

Decision No. 92483

DEC 2 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE GRAY LINE TOURS COMPANY for authority to increase fares as set forth in Local Passenger Tariff, Cal. P. U. C. No. 24, and for interim relief.

Application No. 60026 (Filed October 23, 1980; amended October 30, 1980)

O P I N I O N

The Gray Line Tours Company (Gray Lines), a corporation, conducts operations as a passenger stage corporation (PSC-522), engaging in sightseeing and special event bus services between points in Southern California, such area being geographically bounded by Santa Barbara on the north and the California-Mexico international boundary on the south. Gray Lines also offers general charter service under authority of the Commission (TCP-58A).

By Application No. 60026, as amended, applicant seeks an approximate 20 percent increase in selected existing adult and child fares as reflected in applicant's Local Passenger Tariff No. 24, and as shown on Exhibit "D" of the application.

Discussion

Gray Lines has not received any increases in its fares since January 1, 1976, except for a one percent increase in Decision 89794, dated December 19, 1978, and one percent increase in Decision 91153, dated December 18, 1979, and a fuel offset surcharge in Decision 91150, dated December 18, 1979.

Exhibit "I" of the application is an Equipment List identifying each unit of bus equipment utilized by applicant in the rendition of service under its certificated authority. Collectively, the exhibit identifies 163 buses. Gray Lines alleges that as of

December 31, 1976, its bus fleet was comprised of 83 buses, and that the investment in equipment as of that date was approximately \$3.1 million as contrasted with a current investment in excess of \$7 million. In such connection, during the fiscal year ended September 30, 1980, Gray Lines' net income was approximately \$1.2 million, all of this sum being invested in new buses. In fact, a total of \$2.35 million was expended by year end for equipment and other capital improvements. /

Exhibit "J" of the application analyzes Gray Lines' equipment fleet by age. As is noted, the fleet of 163 buses averages 10.9 years with 20.9 percent of the fleet 15 years or older. Exhibit "J" also sets forth a minimum replacement program through the year ending 1984. A total of 61 new and 3 used bus purchases is contemplated, with a concurrent retirement of 64 of the oldest buses. These acquisitions contemplate an estimated net cost of \$9.75 million.

Gray Lines alleges that its operations under current fares will produce insufficient revenues to continue the equipment replacement program. The instant application was filed for the purpose of obtaining sufficient additional revenue to modernize and update its bus fleet.

Based on the information contained in the application and more recent additional information obtained from Gray Lines, the following table shows a summary of results of operations for the test year ending December 31, 1981, under both the present and proposed fares:

Rate Year Ending
December 31, 1981

<u>Items</u>	<u>Present Fares (Decision 91150)</u>	<u>Proposed Fares</u>
<u>Statistics</u>		
Bus Miles	6,012,000	6,012,000
Sightseeing Passengers	953,100	953,100
<u>Revenues</u>		
California Intrastate Sightseeing	\$ 8,400,400	\$ 10,061,700
Interstate Sightseeing	6,995,000	6,995,000
Charter	5,234,300	5,234,300
Route Service	39,700	39,700
Other	<u>693,500</u>	<u>693,500</u>
Gross Revenues	\$ 21,362,900	\$ 23,044,200
Operating Expenses	\$ 20,764,900	\$ 20,937,900
Gross Income	598,000	2,106,300
*Income Taxes	(257,200)	473,300
Net Income	\$ 855,200	\$ 1,633,000
Operating Ratio After Taxes	96.0%	92.9%
Rate of Return	8.4%	16.0%
Average Rate Base	10,201,200	10,201,200

*Include \$466,660 investment tax credit.

As indicated by the above table, Gray Lines' operations in the test year ending December 31, 1981, under the present fares will produce an annual gross revenue of \$21,362,900, operating expenses of \$20,764,900, a net operating income of \$855,200, with an operating ratio of 96.0 percent and a rate of return on the investment of 8.4 percent. The proposed fares will result in an annual gross

revenue of \$23,044,200, or an annual gross revenue increase of \$1,681,300, a net annual income of \$1,633,000, with an operating ratio of 92.9 percent and a rate of return on the investment of 16.0 percent.

