

ORIGINALDecision No. 40153

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
WILMINGTON TRANSPORTATION COMPANY,)	
a corporation, for an order author-)	Sixth Supplemental
izing the resumption of certain)	
service for the transportation of)	Application No. 24757
passengers by vessel between Wilming-)	
ton and Avalon at increased fares.)	

Appearances

C. F. Fennema, W. J. Scott, and Gibson, Dunn
& Crutcher by Woodward M. Taylor, for
applicant.

SEVENTH SUPPLEMENTAL OPINION

Applicant is a corporation engaged in the business of transporting passengers and property by vessel as a common carrier between Wilmington and Avalon, Santa Catalina Island. By Decision No. 35019 of February 10, 1942, as amended, in this proceeding, it was authorized to establish increased passenger fares for the duration of the national emergency. Shortly thereafter, as a war measure, the service was suspended. Partial operations were resumed in October, 1945, and steamer service was restored in March, 1946. By prior orders herein applicant was authorized to retain the higher rates for a trial period which is to expire with April 15, 1947. By its Sixth Supplemental Application the Wilmington Transportation Company now seeks permission to remove the time limitation on the temporary fares and to continue them on a permanent basis.

Public hearing in the supplemental application was had before Examiner Bryant on March 19, 1947 at Los Angeles. The matter was duly submitted and is ready for decision.

Applicant's general manager testified that current operating costs are even higher than those which first made necessary its present fares. He declared that wage adjustments established on January 1, 1947, will increase wage expense for 1947 from \$160,000 to \$200,000 over that of 1946. He stated also that the costs of fuel and of other materials have substantially increased, and that it will be necessary in the immediate future to expend considerable sums of money in rehabilitation and improvement of the steamers and other operating properties.

According to exhibits submitted and explained by applicant's secretary-treasurer, passenger revenues and expenses for the calendar year 1946 were as follows:

Revenues

Passenger revenue.....	\$1,375,333	
Other net income incidental to passenger business	<u>38,370</u>	
Total revenues.....		\$1,413,703
<u>Expenses</u>		<u>1,361,529</u>
Net Income.....		\$ 52,174

The 1946 expenses include several unusual items which require some discussion. An item of \$55,976 is recorded in the exhibits as "80% of Net Loss-Freight Dept." The deduction of loss from freight operations in determining net income from passenger operations was not shown to be proper. This amount should therefore be eliminated for the purpose of considering the reasonableness of applicant's passenger fares.

A second item is the amount of \$130,703 reimbursed to Santa Catalina Island Company for expenditures made in developing and maintaining attractions and facilities on the island. This expenditure covers such services as maintaining parks and lawns, cleaning private roads and beach, lighting the boardwalk, providing a Mexican orchestra and other miscellaneous attractions, and covers

losses incurred in operation of a public country club and casino. Applicant asserted that these services were necessary to its successful operation and cited an early decision in which this Commission found that Wilmington Transportation Company was entitled to credit as operating expenses whatever moneys were properly and reasonably expended by or on behalf of Wilmington Transportation Company in maintaining those portions of the island of Santa Catalina which are used by and for the public.¹

Another item of considerable importance is \$152,845, paid to Santa Catalina Island Company under an agreement which provides that the Island Company will receive 80 per cent of the net earnings of Wilmington Transportation Company. In justification of this expenditure applicant referred to the 1915 decision just cited, in which the contractual arrangements between the transportation company and the island company were discussed in some detail. However, neither that decision nor any of the other evidence of record discloses adequately the reasons for the percentage payment to the island company, nor its relationship to applicant's operations. If this payment, as well as the loss from freight operations, were disallowed as an operating expense for the purpose of determining passenger fares, applicant's net revenue from 1946 passenger operations would be \$260,995. The depreciated book value of properties used in its passenger and freight service at the close of 1946,

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J. H. Miller et al., vs. Wilmington Transportation Company, (1915)
8 C.R.C. 857, 868. The decision explains that applicant's operations are closely interwoven with those of Santa Catalina Island Company, which owns the greater part of the island. The island and the town of Avalon have been for many years a pleasure and health resort, and applicant's business arises directly or indirectly from, and is dependent upon, the maintenance of such resort in a manner which will attract considerable numbers of persons.

according to applicant's exhibits, was only \$211,368.

Applicant did not undertake to predict what its future experience would be under either the present fares or the pre-war fares.² The 1947 expenses will assertedly exceed those of 1946 by some \$200,000 or more. On the basis of 1946 revenues, the net return from passenger operations may well exceed \$50,000, which it would appear from the available evidence may be excessive. On the other hand, although revenues at the lower fares were not estimated, it appears that they would produce some \$250,000 less than would the present fares. It is clear, therefore, that if Wilmington Transportation Company were required to restore the pre-war fares it would be faced with a substantial operating loss.

Upon careful consideration of all of the evidence of record it is concluded that Wilmington Transportation Company has not shown the proposed maintenance of its present fares on a permanent basis to be justified. It is clear, however, that denial of its supplemental application in toto would have the effect of requiring applicant to operate after April 15, 1947, at fares less than the cost of performing the service. In order that this undesirable situation may be avoided, applicant will be authorized to continue its present fares for a reasonable period in order that an opportunity may be afforded it to show that such fares as it proposes to maintain thereafter are reasonable and justified. Such further showing should

² Applicant's present adult fares and those previously in effect are as follows:

	<u>Present Fares</u>	<u>Previous Fares</u>
One-way fare	\$2.47	\$2.00
Round-trip fare	4.26	3.50
Special parties round-trip fare		
30 to 99 adults.....	3.76	3.00
100 or more adults.....	3.09	2.50

(Commutation fares and freight rates are not involved in the instant supplemental application.)

include a full disclosure of the contractual or other arrangements with affiliated companies, including a complete explanation of payments to the island company which are claimed as operating expenses of the transportation company.

ORDER

The above entitled application having been heard and submitted, full consideration of the matters and things involved having been had, and the Commission being fully advised,

IT IS HEREBY ORDERED that the expiration date of the authority granted by Decision No. 38437, as amended, in this proceeding, be and it is hereby further extended to July 15, 1947; and that tariff filings made pursuant to the authority herein granted may be made effective on not less than one (1) day's notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that in all other respects the Sixth Supplemental Application in this proceeding be and it is hereby denied.

The effective date of this order shall be April 15, 1947.

Dated at San Francisco, California, this 8th day of April, 1947.

Harold P. Kelly
Justus J. Quinn
Wm. H. Russell
Chas. E. Sullivan
Benjamin F. Smith
 Commissioners