

ORIGINAL

Decision No. 78845

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE GRAY LINE, INC.,)
for an order authorizing an increase)
in sightseeing fares and sightseeing)
tour pickup and return service fare.)

Application No. 52625
(Filed May 19, 1971)

INTERIM OPINION

The Gray Line, Inc. (Gray Line) is a passenger stage corporation engaged in providing round trip sightseeing tours and other transportation in the San Francisco Bay Area, pursuant to operating authority granted by this Commission. In this application it seeks an ex parte order of the Commission increasing its sightseeing pickup fares by approximately 15 percent. The present and authorized fares are set forth in Appendix A hereto.

The application contains a condensed balance sheet as of December 31, 1970, which shows earned surplus in the amount of \$702,704. The application also contains an operating statement for the calendar year 1970. Said statement shows operating revenues of \$2,930,395; operating expenses of \$2,854,132; operating income of \$76,263; and net income after taxes of \$23,203. Applicant's operating ratio (after taxes) was 99.2 percent for the period in question.

The application states that its purpose is to obtain revenues to offset labor cost increases recently incurred by Gray

Line and to obtain for applicant a reasonable operating ratio. In this connection applicant alleges as follows: The effective collective bargaining agreement covering Gray Line drivers and transportation supervisors entered its second year March 16, 1971, with resultant wage and benefit increases. Applicant also is experiencing increasing wage and benefit costs as a result of collective bargaining agreements with its station and office employees, effective March 16, 1971, and October 1, 1970, respectively. Supervisory costs have also increased.

Information attached to the application shows that the aforementioned wage increases and other increased costs detailed in the application will amount to \$126,458 in the rate year ending February 29, 1972. Absent a fare increase, Gray Line projects a loss in such rate year of \$7,904, and an operating ratio of 100.3 percent (after taxes). Gray Line asserts that it should be authorized to increase its sightseeing pickup fares by 15 percent in order to obtain revenues necessary to offset the cost increases detailed in the application and to afford Gray Line an improved operating ratio.

The following table sets forth Gray Line's estimates of its operating results for the rate year ended February 29, 1972, giving effect to known increases in expenses and the fares proposed herein.

TABLE 1

PRO FORMA OPERATING STATEMENT
GIVING EFFECT TO THE PROPOSED RATE INCREASE

	<u>Rate Year</u> <u>At Present</u> <u>Fares</u>	<u>Proposed</u> <u>Increase</u>	<u>Giving Effect</u> <u>To Rate</u> <u>Increase</u>
<u>Operating Revenues:</u>			
Sightseeing - Regular	\$2,071,322	\$310,983	\$2,382,305
Sightseeing - Charter	386,020		386,020
Charter - Other	460,007		460,007
Race Track	29,585		29,585
Other	42,365		42,365
Total Operating Revenues	<u>\$2,989,299</u>	<u>\$310,983</u>	<u>\$3,300,282</u>
<u>Operating Expenses:</u>			
Maintenance	\$ 198,072	\$	\$ 198,072
Transportation	1,250,639		1,250,639
Station	267,980	25,812	293,792
Traffic & Advertising	219,926		219,926
Insurance & Safety	138,748		138,748
Administrative & General	536,080		536,080
Depreciation	117,096		117,096
Operating Taxes & Licenses	158,048		158,048
Operating Rents	94,001		94,001
Total Operating Expenses	<u>\$2,980,590</u>	<u>\$ 25,812</u>	<u>\$3,006,402</u>
Operating Income	\$ 8,709		\$ 293,880
<u>Provision for Income Taxes</u>			
State	714		24,098
Federal	15,899		141,556
Total	<u>\$ 16,613</u>		<u>\$ 165,654</u>
Net Operating Income	\$ (7,904)		\$ 128,226
Operating Ratio (after taxes)	100.3%		96.1%

(Red Figure)

The application further alleges as follows: The nation's inflationary economy has not only resulted in escalating Gray Line's costs, but its concurrent recession is the primary cause of a downturn in sightseeing business. The reduction in sightseeing passengers has been dramatic--Gray Line passengers in the first quarter of 1971 are 16.5 percent below the like period in 1970,

and 22.1 percent below the first quarter of 1969. Unfortunately, this reduction in customers is occurring at the same time that Gray Line, like employers generally, is subject to labor cost increases which exceed monetary savings resulting from cost-control efforts. Gray Line's management is exerting every effort to control expenses and maximize revenue, but without the relief herein sought a deficit operation is forecast.

The application shows that it was served in accordance with Commission rules, and notice of its filing appeared on the Commission's Daily Calendar. The Commission's Transportation Division has reviewed the application. There are no protests or requests for public hearing. Applicant urges expeditious relief because the months of June, July and August account for approximately two-thirds of its annual revenue. It further asserts that absent fare relief during such summer months, applicant will be unable to offset the major part of its cost increases to be incurred during its rate year.

