

**ORIGINAL**Decision No. 73641

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 THE GRAY LINE TOURS COMPANY for )  
 Authority to Increase Rates for )  
 Passenger Fares for its Services )  
 Covered by Local Passenger Tariffs, )  
 California Public Utilities )  
 Commission Numbers 19 and 20. )

Application No. 49603  
 (Filed August 14, 1967,  
 Amended November 1, 1967)

Berol, Loughran & Geernaert by Bruce R. Geernaert,  
 applicant.  
Bertram S. Silver and James E. Denning, for MCA, Inc.,  
 protestant.  
Henry E. Jordan, for City of Long Beach, California;  
James H. Lyons, for Orange Coast Sightseeing Company;  
 Airport Service; Airport Coach Service; California  
 Sightseeing Tours; M & M Charter Lines, Inc.;  
C. J. Holzer, for Southern California Rapid Transit  
 District, interested parties.  
Vincent MacKenzie, Counsel, Kenji Tomita and Charles Astrue,  
 for the Commission staff.

INTERIM OPINION

The Gray Line Tours Company seeks authority to increase fares for sightseeing tours and for transportation of passengers to race tracks. By amendment filed November 1, 1967, applicant alleges an emergency and urgent need for an interim fare increase. The allegations concerning the need for interim relief in the form of increased revenues were heard November 28, 1967 before Examiner Thompson at Los Angeles.

At the hearing applicant amended its request for interim relief to a ten percent increase applied to the present fares specified in the application with the resultant figure rounded upwards to the next multiple of twenty-five cents. MCA, Inc. protests the granting of an interim increase. Counsel for the Commission staff

said that the staff would not oppose the granting of the interim relief sought because studies being made, some of which have been completed, indicate to the staff that the proposed interim fare increases will do little more than generate sufficient funds to meet reasonable operating expenses and payments on equipment obligations. Orange Coast Sightseeing Company, et al, do not oppose the fare increases but urge that they not be used as authority for any changes in tours, tour designations or routes, which are matters at issue in Application No. 49177 (Gray Line Tours Co. for certificate authorizing sightseeing service).

Evidence was presented by applicant, by the staff and by protestant. Applicant's showing consisted of financial statements and forecasts of revenues and expenses for future operation. The staff presented a report showing a comparative balance sheet as of May 31, 1966 and 1967, and a comparative income statement for the twelve month period ended May 31, 1966, as reflected in applicant's books and for the twelve month period ended May 31, 1967 with certain adjustments to amounts recorded in applicant's books. The staff did not present any forecasts of revenues or expenses under present fares or under the proposed fares. Protestant presented evidence intended to repudiate certain estimates made by witnesses for applicant and for the staff. It also offered testimony and documents intended to prove protestant's allegations concerning unlawful operations being conducted by applicant. The examiner sustained objections to the receipt of such testimony and documents.

The books of account maintained by applicant disclose that for the year ended May 31, 1966 it had a net income from all operations of \$25,720 and for the year ended May 31, 1967 it had a net

operating loss of \$129,875. The staff made certain adjustments to the 1967 recorded results which it considered necessary because of transactions between applicant and certain of its affiliates, and to eliminate any expenses or deductions the staff considered to be unreasonable. The adjusted results show a net operating loss of \$60,031 for the one year period ended May 31, 1967, as compared to the recorded loss of \$129,875, a difference of \$69,844. This difference results from the staff adjustments increasing recorded operating revenues by \$8,800 and reducing recorded operating expenses by \$61,044. We shall make no finding concerning the reasonableness of the staff's adjustments at this time. It is noted that such adjustments are contrary to the position taken by applicant.

The decline of over \$150,000 in recorded net income in one year from a profit of \$25,720 to a loss of \$129,875 did not result from any loss in patronage. The staff witness stated that gross revenues in 1967 increased by about 22 percent from 1966, mainly from the sightseeing operation which had an increase in revenues of \$314,000. He stated that during the same period, however, operation and maintenance expenses increased by approximately 35 percent. The staff report shows the major changes in expense were in the following categories:

- (a) Transportation expenses increased by 28 percent, mainly attributable to an increase in drivers' wages and purchased transportation expenses.
- (b) Station expenses increased by 76 percent, due to an increase in commissions paid to agents, the number of agents receiving commissions, and an increase in clerical personnel salaries. The applicant has substantially increased the number of agents in the southern California area in an effort to promote greater sales.

