

ORIGINAL

Decision No. 64485

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)

O P I N I O N

By interim order in Decision No. 63998, dated July 24, 1962, applicant was authorized to increase sightseeing fares not to exceed 60 percent of the amount requested in this application pending determination of a question which the Commission stated "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 broad issue concerns the treatment of revenues and expenses of nonpublic utility operations in determining the operating results of common carriers under present and proposed rates and fares. Warehousemen, highway common carriers and other common carriers sometimes engage in enterprises other than public utility operations; while the question presented above is the same in all instances, the circumstances surrounding the various types of services are not entirely similar, so that for the purposes herein we will consider the question in relation only to this applicant.

After giving consideration to prior decisions of the Commission and to the operations conducted by passenger stage corporations generally, we have reached the following determinations applicable herein.

The properties necessary to conduct passenger stage operations are dedicated to a public use and should be utilized to benefit the public. When those properties are used within the scope to which they have been dedicated, the revenues and expenses related to such use should properly be considered in rate making. When a passenger stage corporation performs non-utility services with property and facilities not necessary, used or useful to its common carrier service, the revenues and expenses pertaining thereto are not properly a consideration in rate making. Where employees and property are utilized in both the common carrier service and nonutility services, the expenses should be separated and reasonably allocated among the services; however, the amount assigned to the common carrier service should not exceed the amount that might reasonably accrue if the carrier were engaged solely in common carrier operations.

The services performed by applicant for Avis Company affiliates are not common carrier services. Neither applicant nor the Commission staff contend that such services are beneficial to the public using applicant's passenger stage services. We find that the reasonable expenses incurred in providing the services, as well as any compensation derived therefrom, should be excluded from any consideration of the justification for the proposed increased fares.

Applicant contends that the stevedoring charter service and the special charter bus service are beneficial to the rate-payers of the public utility services. The alleged benefits include the greater use throughout the year of vehicles used in the seasonal

sightseeing and race track operations, and the ability to retain the services of trained sightseeing drivers and lecturers by providing employment during times when there is a lesser demand for sightseeing.

The stevedoring charter operations are conducted with motor buses that are seldom used in the sightseeing operation. Applicant's vice president testified that those buses were used for sightseeing only to take an exceptionally large group to a single point of interest, such as Muir Woods. The evidence shows that motor buses used in the sightseeing operation are seldom, if ever, used for stevedoring charter. Under the circumstances the stevedoring charter business does not contribute to a greater utilization of sightseeing equipment. Applicant's vice president testified that the drivers exercise their seniority to bid for particular jobs and that the stevedoring charter operation is preferred by the drivers because it provides them with a full day's wages, and in some instances overtime pay, for only a comparatively short time of driving. It was stated also that the stevedoring business is not seasonal but varies only with the number of ships entering the port. During the sightseeing season, therefore, stevedoring charter business may be a detriment rather than a benefit to the sightseeing operation. Additionally, while applicant's rates for stevedoring charter are higher than its competitors, it appears from the evidence that such rates are not high enough to provide the out-of-pocket costs of providing the service. Under those circumstances, the sightseeing passenger should not be required to share in the losses of such operation and the revenues and expenses of the stevedoring charter business should be excluded.

The special charter service is performed with the same bus equipment and with the same personnel as the passenger stage service. The expenses of conducting both operations are combined

and may be assigned to the respective services only by allocations based upon relationships of miles, time, or some other factor involved in each service as compared to the total for all services. The revenues from the special charter bus service are less than the total of the direct and indirect expenses allocated to such service; the evidence also indicates, however, that the out-of-pocket costs of providing special charter bus service do not exceed the revenues as is the case in connection with the stevedoring charter service. If applicant did not operate the special charter bus service, the operating results set forth in Decision No. 63998 for sightseeing operations would not be so favorable, said results being based upon allocations to the various services of fixed expenses that applicant would continue to bear whether or not the special charter bus service were operated. In addition to the revenues derived from the operation of vehicles necessary to the common carrier service at times when said vehicles may otherwise be idle, the special charter bus service provides other benefits. An important service in connection with sightseeing is the providing of capable lecturers aboard the sightseeing buses who can enhance the tour by not merely pointing out points of interest but also explaining and answering questions concerning the same. The sightseeing passenger uses the service solely to derive some enjoyment or edification rather than merely to be transported from one point to another point. Because of the seasonal nature of the sightseeing service, the special charter bus service enables the applicant to retain capable and experienced lecturers during the off-peak season. Applicant also uses the special charter bus service to advertise its sightseeing service and to acquire sightseeing passengers at times when conventions are held in the San Francisco Bay area. It was shown that applicant obtains a significant volume of traffic as a result of conventions held in the area.

Since the sightseeing public receives such indirect benefits from the special charter bus service, it is proper that the revenues and expenses of said operation be included in the results considered herein.

The race track operation is conducted for the public generally with buses used in the sightseeing service. The sale of postcards and similar services are integrated with the sightseeing service. The revenues and expenses related thereto are proper considerations herein.

Applicant and the staff presented analyses of the operations conducted by applicant during the twelve months ended October 31, 1961. Estimates of the operating results for a future test year were made. As stated in Decision No. 63998, both estimates are subject to correction because of facts brought out in the record, which will be given consideration here. The study prepared by the staff provides more underlying data than that offered by applicant, so for the purpose of determining reasonable separations and allocations of revenues and expenses we shall use staff estimates as a base.

