947, was \$1,206,191 and during the 12 months ended November 30, 1948, amounted to \$1,015,289. Total operating expenses during the same periods are set forth as \$1,125,153 and \$976,215, respectively. The net profit after federal income taxes during the same 12 months' periods was stated as being \$48,967 and \$25,307, respectively.

A study was also presented of the results of Gray Line's sightseeing operations for the 12 months ended November 30, 1948. In computing operating expenses the actual expenses were used when directly attributable to the sightseeing business. Expenses which are common to the sightseeing and other operations were allocated on mileage, revenue or hourly-usage bases, depending upon the propriety of such allocations according to the judgment of applicants' witnesses. Expenses in connection with facilities used jointly by the two applicants were pro-rated between them either on the basis of the mileage operated or the comparative amount of space used. The following computations were submitted as being applicable to the sightseeing business of Gray Line during the period mentioned: Revenue, \$486,908; operating expenses, \$473,446; operating ratio, 97.2 per cent; net profit after federal income taxes, \$10,902.

Applicants' witnesses regard sightseeing revenues in 1946 and 1947 as having been abnormal and attributable to a post-war travel "boom". They view the decline in revenue during 1948 as indicating the normal trend of sightseeing business - closely

resembling pre-war experience - and expect that in 1949 there will be a decrease of about 5 per cent under that enjoyed in 1948. It was testified that during each year since 1946 - the first full year of operations following resumption of service after the war - increases have been encountered in wage and material costs, as well as in the cost of new equipment. Statistics contrasting Gray Line's sightseeing revenue in 1948 with the estimated operating expenses for 1949 purport to indicate that at the present rates this applicant would experience an operating ratio on its sightseeing business of 99.4 per cent. One of the witnesses testified that if the forecast of a 5 per cent decrease in business during 1949 proves to be correct and the present rates remain in effect the Company stands to suffer a net loss for the year of \$756.

In commenting upon the present sightseeing rate structure of Gray Line, attention was called to the fact that no increases, but some reductions, have occurred since 1927. By way of comparison, the following increases since 1946 in rates for other types of for-hire automotive vehicles in San Francisco are cited: taxi-cab rates, 20 per cent per mile; limousine rates, 40 per cent per mile, 50 per cent per hour; Gray Line charter-car stevedore rates, 26.66 per cent; Gray Line general charter-car rates, 42.86 per cent; and Greyhound intrastate charter-car rates, 22.22 per cent.

It is stated that prior to 1926 there were four sightseeing companies operating in San Francisco and that when they were later merged into the Gray Line operation the then existing rates were retained. Consequently, applicants claim that they do not know the bases of the present rates, but state that the rates do not follow any consistent pattern. It is represented that in proposing a rate revision required by present-day conditions an

attempt has been made to bring about a greater degree of uniformity in the rates for the various tours. The witnesses assert that in view of the peculiar nature of the operations rates constructed on a passenger-hour basis constitute the most appropriate form of rate structure for sightseeing tours. They regard 90 cents per passenger-hour as a fair and equitable basis for Gray Line tours and seek authority to establish rates upon that level, with certain exceptions where special conditions are said to obtain.

The proposed rates of Gray Line will result in varying increases as to certain tours. In other cases the present rates will be continued, while in one instance a reduction is proposed. It is stated that considering the proposal as a whole it represents a weighted average increase in rates of 18.1 per cent and an increase in revenue of 7.4 per cent. The following table sets forth the present and proposed rates for the Gray Line tours which produced about 98 per cent of its revenue in 1948:

<u>Tour No.</u>	<u>Tour Name</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Increase</u>
1-A	Seeing San Francisco	\$ 2.25	\$ 2.75	\$.50
3-A	Chinatown	1.50	2.00	.50
5	Oakland-Berkeley-University of California	2.50	3.25	.75
9	Stanford University-Suburban	3.00	4.00	1.00
12	Muir Woods-Marin County	3.00	3.25	.25
15	Yosemite-Triangle Tour	30.00	35.00	5.00
16	Oakland-Berkeley-Muir Woods	5.50	5.75	.25

