

Decision No. 45313

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of TANNER MOTOR TOURS, LTD.)	Application No. 31977
and GRAY LINE MOTOR TOURS CO., for)	
authority to increase rates on less)	
than statutory notice.)	

Appearance

Wyman Knapp, for applicants.

ORIGINAL

O P I N I O N

Applicants are affiliated California corporations engaged in the business of providing sightseeing and other passenger services by motor bus in southern California. They seek authority to increase certain of their fares and to make other fare adjustments on less than statutory notice.

Public hearing of the matter was had before Examiner Abernathy at Los Angeles on January 9, 1951. Evidence was submitted by applicants' general manager, by their advertising manager, and by their comptroller.

According to the record, applicant companies are principally engaged in providing a deluxe-type sightseeing transportation service. They 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. Their other transportation operations consist of charter services which are supplied mainly when the buses are not required for their sightseeing tours.

The fares which applicants seek to establish are set forth and compared with the present fares in Appendix "A" attached hereto. The increases which are sought vary in amount up to 16

percent; most of the increases are 7 percent or less. Some changes are proposed which would result in small reductions. The fares for a considerable number of tours would not be changed.

It was stated by applicants' general manager that the fare increases which are sought were considered most carefully and are believed to be increases that can be made without substantial loss of traffic. He said that sightseeing is a luxury type of transportation and that the available traffic is particularly sensitive to fare increases because their patrons are not motivated by necessity in utilizing the service. As a result applicants must guard against establishing fares that would stifle the traffic or would divert it to other means of transportation. Assertedly, the fares for the race track service and the charges for charter trips are at the maximum levels that can be attained without going beyond the point of diminishing returns.¹

Applicants allege that the sought fare increases are necessary to enable them to meet increases in costs which have become effective in recent months and which have been accompanied by decreases in operating revenues. Applicants' general manager said that in December, 1950, his companies granted wage increases which were retroactive to September 1, 1950. Increases have been experienced in the costs of tires, parts, and supplies. Advertising expenditures have been increased to attract additional patronage to offset declining volume of tourist traffic. The manager declared that applicants must take strenuous steps to encourage additional sightseeing travel if they are to maintain their business and survive.

¹Applicants' comptroller declared that the charter service is profitable and is not a burden on other of the companies' operations.

Applicants reported total net income amounting to \$19,343 for the 11 months ending with November, 1950, the latest period for which financial data are available. To show the effect of the increases in operating costs and of the increased fares sought to be attained herein, applicants' comptroller submitted exhibits covering the same 11-month period in which he recalculated the expenses and revenues to adjust them to the basis of current costs and to the basis of the proposed fares, respectively. Details of applicants' actual revenues and expenses for the 11 months and the comptroller's figures, both adjusted to eliminate certain nonoperating revenues and expenses, are as follows:

Operating Statement - January 1, 1950 to November 30, 1950

	Actual Revenues and Expenses	Comptroller's Figures	
		Present Fares Adjusted Expenses	Proposed Fares Adjusted Expenses
<u>Revenues</u>			
Sightseeing	\$465,852	\$465,852	\$482,979
Race Track	94,521	94,521	94,521
Charter	218,982	218,982	218,982
Miscellaneous	1,664	1,664	1,664
	<u>\$781,019</u>	<u>\$781,019</u>	<u>\$798,146</u>
<u>Expenses</u>			
Equipment Maintenance and Garage Expense	\$101,652	\$112,222	\$112,222
Transportation Expense	265,858	274,077	274,077
Station Expense	61,773	61,773	61,773
Traffic and Advertising	50,825	62,555	62,555
Insurance and Safety	22,676	22,676	22,676
Depreciation	82,496	82,496	82,496
Taxes and Licenses	37,455	37,455	37,455
Operating Rents	24,944	24,944	24,944
Administrative and General Expense	<u>110,253</u>	<u>110,253</u>	<u>110,253</u>
Total Operating Expenses	<u>\$757,932</u>	<u>\$788,451</u>	<u>\$788,451</u>
<u>Net Operating Revenue</u>			
before Income Taxes*	\$ 23,087	\$ (7,432)	\$ 9,695
<u>Operating Ratio</u>			
(before Income Taxes)*	97.0%	100.9%	98.8%

*Estimates of applicable income taxes were not supplied.