As stated above, the revenues and expenses for stevedoring charter operations and for the services performed by applicant for the Avis Company subsidiaries should be excluded from consideration. The latter may be readily separated. However, the estimates presented herein include as charter operations both stevedoring charter and special bus charter operations. The evidence shows that applicant uses certain buses for the stevedoring service. Basic data concerning depreciation expense, fuel consumption and repair costs for those buses were developed by the staff. An approximation of the out-of-pocket cost of conducting stevedoring charter service can be made. The evidence indicates that the ratio

of out-of-pocket cost to revenue is on the order of 113 percent. The revenue from stevedoring operations for the historical year was \$226,000. For the purposes herein the \$226,000 will be excluded and an estimated \$256,000 out-of-pocket cost of performing stevedoring charter will be deducted from total expense. Certain other adjustments should be made to the estimates presented by the staff. Those adjustments to the motor coach operating results are:

1. Increase special charter bus revenue by \$24,618 to reflect the increase in rates made effective April 1, 1962.

2. Increase maintenance expense by \$3,300 so as to apportion 25 percent of unassignable materials and parts to services performed for Avis Company.

3. Increase maintenance expense by \$500 to reflect sick pay paid to service employees.

4. Increase transportation expense by \$2,200 for transportation expense incurred during the test year but not recorded.¹

5. Increase transportation expense \$2,700 for bridge tolls paid but not recorded.

6. Increase transportation expense \$4,000 for tolls on 17-mile Drive and at other points of interest excluded by staff in error.

7. Increase station expense \$2,400 for commissions paid but not recorded.

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Applicant's clerical employees were on strike immediately after October 31, 1961, so that posting of some expense was delayed until after the field data was assembled by the Commission staff.

8. Increase station expense \$100 for additional commission expense resulting from increase in special bus charter rates.

9. Increase advertising expense \$1,100 to reflect dues and subscriptions paid to local organizations such as Rotary Club and Kiwanis Club.² Applicant provides a service that requires more selling than that of most common carriers. The evidence shows that a significant amount of business traffic is obtained by applicant as a result of advertising through such local organizations.

10. Increase travel expense by \$5,000 to reflect travel through travel agents. The evidence shows that the bus company's revenue is increased by \$5,000 through travel agents through substantial sightseeing out the bus. revenues.

11. Increase legal expense by \$2,300. Eight thousand four hundred dollars over three years is a reasonable amount for legal services in connection with proceedings involving labor disputes, fare increases and unfair and unauthorized competition.

12. Increase operating taxes by \$100 to reflect the transportation tax on the additional charter revenue.

With said adjustments the operating results of applicant for operations under the proposed fares for a test year are set forth in Table I.

² Such dues and subscriptions were excluded by the state in the decision of the Commission in San Diego and Corcoran (1960), 57 Cal. P.U.C. 787,796. Our inclusion of advertising for Gray Line is predicated upon the difference in service provided. Such inclusion herein is not to be construed as a repudiation of the treatment accorded in the former decision.

CORRECTION

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8. Increase station expense \$100 for additional commission expense resulting from increase in special bus charter rates.

9. Increase advertising expense \$1,100 to reflect dues and subscriptions paid to local organizations such as Rotary Club and Kiwanis Club.² Applicant provides a service that requires more selling than that of most common carriers. The evidence shows that a significant amount of sightseeing traffic is obtained by applicant as a result of participation in such local organizations.

10. Increase administrative expense by \$5,000 to reflect travel expenses for general officers. The evidence shows that the business conducted by the officers with travel agents throughout the world provides applicant with substantial sightseeing revenues.

11. Increase administrative expense by \$2,300. Eight thousand four hundred dollars spread over three years is a reasonable amount for legal services in connection with proceedings involving labor disputes, fare increases and unfair and unauthorized competition.

12. Increase operating taxes by \$100 to reflect the transportation tax on the additional charter revenue.

With said adjustments the operating results of applicant for operations under the proposed fares for a test year are set forth in Table I.

²

Such dues and subscriptions were excluded by the staff based upon the decision of the Commission in San Diego and Coronado Ferry, (1960), 57 Cal. P.U.C. 787,796. Our inclusion of additional amounts for Gray Line is predicated upon the difference in the types of service provided. Such inclusion herein is not to be taken as a repudiation of the treatment accorded in the former case.

TABLE I

The Gray Line, Inc.,
Forecast of Results of Motor Coach
Operations under Proposed Fares for
a Test Year

<u>Ac. No.</u>	<u>Revenue</u>	<u>Total</u>
3201	Sightseeing	\$1,194,200
3204	Race Track	143,300
3211	Charter	270,800
3900	Other	65,100
	Total	<u>\$1,673,400</u>
	<u>Expenses</u>	
4100	Maintenance	\$ 241,600
4200	Transportation	809,300
4300	Station	230,100
4400	Traffic	135,000
4500	Insurance	73,300
4600	Administrative	189,000
5000	Depreciation	99,200
5200	Operating Taxes	100,300
5300	Operating Rents	61,100
	Total	<u>\$1,938,900</u>
	Out-of-Pocket Cost of Stevedoring Charter ³	<u>256,000</u>
	Adjusted Expenses	\$1,682,900
	Net Revenue	\$(9,500)
	Operating Ratio*	100.6%

*Before provision for Income Taxes.

We find that the proposed increases in sightseeing fares are justified and that the operating results shown in Table I reasonably reflect the revenues and expenses under said proposed fares for a test year.

Applicant has requested authority to establish the proposed increased fares on less than statutory notice. The circumstances and conditions justify the establishment of the increased fares on not less than ten days' notice to the Commission and to the public.

³ Even if, as the staff suggests, the stevedoring charter expense were calculated on a fully allocated basis, the resulting operating ratio would still justify the proposed increases.

O R D E R

IT IS ORDERED that:

1. The Gray Line, Inc., is authorized to establish the increased rates proposed in Application No. 44176. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date hereof on not less than ten 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.

3. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 31st day of October, 1962.

George H. Crow
President

C. Lynn Fox

Frederic B. Holcomb
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.