

Decision No. 29672.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
WILMINGTON TRANSPORTATION COMPANY,  
a corporation, for an order adjusting  
its passenger rates and establishing  
just, reasonable and compensatory rates  
for the transportation of persons be-  
tween Wilmington and Santa Catalina  
Island.

ORIGINAL  
Application No. 21596.

Gibson, Dunn & Crutcher, by Woodward M.  
Taylor, for Applicant.

BY THE COMMISSION:

O P I N I O N

The above entitled application, filed by the Wilming-  
ton Transportation Company, seeks authority to increase certain  
passenger fares on its steamers operating between Wilmington and  
Avalon and between Wilmington and The Isthmus, Los Angeles County.

A public hearing was conducted on this proceeding be-  
fore Examiner Hunter at Los Angeles on December 16th, 1937, at  
which time the matter was submitted, and it is now ready for  
decision.

OTHER WATER OPERATIONS.

Except for a water taxi service conducted by Charles  
Pierson Slocombe, under authority granted by this Commission in  
its Decision No. 28802, dated May 11th, 1936, on Application  
No. 20433, and as subsequently amended by Decisions Nos. 29515  
and 29672, applicant provides the only public transportation

service between the mainland and Santa Catalina Island. Mr. Slocombe's operation is seasonal, commencing May 22nd and terminating September 14th. The route of this carrier is between Long Beach and Avalon and the fares are \$1.50 one way and \$2.00 per round trip. The services furnished by the two operators are entirely different in character and could not be properly classed as competitive. Exhibit No. 4 consists of a letter from Mr. Slocombe's attorney, stating, in effect, that he believes the instant application should be granted and that the service provided by the Wilmington Transportation Company is well worth the increased rates sought.

PRESENT AND PROPOSED FARE STRUCTURE.

The present fares of the Wilmington Transportation Company were established by this Commission's Decision No. 27892, dated April 15th, 1935, on Application No. 19828, and at that time were considered sufficiently high to at least meet operating expenses, with the possibility of a small return on its investment. Present and proposed fares are briefly outlined in the following tabulation:

	(a)	(b)	(c)	(d)	(e)
Present	\$1.75	\$3.00	\$2.50	\$2.00	\$15.00
Proposed	2.00	3.50	3.00	2.50	15.00

- (a) One way fare
- (b) Round trip fare
- (c) Special parties (30 to 99 adults), round trip fare
- (d) Special parties (100 or more adults), round trip fare
- (e) Commutation ticket; coupon book containing twenty one-way coupons, good only for purchaser and members of his or her immediate family; good only for use within one (1) year from date of purchase.

It will be noted that applicant does not propose to increase the commute fare, which is the one commonly used by the residents of Avalon.

DISTRIBUTION OF TRAFFIC.

The record shows that approximately 96% of applicant's passenger transportation business consists of transporting

transients, tourists and recreationists to the island and that approximately 98% of its entire transportation revenue is derived from this same class of traffic. Approximately 64% of this 96% of the traffic is transported by applicant and approximately 64% of the 98% of the revenue is derived by applicant during the months of June, July and August of each year. Approximately 2% of applicant's passenger revenue is derived from the sale of commutation tickets, practically all of which are purchased by the permanent citizens and residents of the City of Avalon, and only about 7% of applicant's public utility revenue is derived from its freight business, almost all of which consists of shipments to and from the island by or for the permanent residents. The permanent population of Avalon, it is estimated, does not exceed 2400 people.

OPERATION BETWEEN WILMINGTON AND THE ISTHMUS.

By Decision No. 29892, dated June 28th, 1937, and Decision No. 29972, dated July 27th, 1937, both on Application No. 21238, applicant was granted authority to establish a water taxi service for the transportation of passengers between Wilmington and The Isthmus. The evidence shows that this type of boat has proven inadequate and unsatisfactory and that, during the forthcoming year, it will be necessary to continue service between these points through the operation of a larger steamer. Consideration is now being given to a plan of either purchasing a new boat or reconditioning the steamship Cabrillo. The latter vessel has been out of service for almost two years and will require a substantial expenditure for its reconditioning and improvements before it can be placed in operation.

IMMEDIATE EXPENDITURES FOR FACILITIES.