() - Indicates Loss

Rate base figures which the comptroller submitted included amounts for tangible and intangible properties, investments in associated companies, materials and supplies, and an amount for working cash equivalent to one month's expenses (administrative and general expenses excluded). Certain of these amounts are not appropriate for inclusion in rate base. Certain other amounts should be partially excluded. Without undertaking to determine the propriety of each of the questionable items, it is clear that the appropriate rate base figure would be not less than \$320,000. Measured by this figure, the net operating revenues of \$9,695 which applicants would have realized had the sought fares and present expenses been in effect throughout the 11 months would be equivalent to an annual rate of return of about 3.3 percent, before income taxes.

Applicants did not specifically undertake to submit estimates of future operating results. However, in view of the indicated trend of passenger volume, which assertedly is now below the 11-month average, it appears that the profitableness of the future operations hinges to a large extent upon the success applicants are able to attain in attracting new traffic to their services. The evidence is clear that applicants' present revenues are not sufficient to return their operating costs and that the operating profits which may be expected under the proposed fares will not be excessive. The individual fare adjustments appear reasonable in view of the specialized nature of applicants' traffic. 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 are justified. Publication of the increases and the other adjustments on five (5) days' notice to the Commission and to the public also appears justified under the circumstances herein disclosed. The application will be granted.

O R D E R

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

IT IS HEREBY ORDERED that Tanner Motor Tours, Ltd. and Gray Line Motor Tours Co. be and they hereby are authorized to establish on not less than five (5) days' notice to the Commission and to the public the revised fares as specifically set forth in Appendix "A" attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

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

Dated at San Francisco, California, this 30th day of January, 1951.

R. J. Dunderman
Justice F. Casper
Harold A. Huls
Samuel H. Trotter

Commissioners

Appendix "A" to Decision No. _____

Present and proposed fares,
Tanner Motor Tours, Ltd., and Gray Line Motor Tours Co.*

TANNER MOTOR TOURS, LTD., LOCAL PASSENGER TARIFF,
PUC NO. 15

Section 5

<u>Item No.</u>	<u>Tour</u>	<u>Present</u>	<u>Proposed</u>
6-c	Los Angeles-Pasadena	\$2.25	\$2.39
8-a	Los Angeles-Hollywood-Beverly Hills	2.25	2.39
	Los Angeles-Hollywood-Beverly Hills (Day City Tour)	2.00	2.17
	Los Angeles-Hollywood-Beverly Hills (Night City Tour)	2.25	2.39
9-c	Motion Picture Studio Tour (Half Day)	3.25	3.48
10-d	Los Angeles-Hollywood-Beverly Hills and Beaches	2.75	2.83
11-a	Los Angeles-Riverside-Orange Empire	4.50	4.57
13-a	Los Angeles-San Diego-Agua Caliente	8.75	8.70
19-a	Los Angeles-Santa Barbara	6.75	6.74
26-b	Los Angeles-Palm Springs and Desert (One Day)	6.75	6.74

Section 8

<u>Item No.</u>	<u>Tour</u>	<u>Present</u>	<u>Proposed</u>
35-a	San Diego-Coronado-Tijuana	\$2.50	\$2.61
36-a	San Diego and Point Loma	2.25	2.39

Section 11

60-a	Los Angeles-Lake Arrowhead (One day)	6.75	6.74
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* The present fares shown herein are those only
which are proposed to be changed.

SUPPLEMENT NO. 4 TO CAL. PUC NO. 15 - TANNER MOTOR TOURS, LTD.

Section 19

<u>Item No.</u>	<u>Tour</u>	<u>Present</u>	<u>Proposed</u>
1	Pasadena-Los Angeles	\$2.25	\$2.39
2	Pasadena-Hollywood-Beverly Hills and Beaches	3.00	3.09
3	Pasadena-Riverside-Orange Empire	5.00	5.09
4	Pasadena-San Diego-Agua Caliente	9.25	9.22
5	Pasadena-Motion Picture Studios	3.50	3.74
7	Pasadena-Santa Barbara Tour	7.25	7.26
8	Pasadena-Hollywood-Beverly Hills	2.25	2.43
10	Pasadena-Palm Springs and Desert	7.25	7.26
17	Pasadena-Lake Arrowhead	7.25	7.26

