

ORIGINALDecision No. 217554

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) Application No. 39903
adjust rates and fares for sight-)
seeing tours in the State of)
California.)

Bertram S. Silver, of Berol & Silver, for
Tanner Motor Tours, Ltd., applicant.
Martin J. Porter, for the Commission staff.

O P I N I O N

Tanner Motor Tours, Ltd., operates passenger bus sight-seeing tours in the Los Angeles area and vicinity. It also provides a service to the race tracks in the Los Angeles area and from Los Angeles to the Caliente Race Track in Mexico. Applicant's subsidiary, Gray Line Motor Tours Co., provides charter bus service and also engages in a school bus operation. By this application, Tanner seeks a 15 percent increase in its sightseeing and race track fares.^{1/}

Public hearings were held on September 5, 11 and 12, 1958 at San Francisco, before Examiner William E. Turpen. No one appeared in opposition to the granting of the application. The matter was submitted upon the receipt by the Commission of late-filed exhibits on September 17, 1958.

Evidence and exhibits dealing with the financial results of applicant's operations were offered by its comptroller and by a transportation engineer of the Commission's staff. Due to the

^{1/} The individual fares and the proposed increases are set forth in detail in Exhibit "A", attached to the application and in Exhibit 8, filed at the hearing.

selection of different periods of time, different treatment of the various phases of applicant's operations, and different methods of allocation of expenses, it became apparent that it would be extremely difficult to compare the operating results as originally presented by the applicant and by the staff.

The record shows that from an operating standpoint the operations of Tanner Motor Tours (sightseeing and race track service) and of Gray Line Motor Tours (charter service) are integrated. In view of this it is necessary to allocate expenses between the different operations. The sightseeing service and the service to Los Angeles area race tracks are conducted under certificates of public convenience and necessity granted by this Commission. The service to the Caliente race track is certificated by the Interstate Commerce Commission and not by this Commission. Applicant separated its expenses by including all the race track operations (including Caliente) with the sightseeing operations, whereas the staff included in one group the sightseeing and Los Angeles area race track operations and in a second group the charter operations and the Caliente race track operation. Applicant contends that the Caliente operation is conducted in the same manner as the other race track operations and properly should be considered along with the certificated operation. The staff excluded the Caliente operations due to it not being under the jurisdiction of this Commission.

During the course of the hearings it developed that new labor contracts were under negotiation, and although final settlements had not been made, definite offers had been made by applicant, some of which had been rejected by the union. The increased labor costs which would be involved had not been included in the operating

results. Applicant submitted, as late-filed exhibits, computations showing the effects of the increased labor costs. It also developed during the hearings that the mileage figures used by both applicant and the staff included, insofar as the sightseeing and race track operations are concerned, only the revenue miles. Applicant's witness explained that the buses are used to pick up passengers at various hotels and other points and bring them back to the depot for the start of the trips. The witness estimated that approximately 10 percent should be added to the mileage for these operations.

Near the close of the hearings applicant offered in evidence a new exhibit of operating results based on applicant's book figures for the year ending June 30, 1958, as set forth in the staff's exhibit, but using the methods of allocation of expenses it felt to be correct, and allowing for the 10 percent additional mileage and the increased wage costs as calculated by the witness from the information then available to him. These operating results, shown in Table I below, include the Caliente race track operation along with the other race track and sightseeing operations. The charter service is not shown.

The operating results estimated by the staff, with adjustments for the 10 percent additional mileage and the increased labor costs calculated from the late-filed exhibits, are also shown in Table I. However, the staff's estimates do not include the Caliente race track operation.

TABLE I

ESTIMATED RESULTS OF OPERATION OF
TANNER MOTOR TOURS, LTD., FOR THE 12-MONTH
PERIOD ENDING SEPTEMBER 30, 1959

	<u>Applicant's Estimate</u>		<u>Staff's Estimate</u>	
	<u>Present Fares</u> (1)	<u>Proposed Fares</u> (1)	<u>Present Fares</u> (2)	<u>Proposed Fares</u> (2)
Bus Miles Operated	1,394,327	1,394,327	908,820	908,820
Revenue	\$1,491,240	\$1,630,159	\$1,209,760	\$1,383,070
Expenses				
Maintenance	\$ 213,290	\$ 213,290	\$ 157,140	\$ 157,140
Transportation	716,212	716,212	561,020	561,300
Station	99,528	107,777	97,760	110,220
Traffic & Advtg.	69,410	69,410	62,720	62,720
Insurance	68,869	65,256	44,070	44,070
Administration	108,864	108,864	91,390	91,380
Operating Taxes	90,214	92,600	60,880	61,040
Depreciation	88,464	88,464	64,590	64,590
Operating Rents	23,416	23,416	17,950	17,950
Total Expenses	\$1,478,267	\$1,485,239	\$1,157,510	\$1,170,410
Net before Taxes	\$ 12,973	\$ 144,920	\$ 52,250	\$ 212,660
Income Taxes	4,411	75,655	17,480	103,970
Net Income	\$ 8,562	\$ 69,265	\$ 34,770	\$ 108,690
Operating Ratio	99.4%	95.8%	97.1%	92.1%
Rate Base	\$ 773,236	\$ 773,236	\$ 519,910	\$ 519,910
Rate of Return	1.1%	9.0%	6.7%	20.9%

(1) Includes Caliente operation

(2) Does not include Caliente operation

Comparison of applicant's and staff's estimates is difficult due to the inclusion of the Caliente service in applicant's figures and its omission from the staff's figures. However, the differences are not too great.