If the Cabrillo is reconditioned, it will require an expenditure of approximately \$75,000. On the other hand, if a new boat is purchased for this operation, it will involve an expenditure of approximately \$200,000. Regardless of the type of boat

employed in this service, it will be necessary to repair The Isthmus pier, at a cost of some \$30,000; \$10,000 of this sum must be spent immediately, in order to place the pier in condition for operation during the coming season.

A contract recently has been awarded to rebuild and add twelve feet of additional width to the pier at Avalon, the contract price being \$33,500, plus \$100 for each additional pile required. It is estimated that the total cost of this improvement will approximate \$40,000. Due to the requirements of the Federal Bureau of Navigation, under the provisions of the "Safety at Sea Act," additional steamship equipment must be installed on applicant's vessels at a cost in excess of \$69,000, thus making a total investment in new capital of some \$214,000.

INCREASED OPERATING COSTS.

Recent orders of the Department of Commerce of the Federal Government necessitate the increasing of the personnel on applicant's steamships which, with the increases in rates of pay granted during the year 1937,<sup>(1)</sup> will increase applicant's labor costs for the year 1938 more than \$89,000 over such costs for the year 1937.

(1) COMPARISON OF LINE VESSEL EMPLOYEES' SERVICE AND COMPENSATION SCHEDULE 561, AS TAKEN FROM RAILROAD COMMISSION ANNUAL REPORT WITH YEAR 1937.

1937 ACTUAL TO NOVEMBER 30 WITH DECEMBER ESTIMATED

	<u>1 9 3 6</u>		Ave. Rate per Hour	<u>1 9 3 7</u>		Ave. Rate per Hour	% In- crease 1937 over 1936
	<u>Hours</u>	<u>Amount</u>		<u>Hours</u>	<u>Amount</u>		
Captains	5,504	\$ 9,471.	1.72	4,488	\$ 9,339.	2.08	20.9%
Mates	16,073	16,045.	1.00	14,839	18,363.	1.24	24.0
Deck Hands	72,885	50,169.	0.69	62,515	53,831.	0.86	24.7
Other Deck Employees	20,520	13,976	0.68	22,525	16,410.	0.73	7.35
Oilers	23,293	16,289	0.70	19,991	17,199.	0.86	22.9
Firemen	24,023	16,627.	0.69	20,180	16,303.	0.81	17.4
Stewards & Waiters	55,189	24,325.	0.44	55,515	33,948.	0.61	38.5
Bar Empls.	23,408	14,686.	0.63	23,765	18,055.	0.76	20.6

The above are typical examples and, considering all employees, the increases would exceed 25%.

The Department of Commerce requires the allocation of ten square feet of steamer space to each person aboard the ship, so that it can be readily seen that the addition of crew members reduces the potential passenger-carrying capacity by a corresponding amount and has the effect of increasing the operating costs and decreasing the revenue.

Exhibit No. 11 shows a comparison of labor costs for operating the steamers during the year 1937, with an estimate for the year 1938. A summary of this is tabulated below:

COMPARISON OF LABOR COSTS FOR OPERATING STEAMERS

<u>Steamer</u>	<u>1937 and 1938</u>		<u>Additional Labor Cost</u>
	<u>1937</u>	<u>1938</u>	
"Avalon"	\$ 94,708.41	\$119,079.00	\$24,370.59
"Catalina"	121,958.94	184,362.00	62,403.06
"Cabrillo"	<u>27,233.50</u>	<u>30,273.25</u>	<u>3,039.75</u>
	\$243,900.85	\$333,714.25	\$89,813.40

Total Additional Labor Cost . . . . . \$89,813.40

The major portion of the increased expenses is due to increased labor costs but the record shows that material and supply costs also have increased appreciably. As an example of this, fuel oil for 1938 has increased from 85¢ to \$1.15 per barrel, which results in an estimated total increase of \$7,800 for the year 1938. These increased operating expenses will amount to a sum in excess of \$100,000 per year.

RESULTS OF OPERATION.

Exhibit No. 16 is an operating statement showing the results of operation for the years 1934 to 1937, inclusive. This statement shows that for the year 1937, after deducting depreciation but before deducting federal and state income taxes, the operating income was a red figure of \$18,381. This statement includes not only passenger operations but freight and mail as well.

To determine the proportion of applicant's property, used and useful, in the passenger and freight service, respectively, is almost impossible. After considerable thought, however, it is applicant's opinion that the percentage of square feet of steamer space utilized in each service most accurately shows the correct allocation of the property between these services. This study results in allocating 93.866% to the passenger service and 6.134% to the freight service.