The requested fares proposed by Gray Lines in Application 60026 include the fares authorized by Decision 92390, signed November 4, 1980 in Application 59870 which provided \$136,000 additional revenue, and by Decision 92429, signed November 18, 1980 in Application 59865 which provided \$189,000 additional revenue. The proposed fares in Application 60026 would result in a net additional annual gross revenue of \$1,356,300 to the revenues resulting from Decisions 92390 and 92429.

Gray Lines has not received any increases in its fares since January of 1976, except for a one percent increase in December 19, 1978 and a one percent increase in December 18, 1979, and a fuel offset surcharge in December of 1979. When considering the six-year period from 1976 through 1981 the proposed 20 percent general fare increase results in an average annual fare increase of approximately 3.3 percent. Therefore, the proposed fares comply with the President's Guidelines for Wage and Price Stability and are necessary to ensure the continued viability of this transportation service.

Notice of the filing of this application was listed on Commission's Daily Calendar on October 29, 1980. Additionally, the Commission staff notified affected public transit district operators of the receipt of the application pursuant to California Public Utilities Code Sections 730.3 and 730.5. No protests have been received, and a public hearing is not necessary.

Application requests that any rate increase authorized by the Commission be made effective January 1, 1981 in order to avoid additional printing costs associated with sales brochures, agent tickets, and the International Gray Line Sightseeing Sales and Tour Guide, all of which historically have been revised effective the first day of each year.

Findings of Fact

1. Gray Lines seeks authority to increase its California intrastate sightseeing fares by 20 percent to offset the increased cost of operation and to modernize and update its bus fleet.

2. Applicant has not received a fare increase since January of 1976, except for a one percent increase in December 19, 1978, and a one percent increase in December 18, 1979, and a fuel offset surcharge in December of 1979.

3. The requested fare increase of 20 percent includes the fare increases granted in Decision 92390 dated November 4, 1980, for an additional annual gross revenue of \$189,000, and Decision 92429 dated November 18, 1980, for an additional annual gross revenue of \$136,000, or a total amount of \$325,000.

4. The requested fares in this application will result in an additional annual gross revenue of \$1,681,300 which when adjusted by the amount of \$325,000 granted by the above two decisions will result in a net additional annual gross revenue of \$1,356,300.

5. Under the present fare structure during the rate year ending December 31, 1981, Gray Lines will be operating at an operating ratio of 96.0 percent and a rate of return on the average rate base of 8.4 percent.

6. The requested fare increase will result in an operating ratio of 92.9 percent and a rate of return on the average rate base of 16.0 percent.

7. A 92.9 percent operating ratio and a 16.0 percent rate of return for Gray Lines appear to be reasonable for granting the requested fare increase.

8. The requested fares are necessary to ensure the viability of Gray Lines.

9. The fare increase requested in Application 60026 is justified.

10. No protests have been received concerning this application.

11. A public hearing is not necessary.

12. To avoid additional printing costs associated with sales brochures and sightseeing tour guides, periodically revised on January 1 of each year, the effective date of this order should be the date hereof.

Conclusion of Law

The fare increase, requested in Application 60026, is just and reasonable and should be granted.

O R D E R

IT IS ORDERED that:

1. The Gray Line Tours Company is hereby authorized to establish the increased fares as proposed in Exhibit "D" in Application 60026, filed October 23, 1980. Tariff publications authorized to be made as a result of this order 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.

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

3. In addition to the required posting and filing of tariffs, Gray Line Tours Company shall give notice to the public by posting in its operating vehicles a printed explanation of its fares. Such notice shall be posted not less than five 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 is the date hereof.

Dated DEC 2 - 1980, at San Francisco, California.

John E. Byron
President

Richard D. Howell

Samuel J. Quinn
Commissioners

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

Commissioner Claire T. Dodrick, being necessarily absent, did not participate in the disposition of this proceeding.