

Decision No. 84472**ORIGINAL**

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California Sightseeing Tours, Inc. for authority to increase rates for passenger fares for its service between Santa Anita Racetrack and Hollywood Park Racetrack and various points in Los Angeles, Calif.

Application No. 54593  
(Filed January 21, 1974)

Application of California Sightseeing Tours, Inc. for authority to increase rates for passenger fares for its service between Santa Monica and McDonnell-Douglas Aircraft Company, Huntington Beach and Long Beach, California.

Application No. 54700  
(Filed March 1, 1974)

Russell & Schureman, by Christopher Ashworth, for applicant.

Elmer Sjoström, Attorney at Law, and A. L. Gielegem, for the Commission staff.

FINAL OPINION

Application No. 54593 was filed to request an increase in fares for passenger service between Los Angeles and Orange Counties and two racetracks. Applicant informed the Commission on December 6, 1974 that the racetrack service is to be discontinued and to disregard Application No. 54593.

Application No. 54700 was filed on March 1, 1974 to request that the round-trip fares be increased from \$1.75 to \$2.75 for transportation service between Santa Monica, Culver City, and Pacific Palisades, on the one hand, and Long Beach and Huntington Beach, on the other hand. The total revenue request is approximately \$70,000 annually. It was alleged that fares had not been raised since 1964

and that losses of \$26,806 and \$28,567 were suffered during 1973 and 1974. An interim opinion (Decision No. 82844) was issued by the Commission on May 7, 1974 which authorized applicant to raise its rates from \$1.75 to \$2.50 per round trip. The staff requested a hearing to present evidence and consider applicant's relation to its parent company, Educational and Recreational Services, Inc. A hearing was held in Los Angeles on November 20, 1974 before Examiner Fraser. Evidence was presented by applicant and the Commission staff. The matter was submitted on briefs, which have been received.

The staff recommended that Application No. 54700 be granted and that applicant's timetables be revised to accurately portray its present service. The staff findings on operating ratio are as follows:

	<u>Operating Ratio</u>
Present fares (pre-interim)	110.4%
Interim fares	95.1
Requested fares	91.3

The comparison of company and staff results is presented in the following tables, which are based on current depreciation, taxes, wages, and unit cost. Operating expenses are based on the mileages and routes to be operated.

TABLE 1

California Sightseeing Tours, Inc.  
 McDonnell-Douglas Commute Operations  
 Comparison of Company and Staff Results of Operations  
 Twelve Months Ending June 30, 1975 Estimated  
Pre-interim Fares(f)

<u>Item</u>	<u>Company Exhibit No. 4</u>	<u>CPUC Estimate</u>
Operating Revenues	\$ 97,705	\$109,810(a)
<u>Operating Expenses</u>		
Driver Wages	54,702	54,700
Employee Benefits	7,724	7,720
Fuel and Oil	14,347	12,460(b)
Tires	7,341	6,380(b)
Insurance	2,345	2,640(e)
Licenses	4,891	3,640(c)
Transportation Tax	663	450(c)
Safety and Training	1,465	1,610(e)
Communications	732	740(d)
Other Costs	1,368	-(d)
Equipment Maintenance (Material & Parts)	45,679	32,340(b,c,d)
General and Administrative	8,789	6,070(d)
Facility Costs	-	4,900(d)
Depreciation	<u>15,031</u>	<u>10,250(c,d)</u>
Total Expenses Excluding Income Taxes	\$165,076	\$139,490
Net Income Before Income Taxes	(\$ 67,371)	(\$ 29,680)
Taxes on Income	<u>\$ -</u>	<u>(\$ 18,200)</u>
Net Income After Taxes on Income	(\$ 67,371)	(\$ 11,480)
Operating Ratio After Taxes on Income	169%	110.4%

(Red Figure)

- (a) Revenue estimate based on seven buses with average load of 36 and 249 days of operation per year.
- (b) Adjustment to deadhead mileage.
- (c) Adjusted by relationship of days used in this service versus total days available for use.
- (d) Adjustments consistent with staff accounting report (Exhibit No. 10).
- (e) Consistent with revenue estimate.
- (f) Fares authorized at the time of filing the application.

TABLE 2

California Sightseeing Tours, Inc.  
 McDonnell-Douglas Commute Operations  
 Comparison of Company and Staff Results of Operations  
 Twelve Months Ending June 30, 1975 Estimated  
Interim Fares

<u>Item</u>	<u>Company Estimate</u>	<u>CPUC Estimate</u>
Operating Revenues	\$152,586*	\$156,870(a)
<u>Operating Expenses</u>		
Driver Wages	54,701	54,700
Employee Benefits	7,724	7,720
Fuel and Oil	14,347	12,460(b)
Tires	7,341	6,380(b)
Insurance	3,662*	3,760(c)
Licenses	4,891	3,640(c)
Transportation Tax	663	450(c)
Safety and Training	1,465	1,610(d)
Communications	732	740(d)
Other Costs	2,136	-(d)
Equipment Maintenance (Material & Parts)	45,679	32,340(b,c,d)
General and Administrative	8,789	6,070(d)
Facility Costs	-	4,900(d)
Depreciation	<u>15,031</u>	<u>10,250(c,d)</u>
Total Expenses Excluding Income Taxes	\$167,161	\$140,610
Net Income Before Income Taxes	(\$ 14,575)	\$ 16,260
Taxes on Income	<u>\$ -</u>	<u>\$ 8,570</u>
Net Income After Taxes on Income	(\$ 14,575)	\$ 7,690
Operating Ratio After Taxes on Income	109.6%	95.1%

(Red Figure)

\* Not shown in company exhibits but computed from applicant's work papers.

