

ORIGINAL

Decision No. 77504

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE GRAY LINE, INC., )	
for an order authorizing an increase )	Application No. 51878
in sightseeing fares and sightseeing )	(Filed May 4, 1970)
tour pickup and return service fare. )	

INTERIM OPINION

Applicant operates as a passenger stage corporation under a certificate of public convenience and necessity authorizing round-trip sightseeing tours and related services within the San Francisco Bay Area and adjacent counties. It also operates as a charter-party carrier of passengers and possesses the required permit authorizing said operations.

By this application, applicant seeks authority to increase its sightseeing and sightseeing pickup fares by 10 percent to offset increases in labor costs and bridge tolls. Applicant has served the application on each county and municipality within, from, to or in which the proposed increases would be effective.

The application states as follows: Collective bargaining agreements covering drivers and transportation supervisors expired on March 15, 1970; negotiations with the Teamsters Union representing said employees resulted in a new contract, retroactive to March 16, 1970, and effective for two years; the contract provides for increased wages and other benefits; the wage and benefit costs for station and office employees are also increasing as a result of a previously negotiated collective bargaining agreement with them; pension and supervisory costs are likewise increasing; in addition,

Golden Gate Bridge bus tolls were increased from 26 cents to \$2 per round trip effective December 26, 1969; repair, material and other operating costs are also increasing.

The application asserts that the additional costs it is experiencing will amount to \$207,000 during the 12-month period ending February 28, 1971. It alleges that compared with the prior 12-month period, applicant's net income, based on current fares, for the aforementioned period will be reduced from \$142,525 to \$44,525 and its operating ratio will be 98.6 compared to the earlier 95.3.

The application states that additional revenues of \$207,000 per year from sightseeing operations are required to offset the added costs. However, it points out that the sought 10 percent increase would produce \$201,637 in additional sightseeing revenues per year and that applicant would absorb approximately \$5,313 per year of the increased costs plus any additional costs it is required to pay and absorb during the period between the March 16, 1970, effective date of the collective bargaining contract and the effective date of the sought increase, if granted.

Following is a tabulation of the income statement prepared by applicant for the test year ending February 28, 1970, set forth in Exhibit G to the application, together with adjusted income statements prepared by it for said period in Exhibit G to reflect the effect of the alleged increased costs and in Exhibit H to reflect the effect of both the alleged increased costs and proposed 10 percent increase in sightseeing fares.

Test Year Ending February 28, 1970

	<u>Adjusted to Reflect Effect of</u>		
	<u>Actual Experience</u>	<u>Increased Costs</u>	<u>Increased Costs and Sought Fare Increase</u>
<u>Revenues</u>			
Sightseeing .....	\$2,236,123	\$2,236,123	\$2,459,723 (1)
Charter .....	728,092	728,092	728,092
Race Track .....	12,368	12,368	12,368
Miscellaneous Station .....	-	-	-
All Other .....	120,539	120,539	120,539
Total .....	<u>3,097,122</u>	<u>3,097,122</u>	<u>3,320,722</u>
<u>Expenses</u>			
Maintenance .....	164,086	181,086	181,086
Transportation .....	1,157,109	1,297,209	1,297,109
Station .....	256,287	262,287	280,846 (2)
Traffic and Advertising .....	228,767	235,767	235,767
Insurance and Safety .....	102,427	105,427	105,427
Admin. and General .....	418,568	446,568	446,568
Depreciation .....	109,773	109,773	109,773
Operating Taxes and Licenses ..	221,777	227,777	231,131 (3)
Operating Rents, Net .....	148,351	148,351	148,351
Total .....	<u>2,807,145</u>	<u>3,014,145</u>	<u>3,036,058</u>
Net Operating Income .....	289,977	82,977	284,664
Other Income, Interest .....	25,145	25,145	25,145
Deductions from Income .....	12,597	12,597	12,597
Income before Income Tax ..	302,525	95,525	297,212
Provision for Income Taxes .....	160,000	51,000 (4)	151,000 (4)
NET INCOME .....	<u>142,525</u>	<u>44,525</u>	<u>146,212</u>
Operating Ratio after Income Taxes	95.4%	98.6%	95.6%

- (1) Includes sought 10% fare increase.
- (2) Includes Commission on increase in revenue.
- (3) Includes gross revenue tax on increase in revenue.
- (4) Reflects changes in tax rates subsequent to 1-1-70. ✓

The application alleges that the months of June, July and August account for approximately two-thirds of applicant's annual revenue and that if the sought authority is not acted upon favorably without delay, it will be unable to offset the major part of the cost increases to be incurred during the year ending February 28, 1971.

Based on a review of all the data now before us, it is apparent that applicant has experienced, and will continue to experience, increased operating expenses resulting from higher labor and other costs, including bridge tolls; that said increases will have a substantial depressing effect on applicant's income; and that additional revenue is necessary to offset said increases. Without further evidence, it is not possible to determine whether the full 10 percent increase in the sightseeing passenger fares and sightseeing tour pickup and return service fare from San Mateo County to San Francisco requested by applicant is justified or whether any part of the increased costs should be assigned to other services performed by applicant. In this connection, it is noted from the above tabulation that the revenue from sightseeing service accounted for only approximately 75 percent of applicant's total revenue during the year ending with February 28, 1970. It is evident, however, that an increase of at least 5 percent in the sightseeing and San Mateo County pickup and return fares is warranted, and will be authorized, on an interim basis. The matter will be set for public hearing to determine whether additional increases in the fares for said services are justified.

The Commission has received one informal objection to the proposed increase. No other protests have been received.

The Commission finds that:

1. Applicant is experiencing increases in its operating costs which are not reflected in the level of its established tariff rates and charges for sightseeing services and pickup and return service from San Mateo to San Francisco.
2. Applicant requires additional revenue from the services referred to in Finding 1 to compensate for increased operating expenses incurred by it in performing said services.
3. An increase of 5 percent in the passenger fares for the services referred to in Finding 1 is justified.
4. It has not been shown on the record to date whether the sought additional increase in applicant's tariff rates and charges for the services referred to in Finding 1 is justified.
5. Public hearing should be held for the receipt of evidence concerning the additional increase sought by applicant.

We conclude that applicant should be authorized an interim increase in its tariff rates and charges for sightseeing services and for pickup and return service from San Mateo County to San Francisco to the extent set forth in the order herein, and that public hearing should be held for the receipt of evidence concerning applicant's request for a further increase in its tariff rates and charges for said services.

In view of the fact that the upward adjustments in applicant's labor and other costs, including bridge tolls, have been in effect for some time, applicant will be authorized to establish the 5 percent increase granted herein on not less than five days' notice to the Commission and to the public.

INTERIM ORDER

IT IS ORDERED that:

1. Pending further order of the Commission, applicant is hereby authorized to increase by 5 percent the sightseeing passenger fares in its Local Passenger Tariff No. 17, Cal. P.U.C. No. 5, and the sightseeing tour pickup and return service passenger fare from San Mateo County to San Francisco in its Local Passenger Tariff No. 18, Cal. P.U.C. No. 6.

2. In publishing the increases authorized herein fares not ending in "0" or "5" may be increased to the next "0" or "5".

3. Tariff publications authorized to be made as a result of the order herein 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.

4. 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. The notice shall also explain that the increases are interim and that a public hearing will be scheduled before the Commission in the near future to consider whether the additional 5 percent increase requested by applicant is justified. Said notice shall be posted not less than three

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 five days after the date hereof.

Dated at San Francisco, California, this 11th day of JULY, 1970.

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Chairman

*William J. ...*  
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*Verna L. ...*  
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Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.