

Decision No. 27892.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
WILMINGTON TRANSPORTATION COMPANY, a  
corporation, for a certificate of  
public convenience and necessity to  
operate vessels for the transporta-  
tion of persons and freight for com-  
pensation between the port of Santa  
Monica and the port of Avalon, both  
in Los Angeles County, California.

Application No. 19827

**ORIGINAL**

In the Matter of the Application of  
WILMINGTON TRANSPORTATION COMPANY, a  
corporation, for an order readjusting  
its passenger rates and establishing  
just, reasonable and compensatory  
rates for the transportation of pas-  
sengers to Santa Catalina Island.

Application No. 19828.

Gibson, Dunn & Crutcher, Attorneys for Appli-  
cant, by Woodward M. Taylor.

F. E. Billhart, for Pacific Electric Railway  
Company, Interested Party.

BY THE COMMISSION:

O P I N I O N

The two above entitled proceedings deal with applica-  
tions of the Wilmington Transportation Company. In Application  
No. 19827 a certificate of public convenience and necessity is  
sought to establish common carrier service by boat between Santa  
Monica and Avalon, and in Application No. 19828 authority is sought  
to increase passenger fares on the existing operation between  
Wilmington and Avalon, all in Los Angeles County.

A public hearing was conducted on these proceedings  
before Examiner Gorman at Los Angeles, on March 31, 1935, at which  
time it was stipulated by the parties that - (a) the two above

entitled proceedings be consolidated for the purpose of taking testimony and rendering a decision; and (b) Decision No. 3019, dated December 31, 1915, in Case No. 381, be considered in evidence in these proceedings, in so far as relevant. This decision gives a rather complete description of applicant's entire operations, which are practically the same today, and reference is made thereto for further detail of the same.

Turning first to Application No. 19827; the record shows that the City of Santa Monica, for many years, has requested the Wilmington Transportation Company to establish regular service between Santa Monica and Avalon. This operation, however, has not heretofore been possible, due to the fact that the harbor at Santa Monica was not developed to accommodate applicant's facilities. The city, however, has recently completed the extension of the breakwater and dock facilities and is now in a position to offer applicant the necessary adjuncts to accommodate the proposed operation. There still remains a small amount of work to be done upon the docks, which the city proposes to let for contract in the near future, and it is estimated that the work will be finished within thirty days.

Applicant proposes to initiate the service by operating one vessel, providing one round trip daily, with the plan that additional service will be added if traffic justifies. The rates proposed, both passenger and freight, are the same as those sought in Application No. 19828 applying to the operations between Wilmington and Avalon.

It was shown that the Santa Monica Harbor is more convenient than Wilmington for not only the Cities of Santa Monica and Culver City, but also a large portion of the developed area of the Los Angeles district, particularly Venice, Beverly Hills and Hollywood.

The Mayor of the City of Santa Monica testified that for many years the city has been looking forward to the time when it would be afforded direct transportation to Avalon and that the Council, on March 6, 1935, passed Resolution No. 1374, granting applicant a franchise over a twenty-five year period covering the use of the municipal dock facilities at Santa Monica, as evidenced by Exhibit No. 4. The city also passed a resolution (No. 1373, adopted March 6, 1935), urging the Commission to grant said Application No. 19827, as shown by Exhibit No. 5. Exhibit No. 6 is a copy of a resolution passed by the Board of Directors of the Santa Monica-Ocean Park Chamber of Commerce, urging the granting of this application.

The record shows that the public for some time has been rather fully advised of this plan of operation, as well as the proposed rates, and there is nothing in the record opposing the granting of the certificate sought. The evidence clearly shows that this application to establish service between Santa Monica and Avalon is just and reasonable and should be granted.

With respect to Application No. 19828, dealing with the operation between Wilmington and Avalon; applicant or its predecessor, since the year 1884, has been engaged in the business of operating vessels for the transportation of passengers and freight between Wilmington (Port of Los Angeles) and the port of Avalon (Santa Catalina Island), Los Angeles County. The Island of Santa Catalina and the Town of Avalon for many years have been a pleasure and health resort and the transportation business of the Wilmington Transportation Company arises directly or indirectly from and is dependent upon the maintenance of such pleasure and health resort in such a manner as to attract considerable numbers of persons thereto. Applicant is the only common carrier engaged in passenger and freight business between Wilmington and Avalon. It also conducts a lighterage and

tow service and the glass bottom boat service at Catalina Island. The only feature directly involved in the instant application is that of passenger rates. The present and proposed passenger rates of applicant are as follows:

	Between either Wilmington or Santa Monica and Avalon				
	Round	Spec. Party	Spec. Party	Spec. Party	Commute Rate
Fare	Fare	Fare	Fare	Fare	(20 Rides)
Present	\$1.50	\$2.25	\$2.00	\$1.50	\$15.00
Proposed	1.75	3.00	2.50	2.00	20.00

At the hearing the application was amended to eliminate the proposed increase in commutation fares.

