

ORIGINAL

Decision No. 37735

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Mare Island Ferry for an order )  
authorizing an increase in commuta- ) Application No. 26491  
tion rates. )

TUM SU DEN AND TUM SU DEN, by Peter tum Suden, for Applicant.

LT. COMMANDER A. C. JENKINS, U. S. Navy, Domestic Transportation Officer, representing the Commandant of the Twelfth Naval District, interested party.

LT. W. R. PETERS, U. S. Navy, Transportation Officer, Navy Yard, Mare Island, representing the Commandant of the Mare Island Navy Yard, interested party.

CHARLES F. LAWRENCE, representing Chester Bowles, Administrator, Office of Price Administration, and Fred Vinson, Director, Office of Economic Stabilization, intervenors.

JOHN L. SMITH, Secretary, Navy Yard Association, Mare Island Machine Shop 38.

PAUL VEEMAN, Navy Yard Association, representative Shop No. 11, Mare Island.

LOWELL NELSON, Solano County Central Labor Council, Vallejo, interested party.

H. M. STARK, business representative, Sheet Metal Workers Local Union 221, Vallejo, interested party.

CRAEMER, COMMISSIONER:

O P I N I O N

In this proceeding applicant seeks authority to discontinue its commutation fare of 32 one-way rides for one dollar and to make universal its present five-cent fare.

A public hearing was held at Vallejo on February 26, 1945, the matter was taken under submission, and is now ready for decision.

The Mare Island Ferry, a corporation, conducts a foot passenger operation across the Mare Island Strait between Vallejo and Mare Island. At this location the strait is approximately one-quarter

mile in width and the operation is conducted between two slips on each side of the channel. The length of the ferry routes varies between one-quarter and three-quarter mile depending upon the slips employed. The service is conducted through the operation of three ferry boats and fourteen smaller boats. (1)

The Navy provides the ferry company with the following facilities:

- The ferry boat "City of Seattle"
- Three motor launches (100 passengers)
- One ferry slip and loading dock on the Vallejo side of the channel
- Floats at company wharf at Georgia Street
- Two ferry slips and loading docks on the Mare Island side of the channel

These are furnished free to the company, except in the case of the ferry boat for which a monthly rental of \$300 is charged. It is therefore apparent that this operation is to some extent subsidized by the Navy in that it provides facilities for which little or no charges are made.

The ferry company and the Navy Yard have entered into an operating agreement, a copy of which was introduced in this proceeding as Exhibit No. 4. The contract provides among other things:

"The rate of fare to be charged for passengers on all ferries operated will be initially established at \$0.05 for one-way single trip, or \$1.00 for a commutation book containing tickets good for 32 single-trip rides. Changes in these initial rates established may be effected by agreement between the Commandant, Navy Yard, Mare Island, and the contractor, from time to time as change in operating and financial conditions

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- (1) Ferry boats:  
Steamer "Vallejo," 1500-passenger capacity  
Steamer "Issaquah," 900-passenger capacity  
Steamer "City of Seattle," 900-passenger capacity  
Motor boats:  
3 motor launches, 100-passenger capacity  
1 motor launch, 48-passenger capacity  
1 motor launch, 75-passenger capacity  
8 motor boats, 200-passenger capacity  
1 motor boat, 75-passenger capacity

appear to warrant, in order to provide the lowest rate possible for employees of the Navy Yard. In the event of difference of opinion in which no agreement between the Commandant, Navy Yard, Mare Island, and the contractor can be reached as to rate of fare, the California State Railroad Commission will become the arbitrator in whom the final decision of establishment of rates will rest."

The company now operates under a schedule of fares prescribed by the Commission in its order of Decision No. 36613, in Application No. 25717, dated September 21, 1943, as follows:

One-way fare of five cents

Commutation fare of 32 one-way rides  
for one dollar

In this application it seeks to abolish this commutation rate.

Two exhibits were introduced showing the operating results of this carrier. (2) Exhibit No. 2 shows that under prevailing conditions this carrier is not earning operating costs by \$142,822 per annum, the expense item in this estimate assumed that the operation would be conducted with full crews. (3) The full crew requirements, however, have not always been attained by the company as shown in Exhibit No. 3 which shows (as of February 15, 1945) 113 crew members employed whereas 118 constituted full complements. This exhibit also reveals that to obtain a crew of 113 a total of 133 was employed during the preceding fortnight. The testimony presented also shows that the monthly payroll included in Mr. Butler's estimate amounted to \$30,982, while the semi-monthly payroll of February 15, 1945, amounted to \$27,489, when expanded to a monthly basis. The Commission's engineer testified that the company was currently experiencing an out-of-pocket loss of approximately \$6,000 a month. Exhibit No. 5

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(2) Exhibit No. 2 by H. G. Butler, consulting engineer for the applicant. Exhibit No. 5 by O. B. Liersch, associate engineer for the Commission.

(3) The Coast Guard specifies the number of each class of crew members required for the operation of boats operating on inland navigable waters.

shows that the average monthly passenger revenue for the twelve-month period ended January 31, 1945, was \$31,036.77, plus rentals of \$140 a month. Current expenses are estimated at \$41,160, indicating an annual deficit of \$119,796. A further indication of the company's financial position was disclosed by the testimony that the company recently borrowed \$20,000 to replenish working cash.

The company's engineer testified that subsequent to the issuance of Decision No. 36613, authorizing present rates, the operating expenses have materially increased due primarily to three causes, namely,

First, the necessity of operating an additional ferry boat to handle the increased afternoon peak, occasioned by the readjustment of working hours at the Navy Yard, at an annual cost of approximately \$36,000.