- (a) Revenue estimate based on seven buses with average load of 36 and 249 days of operation per year.
- (b) Adjustment due to deadhead mileage.
- (c) Reduced by relationship of days used in this service versus total days available for use.
- (d) Adjustments consistent with staff accounting report (Exhibit No. 10).
- (e) Consistent with revenue estimate.

TABLE 3

California Sightseeing Tours, Inc.  
 McDonnell-Douglas Commute Operations  
 Comparison of Company and Staff Results of Operations  
 Twelve Months Ending June 30, 1975 Estimated  
 Proposed Fares

<u>Item</u>	<u>Company Exhibit No. 4</u>	<u>CPUC Estimate</u>
Operating Revenues	\$167,845	\$172,560(a)
<u>Operating Expenses</u>		
Driver Wages	54,701	54,700
Employee Benefits	7,724	7,720
Fuel and Oil	14,347	12,460(b)
Tires	7,341	6,380(b)
Insurance	4,028	4,140(c)
Licenses	4,891	3,640(c)
Transportation Tax	663	450(c)
Safety and Training	1,465	1,610(d)
Communications	732	740(d)
Other Costs	2,356	-(d)
Equipment Maintenance (Material & Parts)	45,679	32,340(b,c,d)
General and Administrative	8,789	6,070(d)
Facility Costs	-	4,900(d)
Depreciation	15,031	10,250(c,d)
Total Expenses Excluding Income Taxes	\$167,741	\$140,990
Net Income Before Income Taxes	\$ 104	\$ 31,570
Taxes on Income	\$ 30	\$ 16,630
Net Income After Taxes on Income	\$ 74	\$ 14,940
Operating Ratio After Taxes on Income	99.9%	91.3%

(Red Figure)

- (a) Revenue estimate based on seven buses with average load of 36 and 249 days of operation per year.
- (b) Adjustment due to deadhead mileage.
- (c) Adjusted by relationship of days used in this service versus total days available for use.
- (d) Adjustments consistent with staff accounting report (Exhibit No. 10).
- (e) Consistent with revenue estimate.

The staff's objections were directed to Application No. 54593, which has been withdrawn. The parties agreed that the fares charged for the commuter service were inadequate. The staff report also indicates that there are several of applicant's authorized routes on which no service is being provided. Applicant is directed to file a formal application seeking the necessary authority to abandon these routes if it does not intend to provide service on them.

Findings

1. Application No. 54593 has been withdrawn by the applicant.
2. Application No. 54700 was filed to request that the round-trip fares be increased from \$1.75 to \$2.75 for transportation service between Santa Monica, Culver City, and Pacific Palisades, on the one hand, and Long Beach and Huntington Beach, on the other hand.
3. An interim order dated May 7, 1974 authorized applicant to raise its round-trip fares from \$1.75 to \$2.50 per round trip.
4. The estimated results of operation for twelve months ending on June 30, 1975 were computed by applicant and the staff as follows:

	<u>Net Income Before Taxes</u>		<u>Operating Ratio</u>	
	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>
Pre-interim	Loss of \$67,371	Loss of \$29,680	159%	110.4%
Interim Fares	Loss of \$14,575	\$16,260	109.6%	95.1%
Proposed Fares	\$104	\$31,570	99.9%	91.3%
5. Applicant has requested a rate increase of approximately 57 percent, or about \$70,000.
6. The service applicant describes in Application No. 54700 operated at a loss prior to the granting of an interim rate increase on May 7, 1974, which will provide an estimated (by staff) annual income of \$7,690 after income taxes are paid.

7. The staff estimate, which is based on October 1974 operating costs, indicates an annual income of \$14,940 after payment of income taxes, if Application No. 54700 is granted.

8. In view of the upward trend of operating costs, applicant's financial position, and the proposed fares being the equivalent of charges imposed by others for the same type of service, applicant's request should be granted.

9. The increases in fares authorized by this decision are justified.

FINAL ORDER

IT IS ORDERED that:

1. Application No. 54593 is dismissed.
2. Interim Decision No. 82844 dated May 7, 1974 in this proceeding is revoked on the date the fares authorized herein are established.
3. California Sightseeing Tours, Inc. is authorized to establish the increased fares proposed in Application No. 54700. Tariff publications authorized to be made as a result of this order 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 of this order on not less than five days' notice to the Commission and to the public.

4. The authority shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 28<sup>th</sup>  
day of MAY, 1975.

William Sproule Jr. President  
Leonard [unclear]  
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.