Applicant alleges that its gross passenger and freight revenue decreased from \$902,726 in 1929 to \$395,579 in 1933; that the total operating loss from its passenger and freight business increased from \$120,890 in 1929 to \$218,758 in 1933; that during the period 1930 to 1933, inclusive, applicant curtailed its passenger operating expenses to the greatest possible degree commensurate with adequate and efficient service but, notwithstanding such curtailment, passenger revenue was insufficient to meet operating expenses; that the increase in revenue for 1934 was insufficient to meet operating expenses and that an out-of-pocket loss was sustained; that existing rates are and will continue to be unjust, unreasonable, confiscatory and non-compensatory; that it has become necessary for applicant to expend, in the near future, a large sum for the improvement and enlargement of its passenger transportation facilities, which expenditure, it is estimated, will exceed \$100,000; and that it desires to retain a high standard of service to attract only a desirable class of traffic.

Applicant's Exhibit No. 17 shows the original cost and net book value of properties used and useful in the passenger and freight service, which are as follows:

SCHEDULE OF PROPERTIES-PASSENGER & FREIGHT SERVICE

	<u>Book Cost</u>	<u>Reserve for Depreciation</u>	<u>Net Book Value</u>
<u>Steamers:</u>			
S.S. Catalina	\$865,804	\$450,660	\$415,144
S.S. Avalon	836,662	592,607	244,055
S.S. Cabrillo	225,629	225,629	-
Sub-total	<u>\$1,928,095</u>	<u>\$1,268,896</u>	<u>\$659,199</u>
<u>Misc. Equipment:</u>			
Autos and Trucks	\$4,185	\$1,963	\$2,222
Office Furniture	2,886	1,977	909
Wilmington Term. Equipt.	6,036	4,157	1,879
Sub-total	<u>\$13,107</u>	<u>\$8,097</u>	<u>\$5,010</u>
<b>TOTAL</b>	<u><u>\$1,941,202</u></u>	<u><u>\$1,276,993</u></u>	<u><u>\$664,209</u></u>

Applicant alleges that the value of the properties is split between passenger and freight service on the basis of the square feet of steamer space utilized for each type of service. On applicant's basis the book cost of the properties was allocated as follows:

	<u>Book Cost</u>	<u>Allocated to Passenger Business</u>	<u>Allocated to Freight Business</u>
Steamers	\$1,928,095	\$1,822,050	\$106,045
Misc. Equipt.	13,107	12,387	721
	<u>\$1,941,202</u>	<u>\$1,834,437</u>	<u>\$106,765</u>

The financial results of applicant's passenger business for the years 1932, 1933 and 1934, as shown on Exhibits Nos. 18 and 20, are as follows:

I t e m	1934	1933	1932
<u>REVENUES:</u>			
Passenger	\$491,594	\$347,686	\$448,494
Rooms & Berths	3,015	2,687	4,040
Miscellaneous	109	170	129
Special Charters	5,729	1,200	8,576
Total Passenger Revenue	\$500,447	\$351,743	\$461,239
<u>OPERATING EXPENSES:</u>			
Operating Expenses	\$549,981	\$511,473	\$545,944
Depreciation	87,223	93,292	99,537
Total Operating Expenses	\$637,204	\$604,765	\$645,581
<u>OPERATING INCOME</u>	\$136,757*	\$253,022*	\$164,342*
<u>OTHER INCOME:</u>			
Garage & auto park	\$5,029	\$1,162	\$10,020
Steamer Concessions	17,510	7,137	9,122
Commissions	342	109	-
Advertising Revenue	25,000	25,000	25,000
Excess Baggage	82	87	-
Loss & Damage	350*	457*	426*
Total Other Income	\$47,613	\$33,038	\$43,716
<u>NET INCOME</u>	\$89,144*	\$219,984*	\$140,626*

\* Denotes Red Figures

The allowance for depreciation, as set forth in the above tabulation, is from applicant's exhibits and was computed on a straight line basis. Recomputing depreciation on a six per cent sinking fund basis and using lives assigned by the company would reduce this item to approximately \$48,000.

