

ORIGINAL

Decision No. 83896

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
THE GRAY LINE TOURS COMPANY, a
corporation, for authority under
Section 454 of the Public Utilities
Code to increase its fares.

Application No. 55289
(Filed November 1, 1974;
amended November 18, 1974)

INTERIM OPINION

The Gray Line Tours Company (Gray Line) is a passenger stage corporation engaged in the transportation of passengers in sightseeing, race track, and special event service between described points within the area bounded generally by Santa Barbara on the north and the California-Mexico international boundary on the south.

In the original application filed November 1, 1974 Gray Line seeks various specific increases in fares for 29 of its tours which assertedly develop the substantial majority of revenues derived from regulated activities.^{1/} The proposed fare increases in the original application are estimated to produce an overall 10 percent increase in revenue. The proposed increases are for the stated purpose of offsetting increases in costs of labor, services, and materials.

In the amendment to the application filed November 18, 1974 Gray Line seeks various interim fare increases for the 29 tours which it estimates will result in an overall revenue increase of 6.3 percent. Applicant states that the increased costs cited in the original application, particularly the costs of labor and

^{1/} Applicant's fares were most recently increased by Decisions Nos. 78734 (1971), 78972 (1971), 79770 (1972), and 83769 (1974).

related factors, are of such magnitude that it is necessary for it to have immediate interim rate relief on an ex parte basis. Appendix A to the amended application details the amounts and percents of labor increases by accounts (September 1974 over September 1973). It shows that applicant's overall labor costs have increased by 10.6 percent, resulting in an annual dollar increase of \$166,065. In Exhibit C to the amended application there are added certain expenses attributable to increased revenue. These are \$18,569 for agents' commissions, \$4,178 for National Gray Line Association dues, and \$4,085 for insurance. These added to the increased labor costs reflect a total direct cost increase of \$192,897.

In the original application a total estimated annual increase in revenue of \$280,317 is sought. The overall labor costs of \$166,065 represent approximately 60 percent of that figure. Proposed interim fares in Exhibit B to the amended application were constructed on the basis of 60 percent of the fare increases sought in the original application, rounded to the nearest \$.05. The proposed interim fare increases range from 30 to 75 cents per tour, or 5.2 to 9.2 percent greater than present fares.^{2/} Applicant estimates that these fare increases would produce \$185,693 additional revenue to offset the labor and projected revenue expenses of \$192,897. The estimated additional revenue of \$185,693 is approximately 6.3 percent of the total passenger revenue of \$2,950,187 generated by the tours involved for the year ended June 30, 1974, as reflected in Exhibit D to the amended application.

^{2/} Applicant requests that the proposed interim fare increases be authorized in addition to the diesel fuel cost offset increases sought in Application No. 54994 (Decision No. 83769).

In Appendix C to the original application Gray Line shows an operating ratio (for rate-making purposes) of 96.2 for the year ended June 30, 1974. For the rate year 1975 the company projects an operating ratio of 98.9 at present fares. With the sought 10 percent increase in fares an operating ratio of 96.9 is estimated. The sought interim increase of approximately 6.3 percent would produce an operating ratio greater than 96.9.

Notice of the filing of the original application was served by applicant upon 74 cities and 8 counties in southern California on or about October 28, 1974, in accordance with Rule 24 of the Commission's Rules of Practice and Procedure. The application and the amendment were noticed on the Commission's Daily Calendars of November 7 and November 20, 1974, respectively. There was only one protest. A public hearing on the interim labor cost offset fare proposals is not necessary.

Applicant's allegations and supporting data are convincing that the interim fare increases which are sought in this matter should be authorized in order to provide timely relief from inadequate revenues which applicant is experiencing under present fares.

Findings

1. Applicant has experienced increased labor and related expenses of approximately \$166,065 (more than 10 percent) since September 1973. With the addition of certain expenses attributable to increased revenue applicant estimates that it will require \$192,897 to fully offset the increased labor costs.

2. Applicant seeks interim fare increases for 29 of its tours ranging from 30 to 75 cents per tour to offset the increased costs. It estimates that the increased fares will increase revenue by approximately 6.3 percent or \$185,693.

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3. The estimates of operating results of applicant including projections under present and proposed fares and increased expenses set forth in Exhibit C of the original application should be adopted on an interim basis.

4. Present fares which applicant maintains do not provide revenues sufficient to enable applicant to cover the expenses of performing the passenger common carrier operations here involved plus a reasonable profit.

5. The increased fares contained in Exhibit B to the amended application are justified on an interim basis.

The Commission concludes that the sought fare increases in Exhibit B of the amended application should be granted on an interim basis (to apply in addition to the fuel cost offset increases authorized in Decision No. 83769) and that permanent relief should be considered at a later date.

INTERIM ORDER

IT IS ORDERED that:

1. Applicant is authorized to establish on an interim basis the increased fares contained in Exhibit B to the amended application, in addition to the increased fares authorized in Decision No. 83769.

2. Tariff publications authorized to be made 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 ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

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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 is the date hereof.

Dated at San Francisco, California, this 30th
day of DECEMBER, 1974.

Vernon L. Sturgeon
President
William J. Lyons
Thomas Moran
Stanley
Robert E. McIlwain
Commissioners