Second, the inability to retain the services of male boat operators and deckhands, due to the induction of some into the armed forces and the loss of others to better paid industry, and the substitution of female operators and deckhands. The annual cost of these increases in crew is approximately \$120,000. (4)

Third, an annual increase of \$20,000 in the cost of repairs to the small boats due to their increasing age.

Exhibit No. 2 shows that estimated operations under the proposed rates would result in a rate of return of five per cent on a rate base of \$160,717.

Exhibit No. 5 introduced by the Commission's engineer shows

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(4) The company's engineer testified as follows (Transcript, page 8):

"Another, and more important matter, is the increase of wages of crews. Prior to June of last year the boat crews were all men. Because of the severity of the Selective Service requirements since then these employees have gone and it became necessary to substitute women. The men were working on the split shifts so that the same man would take out boats on the three different peaks, namely, 7:00 a.m., 3:30 p.m., and 12:00 midnight. The women employees who have been substituted are not permitted to work such hours and as a result two women are now required to fill the job formerly filled by one man.

"The men operators were paid \$250 a month; the women are paid \$190. The men deckhands were paid \$140 to \$160 and the women are paid \$150."

the probable operating results employing the proposed rates under two bases, namely, operations with full legal crews and on actual operating conditions of February 15, 1945. These two estimates indicate rates of return of 3.3 per cent and 12.8 per cent, respectively, on a rate base of \$140,000.

The following tabulation shows a comparison of these two exhibits:

Item	Exhibit No. 2		Exhibit No. 5*	
	Basis of Expense		Basis of Expense	
	Expense on:		February,	
	Full Crew		15, 1945	
	Basis	Full Crew	Payroll	
Revenue	\$530,991	\$526,680	\$526,680	
Expenses (except taxes based on income)	519,828	520,176	493,920	
Net before Income Taxes	11,163	6,504	32,760	
Income Taxes	3,191	1,817	14,866	
Net for Return	7,972	4,687	17,894	
Rate Base	160,717	140,000	140,000	
Rate of Return	5.0%	3.3%	12.8%	
Operating Ratio (after taxes)	98.5%	99.1%	96.6%	

\* Table IV adjusted to an annual basis

The divergence in estimates in rate base results from different treatment of depreciation accruals subsequent to November 30, 1944, and possible additions to capital subsequent to January 31, 1945. The company's engineer based his estimate on book cost at November 30, 1944, and the cost of capital additions installed between that date and January 31, 1945, contending that depreciation accruals subsequent to November 30, 1944, would be offset by additions to capital after January 31, 1945. The Commission's engineer based his estimate on depreciated book cost as of January 31, 1945, less estimated accruals to the depreciation reserve between that date and June 30, 1945. In both estimates no amounts were included as depreciation expense for items of property now fully depreciated on the books of the company.

Representatives of both the Navy and the Office of Price Administration cross-examined both the company's and the Commission's

witnesses but offered no testimony or exhibit. The Navy Department requested that applicant be required to submit a statement showing the results of operation of this carrier for the months of December, 1944, and January, 1945. This has been complied with. The representative of the Office of Price Administration requested that the parties be allowed time to file briefs. The Commission thereafter advised the parties that it was their privilege to file concurrent briefs on or before March 15, 1945.

The only party filing a brief in this proceeding was the Office of Price Administration on behalf of the Economic Stabilization Director. In this brief the objection is made to the elimination of the commute fare. It is alleged that certain items of deferred maintenance, depreciation, and wages as shown in the engineering studies were excessive. The record shows, however, that the items of deferred maintenance and depreciation were treated in these studies in the same manner as they were allowed as reasonable expenses by the Commission in said Decision No. 36613 and there is nothing in this record that would justify a different conclusion.

Because of drastic changes in operations in December over which the operator has no control, wages paid during 1944 as proposed by the Office of Price Administration can not be used as a measure to forecast the magnitude of this item under the changed operating conditions. The allowance for wages suggested in protestant's brief is materially lower than the amount necessary to provide for full crew operation or for operations at the February 15, 1945 level. As stated in footnote (3) the matter of manning the boats is under the jurisdiction of the Coast Guard.

The record shows that to apply protestant's proposed rate structure with 5 cents cash together with 25 commute fares for \$1.00 would not meet out-of-pocket costs incurred by the company at the February 15, 1945 level of expenses. The contention that economies could be effected by reversion to the employment of male boat operators is not borne out by the record.

A careful review of this record leads to the following findings:

1. Under prevailing conditions applicant's earnings are insufficient to pay operating expenses and provide a return on any reasonable rate base.

2. There is nothing in this record that shows that applicant can reduce its operating expenses or increase its revenue to bring about a more favorable operating result.

3. The record justifies the conclusion that the applicant should be granted an order providing for the establishment of a single one-way five-cent fare.

Based on the foregoing findings the following form of order is recommended.

O R D E R

Public hearing having been held, the matter having been submitted, and good cause appearing,

IT IS HEREBY ORDERED that the Mare Island Ferry, a corporation, be and it is hereby authorized to abolish its present commutation fare of 32 unlimited transferable single trip tickets for one dollar (\$1.00), thus limiting the fare to single one-way ride for five cents.

Applicant shall file in triplicate and concurrently make effective within thirty (30) days from the date of this order and on not less than five (5) days' notice to the Commission and the public, a revised tariff constructed in accordance with the Commission's Tariff Circular No. 2 eliminating the commutation fare as herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 20<sup>th</sup> day of  
March, 1945.

Harold Rubin

Justus J. Craven

Richard Sachs

Francis R. Cox

James T. Farrell

Commissioners