RESULTANT EFFECT OF INCREASED FARES.

Applicant anticipates no appreciable diminution of traffic due to the fare increase as proposed herein, for the reason, as set forth above, that the bulk of its business is derived from transients, tourists and vacationists to whom the additional fifty-cent charge would not be vital. Further than this, applicant has indicated that should the fare increase, after a reasonable trial period, result in a serious decrease in patronage, then it would, on its own initiative, restore the fares to their former level in an effort to stimulate travel. Based upon the assumption that there will be no decrease in travel, due to the increase in fares as proposed herein, applicant would receive an increase in revenue amounting to approximately \$150,000 per annum, which would pay the increased operating costs and enable it to earn a small return on the investment. (2)

(2) WILMINGTON TRANSPORTATION CO.  
SCHEDULE OF PROPERTIES-PASSENGER & FREIGHT SERVICE  
DECEMBER, 1937

	Book Cost	Reserve for Depreciation	Net Book Value
<u>Steamers:</u>			
S.S. Catalina	\$ 898,289.35	\$ 527,749.92	\$370,539.43
S.S. Avalon	852,909.20	727,546.59	125,362.61
S.S. Cabrillo	227,882.49	225,704.03	2,178.46
Sub-total	<u>\$1,979,081.04</u>	<u>\$1,481,000.54</u>	<u>\$498,080.50</u>
<u>Misc. Equipment:</u>			
Autos and Trucks	6,487.41	2,223.64	4,263.77
Office Furniture	13,176.42	6,637.48	6,538.94
Wilmington Term. Equipmt.	21,960.01	20,679.78	1,280.23
Avalon Term. Equipmt.	7,786.87	1,242.33	6,544.54
Terminal Restaurant Equipmt.*	9,733.19	2,817.02	6,916.17
Imprvts. to Leased Property*	18,328.49	7,501.95	10,826.54
Sub-total	<u>\$77,472.39</u>	<u>\$41,102.20</u>	<u>\$36,370.19</u>
Total	<u>\$2,056,553.43</u>	<u>\$1,522,102.74</u>	<u>\$534,450.69</u>

\*Used entirely in passenger business.

POSITION OF OTHER PARTIES OF RECORD.

Although notice of the hearing in this matter was sent to all of the parties whom the Commission considered might be interested in the proposed increase in rates, no one appeared at the hearing to oppose the granting of this application. On the other hand, the record shows that many of the interested parties urged the granting of the same, as evidenced by:

- (a) Exhibit No. 1, which is a copy of Resolution No. 727, passed by the City Council of the City of Avalon, requesting this Commission to grant the application for increased rates;
- (b) Exhibit No. 2, which is a letter from the Catalina Island Business Men's Association, urging the Commission to grant the application;
- (c) Exhibit No. 3, which is a letter from the Wilmington Chamber of Commerce, urging the granting of the application;
- (d) In addition to these resolutions, several representative business men of the City of Avalon appeared in behalf of applicant and expressed themselves as favoring the increase as sought.

CONCLUSIONS.

It is clear from this record that applicant cannot meet its increased operating costs and continue to operate the service at a profit. As to whether or not the proposed increase in fares will provide the anticipated increased revenue, only a trial operation can determine this. Upon this record, it would seem that applicant should be given the opportunity to put into effect the proposed rate structure, at least upon a trial basis, under prevailing conditions. If future developments indicate that the Commission should review the situation at a later date, such a course will be followed.

O R D E R

Public hearing having been held in the above entitled proceeding and the matter having been submitted;

IT IS HEREBY ORDERED that Wilmington Transportation

Company is hereby authorized to increase its passenger rates on its routes between Wilmington and the Port of Avalon and between Wilmington and The Isthmus, all in the County of Los Angeles, as set forth in Application No. 21596, as follows:

One way fare	\$2.00
Round trip fare	3.50
Special party (30 to 99 adults), round trip fare	3.00
Special party (100 or more adults), round trip fare	2.50
Commute rate (20 rides)	15.00

subject to the following condition:

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 Commission reserves the right to make such further Order or Orders in this proceeding as to it may seem just and reasonable.

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

Dated at San Francisco, California, this 3<sup>rd</sup> day of January, 1938.

Matthew W. W.  
Leon A. Whittell  
Frank R. W.  
Frank A. W.  
Ray L. Riley  
Commissioners.