- (c) Traffic solicitation and advertising expenses increased 76 percent, due primarily to sales salaries. As explained previously, the increase is due in part to greater promotional activities on the part of the applicant to improve sales.
- (d) Administrative and general expenses have increased by 31 percent due to increased sick leave benefits, an additional paid holiday, an increase in clerical wages and administrative fees, and an additional rent expense for the executive offices located on Wilshire Boulevard.

The staff witness stated that applicant has annual payments to parties other than affiliates for equipment obligations amounting to about \$150,000. It was his opinion that a ten percent increase in gross revenues from sightseeing and race track operations would have provided approximately \$158,500 additional gross revenue for the year ended May 31, 1967, which would have resulted in an operating net income of \$75,000 for that period. That income plus \$120,000 in annual depreciation expense would have provided a cash flow of \$195,000 which would have been sufficient to meet the annual payments.

Applicant estimates that for a future rate year, operation conducted with fare increases which will increase sightseeing and race track gross revenues by 10 percent will result in an operating loss of \$250,342. It estimates a net loss of \$108,370 even if fares were increased to provide a 20 percent increase in sightseeing and race track revenues. It also contends that the opinion of the staff witness that additional gross revenues of \$158,500 will make reasonable provision for applicant's annual financial requirements is not correct. It asserts that using the staff's own figures, and assuming that the adjustments to revenues and expenses are correct and proper (which it does not concede), applicant requires \$228,000 additional net operating revenues rather than \$158,500 additional gross operating revenues.

We need not relate every assertion made by the parties or relate the evidence concerning such assertions. We have considered all of the evidence and have given consideration to all of the assertions, allegations and arguments made by the parties. We are of the opinion that applicant should be granted the relief sought and such opinion is based upon the following general findings:

1. Applicant's financial condition has been deteriorating rapidly.
2. One of its principal advertising and promotional media is annually distributed in January and contains the fares that applicant charges.
3. The staff is engaged in a study of applicant's operations, fares and practices and such study was not complete at the time of hearing nor was it anticipated that it would be completed and ready for presentation before January 1, 1968.
4. An emergency calling for consideration of a request for an interim increase in fares has been shown.
5. Revenues and expenses for the twelve month period ended May 31, 1967 provide the most recent data here available for consideration of the operating results of applicant under present fares and under the proposed interim fares.
6. Whether or not the adjusted operating results for the twelve months ended May 31, 1967 presented by the staff are reasonable should not be decided now. For purposes of this interim decision such determination is unnecessary.
7. Applicant's reasonable minimum annual financial requirements for payment of equipment obligations amount to \$170,000 which includes the \$150,000 specified by the staff plus \$20,000 which is

the minimum estimated reasonable requirement for financing the eight busses acquired from The First Gray Line Corporation. The \$20,000 is computed as the amount of twelve monthly payments of forty-eight payments on \$78,399, which was the net book value of the eight busses shown on the books of the First Gray Line Corporation at the time of the transfer of the busses, plus interest.

8. In order for applicant to have had a cash flow necessary for it to meet reasonable operating expenses and current annual payments on equipment during the twelve months ended May 31, 1967, at least \$129,400 additional gross operating revenues would have been required, said amount being computed as follows: \$170,000 annual payments plus \$60,000 deficiency in revenues for expenses equals \$230,000 cash flow requirement; less \$120,000 annual depreciation expense leaves \$110,000 to be obtained from additional revenues. Because of commissions and other expenses based upon revenue, it would be necessary for applicant to obtain \$129,400 additional gross revenue for it to receive \$110,000 additional net operating revenue.

9. The present fares for sightseeing and race track transportation services are insufficient to provide applicant with revenues to meet the reasonable expenses of providing such services.

10. Applicant does not propose to increase all sightseeing fares or race track fares; therefore, a ten percent increase in the fares it proposes to increase will not provide an increase of ten percent in gross revenues for sightseeing and race track operations.

11. The proposed increase which includes the rounding off of fares to the next higher multiple of 25 cents will result in increasing individual fares by amounts ranging from 10 percent to 13 percent. The mean and median increase appears to be between 13 and 14 percent.

12. Because of the circumstances set forth in findings 9 and 10 above, the amount of additional revenue that will be provided by the proposed increases cannot be estimated with any degree of precision from the evidence in this record; however, such additional revenue will not provide excessive earnings.

13. The proposed interim fare increases will generate sufficient funds to meet reasonable operating expenses and payments on equipment obligations of \$170,000 per year found herein to be reasonable for the purpose of determining the justification of said fare increases.

We come now to the contentions of protestant, the evidence it offered and the allegations made in connection therewith. Further hearings are currently scheduled in another proceeding, Application No. 49177, involving the operating rights of this applicant and evidence concerning the alleged unlawful operations should be offered in that proceeding. Evidence relative to alleged tariff non-compliance will be received and considered in the further hearings which will be held in this rate proceeding.