In regard to revenue, Table I shows that the staff provided for the full increase of 15 percent in revenues whereas applicant provided for only about 10 percent. The record shows that for a number of years the passenger trend has been generally upward although it has leveled off during the past year. Accordingly, the staff assumed the same level of traffic for the future rate year as existed during the fiscal year ended June 30, 1958. Also, the staff did not allow for any diminution of traffic due to the increased fares. Applicant's witness stated that he believes there would be a diminution of traffic. The record, however, provides no basis for allowing for any diminution in traffic; therefore, for the purpose of this proceeding the full amount of the increase will be assumed.

Major differences appear in only three of the expense items and need to be discussed. These relate to fuel expense in the transportation account, public liability and damage insurance, and traffic and advertising.

In regard to fuel, applicant based its estimate on recorded purchases as charged to Tanner Motor Tours, Ltd., during the preceding year. The staff witness stated that the fuel use seemed to be abnormally high and made a special study of one month's actual use of fuel to determine the miles per gallon and from this computed the amount for the future rate year. It appears that the staff's estimate should be accepted for the purpose of this proceeding. This will result in a reduction of expenses in applicant's estimates of approximately \$33,000.

For traffic and advertising, the staff did not include an amount of \$6,690 applicant showed for the value of complimentary tickets and certain other advertising expenses. The record shows that applicant includes the value of the complimentary tickets in its revenues and offsets that amount in expenses. The \$6,690 appears to cover valid advertising expenses and will be allowed. There is no dispute between applicant and staff as to the total amount of insurance paid for the combined Tanner and Gray Line operations, but the staff allocated this expense on a mileage basis while applicant allocated it on a revenue basis. In previous decisions involving passenger fares, we have consistently held that a percentage of revenue is not a proper basis for determining public liability and property damage insurance expense. While factors other than mileage may affect this expense, the statistics for such factors are not readily available in this case and the staff's allocation based on mileage will be accepted as reasonable.

Applicant adopted in general the staff's computation of rate base for the combined operations, except that applicant included \$100,000 for working capital instead of \$50,000 as allowed by the staff. Applicant's witness explained that the majority of sightseeing tickets are sold by agents out of the state, resulting in considerable delay in receipt of revenues. In view of this it appears that the larger amount should be allowed. Applicant also included an amount of \$23,125 for franchises, but the record does not show how this figure was computed. In the absence of such data, \$500 will be allowed in the rate base for franchises.

When the operating results shown in Table I are revised with respect to the above-mentioned items, along with other minor adjustments dependent on revenues, the results shown in Table II, below, are secured.

TABLE II

MODIFIED OPERATING RESULTS OF
TANNER MOTOR TOURS, LTD., FOR THE
12-MONTH PERIOD ENDING SEPTEMBER 30, 1959

	<u>Applicant's Estimate</u>		<u>Staff's Estimate</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
Revenues	\$1,491,240	\$1,706,068	\$1,209,760	\$1,383,070
Expenses	<u>1,433,587</u>	<u>1,443,644</u>	<u>1,164,200</u>	<u>1,177,100</u>
Net before Taxes	\$ 57,653	\$ 262,424	\$ 45,560	\$ 205,970
Income Taxes	<u>20,383</u>	<u>130,796</u>	<u>13,860</u>	<u>100,360</u>
Net Income	\$ 37,270	\$ 131,628	\$ 31,700	\$ 105,610
Operating Ratio	97.5%	92.3%	97.4%	92.4%
Rate Base	\$ 755,100	\$ 755,100	\$ 549,300	\$ 549,300
Rate of Return	4.9%	17.4%	5.8%	19.2%

From the operating results shown above it is apparent that the present fares will not produce sufficient revenue to provide a reasonable and adequate margin between revenue and expenses. On the other hand, the full 15 percent increase sought has not been justified. We estimate that an increase of 10 percent in fares will produce the following results, as shown in Table III.

TABLE III

ESTIMATED OPERATING RESULTS WITH
A 10 PERCENT INCREASE IN FARES

	<u>Including Caliente Operation</u>	<u>Excluding Caliente Operation</u>
Revenues	\$1,634,460	\$1,334,690
Expenses	<u>1,443,420</u>	<u>1,171,750</u>
Net before Taxes	\$ 191,040	\$ 162,940
Income Taxes	<u>92,310</u>	<u>77,150</u>
Net Income	\$ 98,730	\$ 85,790
Operating Ratio	94.0%	93.6%
Rate Base	\$ 755,100	\$ 549,300
Rate of Return	13.1%	15.6%

In the circumstances we find and conclude that the operating results shown above in Table III, including rate base and rate of return, are reasonable for this specialized type of service and that the increase in fares as authorized in the order herein is justified.

One further matter remains to be disposed of. At the hearing applicant asked that the application be amended to increase the one-way fare between Palm Springs and Palm Springs Airport from the present fare of 65 cents to \$1.00 instead of to 77 cents as proposed in the application. According to applicant, it was recently granted a new franchise, along with two other carriers, by the City of Palm Springs to perform the airport service, and the franchise is conditioned on application being made for the \$1.00 fare. However, the record contains no justification for such increase, and the request will be denied. An increase of this nature should be made the subject of a separate application.

O R D E R

Based on the evidence of record and on the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED:

(1) That Tanner Motor Tours, Ltd., be and it is hereby authorized to publish and file, on not less than five days' notice to the Commission and to the public, amendments to its tariffs which increase each of its fares by 10 percent, provided that where the increased fare, when added to the applicable taxes, results in a total figure not ending in "0" or "5", the fares as calculated above shall be further increased such that this total figure shall be the next higher figure ending in "0" or "5", as the case may be.

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

(3) That, except as hereinabove granted, Application No. 39903 be and it is hereby denied.

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

Dated at San Francisco, California, this 7th day of OCTOBER, 1958.

S. L. Fox
President

John E. Haxel

Carl Wintermer

Walter D. ...

Theodore ...
Commissioners