Section 20

<u>Item No.</u>	<u>Tour</u>	<u>Present</u>	<u>Proposed</u>
1	Glendale-Pasadena	\$2.25	\$2.39
2	Glendale-Hollywood-Beverly Hills and Beaches	3.00	3.09
3	Glendale-Riverside-Orange Empire	5.00	5.09
4	Glendale-San Diego-Agua Caliente	9.25	9.22
5	Glendale-Motion Picture Studios	3.50	3.74
7	Glendale-Santa Barbara Tour	7.25	7.26
8	Glendale-Hollywood-Beverly Hills	2.25	2.43
10	Glendale-Palm Springs and Desert	7.25	7.26
17	Glendale-Lake Arrowhead	7.25	7.26

Section 21

1	Beverly Hills-Pasadena	2.50	2.65
2	Beverly Hills-Hollywood and Beaches	2.75	2.83
3	Beverly Hills-Riverside-Orange Empire	5.00	5.09
4	Beverly Hills-San Diego-Agua Caliente	9.25	9.22
5	Beverly Hills-Motion Picture Studios	3.50	3.74

Section 21 (cont'd.)

<u>Item No.</u>	<u>Tour</u>	<u>Present</u>	<u>Proposed</u>
7	Beverly Hills-Santa Barbara	\$7.25	\$7.26
8	Beverly Hills-Hollywood	2.25	2.43
10	Beverly Hills-Palm Springs and Desert	7.25	7.26
11	Beverly Hills-Lake Arrowhead	7.25	7.26

Section 22

1	Santa Monica-Pasadena	2.75	2.91
2	Santa Monica-Hollywood-Beverly Hills and Beaches	2.75	2.83
3	Santa Monica-Riverside-Orange Empire	5.50	5.57
4	Santa Monica-San Diego-Agua Caliente	9.75	9.70
5	Santa Monica-Motion Picture Studios	3.75	4.00
7	Santa Monica-Santa Barbara	7.75	7.74
8	Santa Monica-Hollywood-Beverly Hills	2.50	2.70
10	Santa Monica-Palm Springs and Desert	7.75	7.74
17	Santa Monica-Lake Arrowhead	7.75	7.74

Section 23

1	Long Beach-Pasadena	2.50	2.91
2	Long Beach-Hollywood-Beverly Hills and Beaches	3.25	3.35
3	Long Beach-Riverside-Orange Empire	5.50	5.57
4	Long Beach-San Diego-Agua Caliente	8.75	8.70
5	Long Beach-Motion Picture Studio Tour	3.75	4.00
7	Long Beach-Santa Barbara	7.75	7.74
8	Long Beach-Hollywood-Beverly Hills	2.50	2.70
10	Long Beach-Palm Springs and Desert	7.75	7.74
17	Long Beach-Lake Arrowhead	7.75	7.74

SUPPLEMENT NO. 9 TO CAL. PUC NO. 15 - TANNER MOTOR TOURS, LTD.

Section 25

<u>Item No.</u>	<u>Tour</u>	<u>Present</u>	<u>Proposed</u>
1-a	Long Beach-Knott's Berry Farm	\$2.75	\$2.83

SUPPLEMENT NO. 12 TO CAL. PUC NO. 15 - TANNER MOTOR TOURS, LTD.

Section 5

<u>Item No.</u>	<u>Tour</u>	<u>Present</u>	<u>Proposed</u>
27 7/8-a	Los Angeles-Hollywood to Knott's Berry Farm	\$2.75	\$2.83
2 1/4-c	Los Angeles-Los Angeles Harbor-Long Beach-Buena Park.	4.50	4.57
27 1/2-b	Los Angeles-Forest Lawn	2.50	2.61
38 1/8-c	San Diego-LaJolla Caves	2.75	2.83
38 1/4-c	San Diego-Palomar Mountain	6.75	6.74

GRAY LINE MOTOR TOURS CO., LOCAL PASSENGER TARIFF NO. 4

CRC NO. 4

Section 2

<u>Item No.</u>	<u>Tour</u>	<u>Present</u>	<u>Proposed</u>
1-B	Los Angeles-Pasadena	\$2.25	\$2.39
2-A	Los Angeles-Hollywood-Beverly Hills	2.25	2.39
	Los Angeles-Hollywood-Beverly Hills (Day City Tour)	2.00	2.17
	Los Angeles-Hollywood-Beverly Hills (Night City Tour)	2.25	2.39
3-B	Los Angeles-Hollywood-Beverly Hills and Beaches	2.75	2.83
5-A	Los Angeles-Riverside-Orange Empire	4.50	4.57
6-A	Los Angeles-San Diego-Agua Caliente	8.75	8.70
7-A	Los Angeles-Santa Barbara	6.75	6.74

(End of Appendix)