Protestant asked that the increases not be made applicable to Tours Nos. 2-S and 5. There is nothing in the record herein, except the fact that protestant is primarily concerned with Tours Nos. 2-S and 5, which would distinguish those tours from any of the other operations applicant conducts. The application herein for interim rate relief is a revenue proceeding. We make no finding as to the reasonableness of any of the proposed increased fares and none is required. In order to protect protestant and any other party, the authority to increase fares will be made subject to the condition that applicant will not urge in any proceeding that the authority to increase said fares constitutes a finding of the reasonableness of any of said increased fares.

Orange Coast Sightseeing Co., et al, stated that they are participants in Application No. 49177 of Gray Line Tours Company. They do not oppose the interim increases in fares; however, they desire that the authority granted to effect such increases clearly states that it does not authorize the changing of any routes or of the designations of any tours. Applicant in reply stated that it does not contend that authority to increase the fare will authorize route or tour changes. It did not object to such condition regarding the proposed fare increases.

We find that the proposed interim fare increases have been shown to be justified. We conclude that applicant should be authorized to increase the present fares set forth in its application as provided in the ensuing order.

INTERIM ORDER

IT IS ORDERED that:

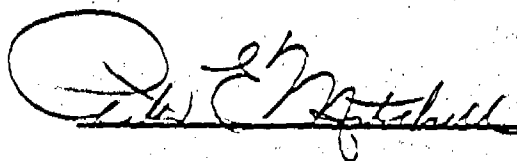
1. The Gray Line Tours Company, a corporation, is authorized to establish the increased fares set forth in Appendix A, attached hereto, for the tours and race track transportation specified in Exhibit A to Application No. 49603.
2. Tariff publications authorized as a result of the order herein shall be filed not earlier than the effective date of this order and may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.
3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.
4. The authority herein granted is subject to the express condition that applicant will never urge before the Commission in any

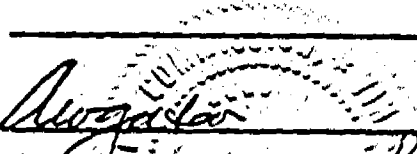

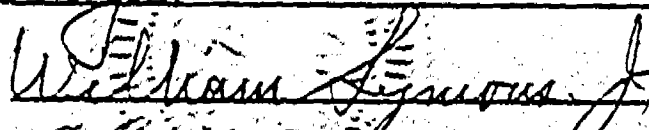
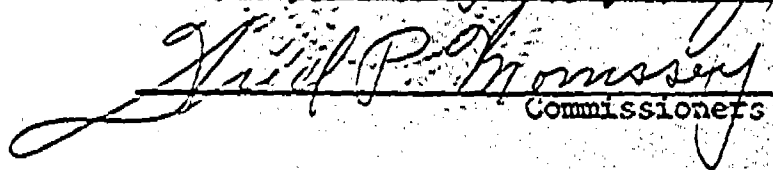


proceeding brought under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular fare; and that it will never urge before the Commission in Application No. 49177 or in any other proceeding that the opinion and order herein constitute any authorization to change or modify any of its tours, tour routes or tour designations; and that the filing of fares pursuant to the authority herein granted constitutes an acceptance and consent by applicant of said conditions.

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

Dated at San Francisco, California, this 16<sup>th</sup> day of JANUARY, 1968.

  
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President

  
  
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Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

## APPENDIX A

## Schedule of Increased Fares

<u>Where the Present Fare is</u>	<u>Increase to</u>	<u>Where the Present Fare is</u>	<u>Increase to</u>
\$ 1.35	\$ 1.50	\$ 4.05	\$ 4.50
1.80	2.00	4.25	4.75
1.90	2.25	4.30	4.75
2.00	2.25	4.40	5.00
2.20	2.50	4.45	5.00
2.40	2.75	4.55	5.25
2.45	2.75	4.60	5.25
2.65	3.00	4.80	5.50
2.75	3.25	4.85	5.50
3.05	3.50	5.00	5.50
3.45	4.00	6.00	6.00 *
3.65	4.25	6.05	6.75
3.70	4.25	6.10	6.75
3.85	4.25	7.30	8.25
3.95	4.50	7.95	8.75
		8.25	9.25
		8.50	9.50
		8.65	9.75
		8.70	9.75
		8.80	9.75
		9.05	10.00
		9.25	10.25
		9.75	10.75
		10.30	11.50
		36.60	36.60 *

\*No Increase