

ORIGINALDecision No. 63998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE GRAY LINE, INC., to increase)
 rates and fares for sightseeing)
 tours in the State of California.)

Application No. 44176
 (Filed February 9, 1962)

Frank Loughran, for applicant.
Ernest Lotti, for Chauffeurs Union, Local 265,
 interested party.
Elmer J. Sjostrom and Timothy J. Canty, for the
 Commission staff.

INTERIM OPINION

This application was heard before Examiner J. E. Thompson, at San Francisco, on May 1 and 4, 1962^{1/} on which latter date it was submitted. Notice of the hearing was published and posted by applicant in accordance with the Commission's procedural rules.

The Gray Line, Inc., proposes to increase fares on most of its various sightseeing tours in and about the San Francisco Bay Area. The percent of increase sought varies among the several tours. It is estimated that the proposed fares will increase sightseeing passenger revenues by about 13 percent.

The Gray Line, Inc., of San Francisco, the applicant herein, and Fialers Limousine are wholly owned subsidiaries of Airport Limousine Company which in turn is a wholly owned subsidiary of Avis, Inc., a Boston company controlling the operations of a number of separate corporations engaged in businesses involving

^{1/} The application was called on March 26, 1962 and on April 23, 1962, and continued without receipt of evidence on motions of applicant and the Commission staff.

the rental, leasing or operation of motor vehicles. Applicant's principal business is the operation of bus equipment in four types of service; sightseeing tours pursuant to certificates of public convenience and necessity issued by the Commission; transportation services to and from race tracks, also a certificated service, transportation of workers for stevedoring companies under charter arrangements, and special charter service, which includes not only the charter of buses for ski-trips, football games and similar activities, but also for conventions. In addition to the operation of buses, applicant performs certain functions for other corporations affiliated with Avis, Inc. Included among those services are the maintenance and repair work for Airport Limousine Company which rents and leases U-Drive cars and trucks, and the bookkeeping for Airport Limousine Company, Gray Line Tours of Seattle and Avis Rent-A-Car of Seattle.

Approximately 61 percent of applicant's total revenue is derived from fares for sightseeing; an additional 4 percent is from services, such as the sale of post cards, which are related to the sightseeing service. Applicant conducts sightseeing tours over some 30 routes, most of which are operated only during the summer months; 57 percent of its sightseeing revenue is derived during the months of June, July, August and September. It has about 40 buses of the full-view window type which are used principally for sightseeing and five compact-type buses which are used entirely for pickup and delivery of sightseeing passengers. Two buses are called "stand cars" and are used only as portable ticket offices or depots for sightseeing.

Eight percent of applicant's total revenue is derived from transportation of passengers to and from race tracks and football games. This service is also seasonal, depending principally upon the dates the race tracks are in operation. Applicant uses the sightseeing buses and also four buses which are not of the full-view window type in conducting this service. Applicant competes with Western Greyhound Lines and with the Alameda Contra Costa Transit District. The latter's fares are now lower than those of Gray Line and those of Greyhound are the same as those of Gray Line.

The stevedoring charter service provides applicant with about 13 percent of its total revenue. The service consists of transporting workmen from a point of assembly to the place of work and return. Ordinarily the bus stays with the work crew. Most of the stevedoring charter is performed with nine 1946 model, transit-type buses. For a one-year period the nine buses were driven a total of 60,349 miles, of which 6,586 miles were in sightseeing service during the peak of the sightseeing season. Between 1940 and 1960, applicant enjoyed business from the military services; however in 1960, following competitive bidding, that business was lost to another carrier. The record indicates that applicant's rates are higher than those of competitors.

The special charter service is similar to that provided by other passenger stage corporations, including Western Greyhound Lines, Transcontinental Bus System and Alameda Contra Costa County Transit District. The revenues derived from such service amount to approximately 14 percent of Gray Line's total revenues. Applicant uses all of the buses, except the two "stand cars", the five compacts

and a few of the newer sightseeing buses in this service. Applicant maintains charter rates at the same level as Greyhound. In April 1962, following an increase by Greyhound of 10 percent in charter rates, applicant increased its charter rates by a similar amount.