In undertaking to forecast the effect of the proposed rates upon the Gray Line operations, applicants' witnesses assumed that with the increased rates in effect there would be a 5 per cent reduction in business in addition to the 5 per cent reduction said to represent the anticipated normal decline in sightseeing traffic during 1949. A similar reduction, according to the testimony, was experienced when sightseeing rates were recently increased in

the Los Angeles area. Upon this premise the estimated operating results for the 12 months ending November 30, 1949, if the proposed rates are established, were calculated as follows:

	<u>Sight- seeing Operations</u>	<u>Total Operations</u>
Revenues	\$ 522,100	\$ 1,086,800
Operating Expenses	<u>486,128</u>	<u>1,012,630</u>
Net Income from Operations	\$ <u>35,972</u>	\$ <u>74,170</u>
Operating Ratio	93.1%	93.2%
Net Profit After Federal Income Taxes	\$ 24,674	\$ 45,910

Applicants' witnesses contend that an operating ratio of 93.1 is not too low for sightseeing operations. They assert that for such operations there should be a wider spread between revenues and expenses than considered proper for other modes of transportation and an operating ratio of 90 is not considered unreasonable. The risk of doing business is claimed to be greater than that involved in other transportation fields. Economic conditions and the occurrence of strikes, for instance, are said to have a drastic and sudden effect on the tourist trade. The highly seasonal nature of sightseeing traffic was also emphasized. According to an exhibit of record, 39 per cent of Gray Line's sightseeing revenues in 1948 accrued during July and August and 62 per cent of that year's revenue was earned during the period from June to September, inclusive. Operating expenses, it is claimed, continue throughout the year, it being necessary to undertake much of the repair work, solicitation and training of personnel during the slack seasons. The retention of experienced employees throughout the year is considered essential. It is asserted that, because of these conditions, the business is operated at a loss for at least 6 months of the year.

Another reason urged in justification of a lower operating ratio for sightseeing operations is that the nature of the business requires a relatively large working capital. The sharp seasonal peak and the circumstance that accounts receivable are unusually large, because a considerable portion of the business is done on a credit basis, are claimed to make it necessary to carry more cash on hand than in the case of other modes of transportation.

Evidence was presented concerning new equipment acquired since 1946 and that now on order for future delivery. The necessity of having had to re-build the entire pre-war fleet which was suitable for further service was also referred to. It is claimed that expenditures for improvements of this nature had to be financed through banks and in order to secure new equipment in the future and render satisfactory service the retention of a favorable credit position is essential.

According to the testimony, present operating expenses cannot be reduced without jeopardizing the existing service. Inasmuch as the rates applicable to its race track service were established in recent years and three adjustments have been made in charter-car rates since 1946, Gray Line does not deem it appropriate to make any changes in such rates at this time.

The revenue derived by Fialer's Limousines from sightseeing operations constitutes a very small proportion of its total revenues. During the 12 months ended November 30, 1948, total revenues amounted to \$435,482. Of this amount, \$429,847 accrued from the transportation of passengers to and from the San Francisco Municipal Airport. The fare for such transportation was recently increased from \$1.00 to \$1.09 pursuant to authority granted by Decision No. 41791, dated June 29, 1948, in Application No. 29266.

The present and proposed sightseeing rates of Fialer's Limousines are set forth in the following table:

<u>Tour No.</u>	<u>Tour Name</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Increase</u>
4	Muir Woods-Marin Woods-Marin County	\$ 3.50	\$ 3.75	\$.25
5	Mt. Tamalpais-Muir Woods	5.00	5.25	.25
6	Stanford University-Suburban	4.00	4.50	.50
7	Oakland-Berkeley-University of California (originating in San Francisco)	3.00	3.75	.75
8	Oakland-Berkeley-University of California (originating in Oakland)	2.50	3.25	.75

It was testified that Fialer's Limousines has been subjected to increases in wages and other operating costs comparable to those which have affected Gray Line's operations; that it has been the practice to observe certain differentials in the sightseeing rates for limousine service over those charged by Gray Line; and that because of the greater cost of operating the limousine service it is desirable to retain the same differentials which have existed in the past.