The Commission's Transportation Division staff has reviewed the application and data supplied therewith, and has also reviewed applicant's records. Based on its review the Transportation Division recommends that applicant be authorized a 5 percent increase in sightseeing fares, on an interim basis pending further review by the Commission. The staff recommendation is made in consideration of the need to place the increase in effect as soon as possible to obtain the benefits thereof during the summer tourist season.

The Transportation Division points out that the financial data supplied in the application omitted revenues of \$68,700 from limousine operations. The staff also believes

test-year operating results should reflect increases in revenues for non-sightseeing services in proportion to the increases authorized for sightseeing services. The following table depicts the staff's estimates of operating results for the rate year giving effect to the foregoing adjustments to the data in Table 1.

TABLE 2

The Gray Line, Inc.

Transportation Division Staff's Estimates of
Operating Results for Rate-Year
Under 5 Percent Increase in Fares

<u>Operating Revenues</u>	
Regular Sightseeing	\$2,174,800
Race Tracks	29,600
Special Sightseeing	405,300
Charter	483,000
Miscellaneous	42,400
Limousine	72,100
Total	<u>\$3,207,200</u>
<u>Operating Expenses</u>	
Total except Station	\$2,712,700
Station	280,400
Total	<u>\$2,993,100</u>
<u>Operating Income</u>	\$ 214,000
<u>Income Taxes</u>	\$ 120,800
<u>Net Operating Income</u>	\$ 93,300
<u>Operating Ratio (after taxes)</u>	97.1%

The Commission finds:

1. Applicant's operations resulted in an operating ratio (after taxes) of 99.2 percent for the calendar year 1970.
2. Applicant has incurred additional wage costs effective March 16, 1971 and has, or will, incur other increased operating expenses in the year ended February 29, 1972. Such increases in operating expenses are estimated by applicant to be \$126,458 in the rate year.

3. Projected operating results under present levels of sightseeing fares and the increased expenses referred to in finding 2 will result in an operating loss for the year ended February 29, 1972. (Table 1.)

4. An increase of 5 percent in sightseeing pickup fares as recommended by the staff will result in projected revenues, expenses, net income and operating ratio as set forth in Table 2. Said recommendation will provide the revenues necessary to offset the increase in expenses referred to finding 2 of \$126,458. The resulting operating ratio (after taxes) of 97.1 percent is not unreasonable for the type of operations conducted by applicant. [See In re The Gray Line Tour Company, Decision No. 78734, dated May 25, 1971, in Application No. 52573, wherein interim fares resulting in an operating ratio (after taxes) of 94.9 percent were authorized.]

5. The fare increases set forth in the order are justified.

We conclude that applicant should be authorized to increase its fares as indicated above. Inasmuch as the greatest part of applicant's annual revenues are earned during the summer months, applicant will be authorized to establish the increased fares on five days' notice and the order herein will be made effective in ten days.

INTERIM ORDER

IT IS ORDERED that:

1. The Gray Line, Inc., a corporation, is authorized to establish the increased fares proposed in Application No. 52625 and specifically set forth in Appendix A hereof.

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 the public.

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

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

Dated at San Francisco, California, this 23rd
day of JUNE, 1971.

[Signature]
Chairman
William Sproule Jr.
[Signature]
Vernon L. Sturgeon
[Signature]
Commissioners

APPENDIX A

PRESENT AND AUTHORIZED SIGHTSEEING PASSENGER FARES

<u>Tour No.</u>	<u>Present Fares</u> (1)	<u>Authorized Fares</u>	<u>Increase</u>
1-A	\$ 4.00	\$ 4.20	\$.20
1-B	4.50	4.75	.25
1-C	5.25	5.50	.25
1-D	4.20	4.40	.20
1-E	4.75	5.00	.25
1-F	5.25	5.50	.25
2-A	2.75	2.90	.15
2-B	4.30	4.50	.20
3-A	3.10	3.25	.15
3-B	3.70	3.90	.20
3-C	4.30	4.50	.20
3-G	3.10	3.25	.15
5-A	4.55	4.80	.25
5-B	3.90	4.10	.20
6	9.90	10.40	.50
7	7.45	7.80	.35
8	13.20	13.85	.65
9	5.55	5.85	.30
9-A	7.65	8.05	.40
9-B	6.60	6.95	.35
12	4.55	4.80	.25
12-A	4.75	5.00	.25
14	10.20	10.70	.50
16	7.75	8.15	.40
17	2.20	2.30	.10
21	2.20	2.30	.10
25	4.95	5.20	.25
26	6.05	6.35	.30
27	4.75	5.00	.25
28	24.05	25.25	1.20
30	23.55	24.75	1.20

PRESENT AND PROPOSED SIGHTSEEING TOUR
PICKUP AND RETURN SERVICE FARE FROM
SAN MATEO COUNTY TO SAN FRANCISCO

<u>Present Fare</u> (2)	<u>Authorized Fare</u>	<u>Increase</u>
\$2.10	\$2.20	\$.10

- (1) The Gray Line, Inc., Local Passenger Tariff, No. 19, Cal. P.U.C. No. 7.
 (2) The Gray Line, Inc., Local Passenger Tariff, No. 20, Cal. P.U.C. No. 8.