Excluding the two "stand cars" the five compacts and the nine transit-type buses used in stevedoring charter, Gray Line operates 38 pieces of equipment, most of which are of the sightseeing type. Thirty-seven of the buses had over one third of their mileage performed in sightseeing service; only five buses of the 38 buses were operated less than one half of their mileage in service other than sightseeing.

Applicant's records show that for the 12 months ended October 31, 1961, without any adjustment of expenses for services performed for affiliated companies, applicant had a loss of \$177,648. Both the applicant and the Commission staff presented estimates of the result of operation for a future rate year under present fares and under proposed fares. Those estimates reflect the results of the company excluding expenses of performing service for the Avis Company affiliates and also the results of the sightseeing operation standing alone. In connection with the latter, the results were obtained by allocation of total expenses to the several types of service. Both estimates are subject to correction because of facts brought out in the record which will be given consideration here. In general, the evidence leaves no doubt that under present fares the total bus operations of applicant will be conducted at a loss. Moreover, as will be shown hereinafter, the evidence shows that the expenses allocated to the sightseeing service exceed the revenues under the present fares.

Setting aside for the moment their respective opinions concerning the reasonableness of allocations of expenses, the applicant and the staff are not in agreement concerning the criteria to be used in determining the reasonableness of the proposed fares. The applicant contends that the services performed by the buses constitute an integrated business and that the results to be considered should be the results of all of the services performed by the buses. The staff contends that since the charter and stevedoring operations are substantial and the sightseeing and race track services are the only operations required by public convenience and necessity with fares subject to the provisions of Section 454 of the Public Utilities Code, the Commission should determine the reasonableness of the fares based upon the results of the operations conducted under rates and fares subject to regulations prescribed in the Public Utilities Code.

The issue presented is one which the Commission has not decided uniformly in decisions concerning the fares of passenger stage corporations. We are of the opinion that the question is not one which should be decided hastily solely upon the facts presented in this case, but is one which involves considerations affecting the regulation of the fares and rates of common carriers generally. The sightseeing season has begun. If the applicant is entitled to any relief at all in the form of increased fares, that relief should be afforded now while it has the opportunity to obtain the additional revenues that the increased fares would provide. While we will not decide at this moment the general issue presented above, it would be unfair to the applicant to delay any consideration

of its revenue needs and the justification for any increases in sightseeing fares. Therefore, for the purposes here, we will assume that the issue has been determined so as to be unfavorable to the applicant. In this instance, on the basis of allocations of revenues and expenses, it appears that the full costs of providing charter and stevedoring services exceed the revenues. We will therefore consider only the operations of the sightseeing service, the fares of which are subject to regulation by the Commission and the revenues and expenses allocated to that service.

Considering only the evidence relating to the sightseeing operations, we estimate the results of operations for a rate year under the present fares and under the proposed fares to be as follows:

	<u>Present Fares</u>	<u>Proposed Fares</u>
Revenues ^{2/}	\$1,120,900	\$1,259,300
Expenses	<u>1,130,000</u>	<u>1,146,900</u>
Net	\$ (9,100)	\$ 112,400
Operating Ratio	100.81%	91.07%
	(Red Figure)	

We find that the emergency conditions described above do not justify the granting of the proposed fares on an interim basis.

We estimate that an increase in individual tour fares of 60 percent of the amount requested by applicant will provide additional sightseeing revenues of approximately 7.8 percent and will produce the following operating results for a rate year:

Revenues ^{2/}	\$1,203,900
Expenses	<u>1,140,100</u>
Net	\$ 63,800
Operating Ratio	94.70%

We find that the circumstances described above justify the establishment by applicant of increases in individual tour fares not to exceed 60 percent of the amount of increases proposed in its application filed herein.

^{2/} No income taxes are included or applicable due to past consolidated corporate losses.

In order to afford applicant opportunity to avail itself of the increased fares during a part of this sightseeing season, the order herein will be made effective this date and applicant will be authorized to make the increases effective on five days' notice to the Commission and to the public.

INTERIM ORDER

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

IT IS ORDERED that:

1. The Gray Line, Inc., is authorized to establish increased fares not to exceed 60 percent of the individual increases proposed in Application No. 44176. Tariff publications authorized to be made as a result of the order herein may be made effective on not less than five days' notice to the Commission and to the public.

2. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 24th day of JULY, 1962.

George G. Grover
President
Robert E. Mitchell
Frederick B. Holoboff
Arvid W. Berg

Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.