

ORIGINAL

Decision No. 49133

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of TANNER MOTOR TOURS, LTD., a )  
corporation, to increase and )  
adjust rates and fares for sight- )  
seeing tours in the State of )  
California. )

Application No. 34518

In the Matter of the Application )  
of GRAY LINE MOTOR TOURS CO., a )  
corporation, to increase and )  
adjust rates and fares for sight- )  
seeing tours in the State of )  
California. )

Application No. 34519

O P I N I O N

Tanner Motor Tours, Ltd., and Gray Line Motor Tours Co. are affiliated California corporations engaged in operating various sightseeing tours, principally within and in the vicinity of Los Angeles. By these applications they seek authority under Section 454 of the Public Utilities Code to increase and adjust rates and fares for their sightseeing tours.<sup>1</sup>

Applicants allege that since their fares were last adjusted early in 1951 they have experienced substantial increases in operating costs. According to the verified applications, basic wage rates have been increased several times during the period, and labor costs have been increased additionally

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The sought increases are set forth in detail in the applications as amended. The increases average about 10 per cent.

through vacation allowances and health and welfare benefits. There have been increases in the costs of equipment, materials, supplies, and fuel, and in fuel taxes, excise taxes, and taxes measured by income.

Applicants declare that, due to the increases in operating costs, their existing fares are unduly low and unjust and unreasonable, and that the proposed higher fares are necessary in order that the applicants may continue to provide an adequate and satisfactory service to the public.

Attached to the applications and to amendments to the applications are balance sheets, operating statements, rate base data, detailed statements of present and proposed fares, and other supporting documents. Engineers of the Commission transportation staff have studied and analyzed applicants' operations and records and have submitted their own estimates of operating results for the rate year. The following table shows the actual results of operation for the past year and summarizes the forecasts submitted by the applicants and by the staff engineers for the year ending July 31, 1954:

RESULTS OF OPERATION FOR THE YEAR ENDED APRIL 30, 1953  
AND ESTIMATES OF OPERATION FOR THE YEAR ENDING JULY 31, 1954

Item	Actual Year Ending 4/30/53 (Book Record)	Applicants' Estimate		P.U.C. Staff Estimate	
		Present Fares	Proposed Fares	Present Fares	Proposed Fares
<b>TANNER MOTOR TOURS, LTD.</b>					
Operating Revenue	\$1,027,246	\$1,027,246	\$1,119,526	\$741,001	\$817,538
Other Revenue	3,500	3,500	3,500	-	-
Total Revenue	\$1,030,746	\$1,030,746	\$1,123,026	\$741,001	\$817,538
Operating Expenses *	\$1,033,210	\$1,062,229	\$1,066,497	\$801,288	\$805,124
Other Expenses	4	-	-	-	-
Total Expenses	\$1,033,214	\$1,062,229	\$1,066,497	\$801,288	\$805,124
Net Operating Income Before Income Taxes	<u>(\$ 2,468)</u>	<u>(\$ 31,483)</u>	\$ 56,529	<u>(\$ 60,287)</u>	\$ 12,414
Income Taxes	-	-	\$ 19,220	-	\$ 3,923
Net Operating Income	<u>(\$ 2,468)</u>	<u>(\$ 31,483)</u>	\$ 37,309	<u>(\$ 60,287)</u>	\$ 8,491
Operating Ratio	100.2%	100.1%	96.7%	108.1%	99.0%
Rate Base	\$ 317,919	\$ 260,925	\$ 260,925	\$260,925	\$260,925
Rate of Return	-	-	14.3%	-	3.25%
<b>GRAY LINE MOTOR TOURS CO.</b>					
Operating Revenue	\$ 324,815	\$ 324,815	\$ 352,530	\$324,815	\$352,530
Operating Expense *	350,664	341,349	343,037	341,349	343,037
Net Operating Income Before Income Taxes	<u>(\$ 25,849)</u>	<u>(\$ 16,534)</u>	9,493	<u>(\$ 16,534)</u>	\$ 9,493
Income Taxes	-	-	\$ 3,228	-	\$ 3,000
Net Operating Income	<u>(\$ 25,849)</u>	<u>(\$ 16,534)</u>	6,265	<u>(\$ 16,534)</u>	\$ 6,493
Operating Ratio	108%	105.1%	98.2%	105.1%	98.2%
Rate Base	\$ 175,851	\$ 127,154	\$ 127,154	\$127,154	\$127,154
Rate of Return	-	-	4.9%	-	5.1%

\* Includes depreciation expense and operating taxes.

(Red Figure)

It is clear, as indicated in the foregoing table, that the existing fares are not sufficiently high to return the costs of performing the services. It is evident also that the proposed fares will permit but moderate net earnings. For Gray Line the rate of return will approximate 5 per cent. The forecasts for the Tanner company differ because the figures submitted by that applicant include revenues and expenses of a school bus charter service which it operates separately from its public utility services, whereas the staff estimate properly excluded such revenues and expenses. According to the staff forecast, Tanner's rate of return will be no more than 3.25 per cent. These rates of return for both companies are measured by rate bases which the Commission engineers characterize as abnormally low.

The applications have been on file for more than sixty days. The Commission has not been advised of anyone who objects to or is otherwise interested in applicants' proposals. According to the engineers' report, in excess of 90 per cent of applicants' tours are sold outside of the State. There is no necessity riding involved. This is a proceeding in which no practical interest would be served by a public hearing.

Upon careful consideration of all of the facts and circumstances, the Commission finds that the proposed increased fares are justified. The applications will be granted.

O R D E R

Upon careful consideration of the facts and circumstances of record, and good cause appearing,

IT IS HEREBY ORDERED:

1. That Tanner Motor Tours, Ltd., be and it is hereby authorized to establish, on not less than ten days' notice to the Commission and to the public, increased rates as specifically set forth in detail in Exhibit L attached to and made a part of the First Amendment, as modified in the Second Amendment, to Application No. 34518.

2. That Gray Line Motor Tours Co. be and it is hereby authorized to establish, on not less than ten days' notice to the Commission and to the public, increased rates as specifically set forth in detail in Exhibit J attached to and made a part of the First Amendment to Application No. 34519.

3. That the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 29<sup>th</sup> day of September, 1953.

R. Z. [Signature]  
President  
Justin J. [Signature]  
[Signature]  
[Signature]

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Commissioners