

ORIGINAL

Decision No. 78734

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 21 and 22.)

Application No. 52573
 (Filed April 22, 1971)

INTERIM OPINION

By this application, The Gray Line Tours Company seeks authority to increase its fares for sightseeing service and race track service in the Southern California area by approximately 19 percent on an interim basis and by approximately 35 percent on a permanent basis. It alleges there is an emergency and urgent need for interim fare increase pending hearing and decision on its full request. This opinion deals with the request for interim relief.

Applicant alleges that based on a market analysis by its General Manager there is currently a downtrend in its business which approximates 12 percent below the 1970 level. It attributes this downtrend to the slackening of the national economy and the after effects of the Southern California earthquake in February. In further support of the continuing downtrend in its business which is closely related to the tourist trade, reference is made to the decline in recent months in domestic airline traffic at the Los Angeles airport and declines in attendance at major tourist attractions such as Disneyland, Knott's Berry Farm and Universal Studios which range from eight percent to as much as 37 percent.

Applicant has also furnished two documents containing supplementary material in support of its application, which are

identified as verified statements of D. Dullabaum and William J. Cutbirth, received by the Commission on April 30, 1971. These will be identified as Exhibits 1 and 2 for this proceeding.

Applicant believes that the proposed interim fares will produce an operating ratio of 98.2%, before income taxes. Since in excess of 50% of applicant's annual sightseeing business occurs during the summer months, it alleges that an immediate increase is imperative. It requests that an interim increase be granted on an Ex Parte basis to become effective on or about June 1, 1971.

Following is a tabulation of the income statement prepared by applicant for the year ending 1970 together with adjusted income statements for the period June 1, 1971 to May 31, 1972 to reflect the alleged reduction in numbers of passengers:

OPERATING REVENUES & EXPENSES BY MAJOR CATEGORIESRATE YEAR: 6/1/71-5/31/72

	<u>1970</u>	<u>Present Fares</u>	<u>19% Increase</u>
OPERATING REVENUES			
Sightseeing	\$1,953,500	\$1,718,400	\$1,940,800
Add-Ons	982,800	865,100	820,900
Racetrack	194,700	194,700	222,000
Limousine	40,500	45,000	45,000
Charter	321,300	321,300	321,300
Tournament of Roses	16,400	35,200	35,200
Miscellaneous	8,900	10,000	10,000
TOTAL OPER. REV.	\$3,518,100	\$3,189,700	\$3,395,200
OPERATING EXPENSES			
Maintenance	\$ 197,200	(a)\$ 191,000	(a)\$ 191,000
Transportation	800,500	800,500	800,500
Station	365,000	(b) 348,200	(b) 358,700
Traffic & Advertising	238,900	238,900	238,900
Insurance & Safety	84,000	(b) 76,100	(b) 82,300
Gen. & Administrative	524,100	(b) 511,800	(b) 520,300
Depreciation	172,400	182,200	182,200
Oper. Taxes & Lic.	127,400	127,400	127,400
Rents	87,100	81,800	85,100
Tournament of Roses	8,000	26,900	26,900
Admission Fees, Add-Ons	861,100	758,100	719,400
TOTAL OPER. EXP.	\$3,465,700	\$3,342,900	\$3,332,700
OPER. INCOME (LOSS)	\$ 52,400	\$ (153,200)	\$ 62,500
OPER. RATIO			
(Before Income Taxes)	98.5%	104.8%	98.2%

(a) Elimination of non-recurring items.

(b) Gives effect to revenue related expenses-commissions, insurance, bad debts, Gray Line dues and rent.

Evaluation of the presentation made by applicant at this time allows the following comparison:

ESTIMATED RESULTS OF OPERATIONS
OF GRAY LINE TOURS COMPANY

	Examiner's Report Dated 11-27-68 Appl. 49603 (1)	Preliminary Estimates (2) 5-12-71
<u>Revenues</u>	\$3,562,500	\$3,546,700
<u>Expenses</u>	3,315,500	3,319,400
<u>Operating Income</u>	247,000	227,300

- (1) Based on recommended fares of this report, which became the fares approved by Decision No. 75573 and are those fares currently in effect.
- (2) Based on an overall 12% increase in current fares and preliminary estimates of various expenses, as presently presented by applicant.

In consideration of the foregoing tabulation, it is evident that an increase in fares of 12 percent will approximately return applicant's operating results to a comparable level with that heretofore found reasonable in the latest proceeding involving applicant's operation. (Decision No. 75573, dated April 15, 1969, in Application No. 49603)

Based on the record now before us, it is apparent that applicant has experienced, and will likely continue to experience, a decline in the number of passengers carried on sightseeing tours and to the race tracks in the area; that said decreases will have a substantial depressant effect on applicant's income; and that an increase in applicant's sightseeing and race track fares of approximately 12 percent is warranted on an interim basis.

The Commission finds that:

1. Applicant is experiencing a decline in the number of passengers for sightseeing and race track service.
2. Applicant requires additional revenue from the services referred to in Finding 1 to compensate for the operating expenses incurred by it in performing said services.
3. An increase of 12% in the passenger fares for the services referred to in Finding 1 would produce approximately the operating results heretofore allowed (94.9% operating ratio, after income taxes) and is justified on an interim basis subject to further consideration on the full record to be developed.
4. Sightseeing tours and race track operations are luxury and recreational services.

We conclude that applicant should be authorized an interim increase in its tariff rates and charges for sightseeing services and race track services to the extent set forth in the order herein, pending decision on evidence to be adduced at a public hearing.

In view of the fact that over 50 percent of applicant's annual business occurs during the summer months, applicant will be authorized to establish the increase granted herein on not less than five days' notice to the Commission and to the public, and the order will be made effective in five days.

INTERIM ORDER

IT IS ORDERED that:

1. The Gray Line Tours Company, a corporation, is authorized to establish the following increases in its fares for tours and race track transportation covered by this application:

APPENDIX ASCHEDULE OF INCREASED FARES

Where the Present Fare is:	Increase to:
\$2.00	\$2.25
2.50	2.75
2.75	3.00
3.00	3.50
3.25	3.75
3.45	4.00
3.75	4.25
4.25	4.75
4.50	5.00
4.75	5.25
5.00	5.75
5.25	6.00
5.50	6.25
6.00	6.75
6.50	7.25
8.70	9.75
9.50	10.50
10.00	11.25
10.50	11.75
12.75	13.75

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 90 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 proceedings 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 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.

5. A public hearing shall be scheduled in this proceeding for the receipt of evidence on this application and full disposition thereof.

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

Dated at San Francisco, California, this 25th day of MAY, 1971.

Chairman
William J. ...

Verna L. Sturgeon

Commissioners

L. ...
William J. ...

I dissent

[Signature]