According to an exhibit of record, it is estimated that the rates which Fialer's Limousines seeks authority to establish will produce \$6,053 in revenue for the 12 months ending November 30, 1949, as compared with \$5,635 at the present rates during the 12 months ended November 30, 1948, an increase of \$418.

The results of operations of Fialer's Limousines during the 12 months ended November 30, 1948, under the present rates and those anticipated by applicants' witnesses for the 12 months ending November 30, 1949, in the event that the proposed rates should be authorized, are as follows:

	12 months ended Nov. 30, 1948	12 months ended Nov. 30, 1949 (estimated)
Total Revenues	\$ 435,482	\$ 435,053
Operating Expenses	401,127	408,000
Net Income from Operations	<u>\$ 34,355</u>	<u>\$ 27,053</u>
Operating Ratio	92.1%	93.8%
Net Profit after Federal Income Taxes	\$ 22,914	\$ 18,097

Upon the facts presented, we are of the opinion that applicants should be authorized to increase their rates or fares, as proposed in the application. The increases in rates or fares herein authorized are hereby found to be justified.

O R D E R

A public hearing having been had in the above entitled proceeding and based upon the evidence received and the conclusions and findings set forth in the preceding opinion,

IT IS ORDERED:

(1) That The Gray Line, Inc. be and it is hereby authorized to establish, on not less than 5 days' notice to the Commission and the public, the following rates or fares for the transportation of persons on sightseeing tours:

Tour No.	Tour Name	Rate
1-A	Seeing San Francisco	\$ 2.75
1-B	Seeing San Francisco	3.25
2	Golden Gate Park-Presidio	1.75
3-A	Chinatown	2.00
3-B	Chinatown	2.50
4	La Honda-Stanford University	5.75
5	Oakland-Berkeley-University of California	3.25
9	Stanford University-Suburban	4.00
10	Oakland-Berkeley-University of California	2.75
12	Muir Woods-Marin County	3.25
15	Yosemite-Triangle Tour	35.00
16	Oakland-Berkeley-Muir Woods	5.75
17	San Francisco-Oakland Bay Bridge-Lake Merritt	1.35

<u>Tour No.</u>	<u>Tour Name</u>	<u>Rate</u>
18	Oakland-Bay Bridge-San Francisco	\$ 3.50
19	Oakland-Bay Bridge-San Francisco-Golden Gate Park Presidio	2.50
21	San Francisco-Golden Gate Bridge	1.35
22	Oakland-Bay Bridge-Golden Gate Bridge	2.75
23	Oakland-Bay Bridge-San Francisco-Chinatown	2.50
24	Oakland-Berkeley-Muir Woods-San Francisco-Bridges	5.75
25	Circle Tour of San Francisco Bay and University of California	3.50
27	San Francisco 49-Mile Drive	3.25
29	Operations Crossroad	3.25

(2) That Fialer's Limousines, Inc., be and it is hereby authorized to establish, on not less than 5 days' notice to the Commission and the public, the following rates or fares for the transportation of persons on sightseeing tours:

<u>Tour No.</u>	<u>Tour Name</u>	<u>Rate</u>
4	Muir Woods-Marin Woods-Marin County	\$ 3.75
5	Mt. Tamalpais-Muir Woods	5.25
6	Stanford University-Suburban	4.50
7	Oakland-Berkeley-University of California (Originating in San Francisco)	3.75
8	Oakland-Berkeley-University of California (Originating in Oakland)	3.25

(3) That the authority herein granted shall lapse unless the changes in rates or fares authorized in this order are published, filed and made effective within 60 days from the effective date hereof.

This order shall become effective 20 days after the date hereof.

Dated at San Francisco, California, this 8th day of February, 1949.

R. Z. [Signature]
James F. [Signature]
[Signature]
Harold P. [Signature]
[Signature]
 COMMISSIONERS.