Applicant's witnesses testified that the advertising revenue of \$25,000, under Other Income, was derived from the Wm. Wrigley, Jr. Company for maintenance of a sign at the Wilmington Terminal and that the Wilmington Transportation Company has been notified that this revenue will be discontinued this year.

With respect to the effect on travel and revenue that would obtain if applicant's proposed increase in fares were put into effect, there is no means of arriving at an accurate figure.

It is applicant's assumption, however, that there will be only a slight decrease in travel with the increased fares. Upon this assumption and using the traffic for 1934 as a basis, there would be an increased net revenue of approximately \$80,000. When this operation is considered in conjunction with the proposed operation between Santa Monica and Avalon, it is apparent from this record that there must be a substantial increase in travel to afford a reasonable return on the property after paying operating costs. It is safe to assume that, with the increased fares, there would be some diminution of travel. The question naturally arises as to whether applicant's earning position would be improved through a reduction in rates rather than an increase. The record shows that applicant endeavored to increase travel through a reduction in fares in 1933. This experiment, however, did not prove successful and applicant has now elected to seek an increase in fares, with the thought that if this does not work out, it will again come to the Commission and ask for some different form of fare, perhaps the reestablishment of present fares.

In view of the fact that applicant is now earning less than operating costs, it is only fair and proper that it should be afforded an opportunity to try out a higher scale of fares, at least upon an experimental basis. The travel that will be affected by the proposed increase in fares for the most part could not be classed as necessity riding but, on the other hand, is more or less of a vacation or tourist travel, the greater portion of which moves during the summer months, no increase being sought in the commutation fare, which is designed to accommodate the regular traffic between Avalon and the mainland.

No opposition developed to the granting of this application. In addition to the showing made by applicant, a number of

organizations appeared in support of the granting of this application, including the City of Avalon, the City of Santa Monica, Catalina Island Business Men's Association and Santa Monica-Ocean Park Chamber of Commerce, as well as a number of business men of Avalon.

After carefully considering this record, it is concluded that the application should be granted.

#### C R D E R

A public hearing having been held in the above entitled proceedings and the matter having been submitted,

It is Hereby Found as a Fact that public convenience and necessity require the operation of vessels for the transportation of persons and freight by Wilmington Transportation Company, between the Port of Santa Monica and the Port of Avalon, both in the County of Los Angeles, State of California, and

IT IS HEREBY ORDERED that:

I. Wilmington Transportation Company is hereby authorized to operate vessels for the transportation of passengers and freight between the Port of Santa Monica and the Port of Avalon, both in the County of Los Angeles, State of California, as set forth in said Application No. 19827, subject to the following conditions:

- (1) Applicant shall file, in triplicate, in not less than five (5) days prior to the commencement of service, time schedules covering the service herein authorized, in a form satisfactory to the Commission.
- (2) Applicant shall, within thirty (30) days thereafter, notify this Commission, in writing, of the exercise of the rights and privileges herein authorized and of its compliance with the conditions hereof.



(3) The authority herein granted shall lapse and become void if not exercised within one (1) year from the date hereof, unless further time is granted by subsequent order.

II. Wilmington Transportation Company is hereby authorized to increase its passenger rates on its vessel route between Wilmington and the Port of Avalon and to establish passenger rates on the route between the Port of Santa Monica and the Port of Avalon, all in the County of Los Angeles, as set forth in Application No. 19828 and Amendment thereto, as follows:

One Way Fare . . . . .	\$1.75
Round Trip Fare . . . . .	3.00
Special Party Round Trip Fare (30-99 Adults) . . . . .	2.50
" " " " (100 or more Adults) . . . . .	2.00
Commute Rate (20 rides) . . . . .	15.00

subject to the following condition:

(1) Applicant shall file, in triplicate, and make effective within a period of not to exceed thirty (30) days after the effective date of this order, on not less than ten (10) days' notice to the Commission and the public, a tariff or tariffs constructed in accordance with the requirements of this Commission's General Orders and containing passenger rates identical with the passenger rates herein authorized.

The effective date of this order shall be ten (10) days from the date hereof.

Dated at San Francisco, California, this 15<sup>th</sup> day of April, 1935.

Leon A. Whelan  
M. J. Linn  
M. B. Linn  
Walter W. W.  
Frank R. Linn