

Decision No. 46171

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
H-10 Water Taxi Company, Ltd., for) Application No. 32258
an order approving tariffs.)

Appearances

James E. Pawson and John Phipps, for applicant.

Glenn Newton, for Engineering Division, Transportation
Department, Public Utilities Commission
of the State of California.

O P I N I O N

Applicant is a California corporation engaged in the business of transporting passengers and property as a common carrier by vessel between points on the inland waters of this State in the vicinity of Long Beach and San Pedro. By this application, as amended, it seeks authority to establish increased rates on less than statutory notice.

Public hearing of the matter was held before Examiner Abernathy at Los Angeles on June 15, 1951.

Applicant alleges that increases in its rates are necessary to overcome operating losses brought about by a declining volume of traffic and by increasing costs of operations. It states that traffic has decreased by 44 percent since its rates were last adjusted in 1947 and that in the meantime payroll costs have increased 13 percent; that maintenance expenses have increased 25 percent; and that substantial increases have taken place in insurance costs

and personal property taxes. Operations for the year 1950 were reported as resulting in revenues of \$50,246, expenses of \$54,089, and a net operating loss of \$3,843. Applicant estimates that the rates which it seeks herein would increase its revenues by an amount not less than \$5,400, nor more than \$10,000.

According to an exhibit and testimony offered by a transportation engineer of the Commission's staff, applicant's operations have resulted in losses for each of the past 18 years except the years 1941 through 1946 when demand for the company's services was accelerated by wartime activity. Operating results since 1946 were reported by the engineer as follows:

	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
<u>Revenues</u>				
Special and charter	\$ 55,772	\$64,516	\$48,532	\$36,802
Freight (Disposal)	12,835	17,948	12,795	13,444
Miscellaneous	<u>14,563</u>	<u>-</u>	<u>53</u>	<u>-</u>
Total Revenues	\$83,170	\$82,464	\$61,380	\$50,246
<u>Expenses</u>	<u>\$112,214</u>	<u>\$91,329</u>	<u>\$75,480</u>	<u>\$54,090</u>
<u>Net Loss</u>	\$ 29,044	\$ 8,865	\$14,100	\$ 3,844

With respect to future operations the engineer estimated that applicant will be able to reach only the break-even point if its operations are conducted under the present level of rates during the ensuing year. He anticipated that under the sought rates applicant would earn net revenues of \$6,750 after allowance for income taxes.

Details of the estimates are as follows:

Table No. 1
Estimated Results of Operation under Present and
Proposed Rates - Year Ending April 30, 1952

	<u>Under Present Rates</u>	<u>Under Proposed Rates</u>
<u>Revenues</u>		
Passenger	\$37,200	\$46,520
Freight	18,000	18,000
Total Revenues	<u>\$55,200</u>	<u>\$64,520</u>
<u>Expenses</u>		
Repairs to Equipment	\$ 7,500	\$ 7,500
Transportation	28,270	28,270
General Expense	12,850	12,850
Depreciation	4,080	4,080
Operating Taxes	2,450	2,450
Total Expenses	<u>\$55,150</u>	<u>\$55,150</u>
Net Operating Revenues	\$ 50	\$ 9,370
State and Federal Income Taxes	<u>25</u>	<u>2,620</u>
Net Income	\$ 25	\$ 6,750
Operating Ratio before Income Taxes	99.9%	85.5%
Operating Ratio after Income Taxes	100.0%	89.5%
Estimated Rate Base	\$21,490	\$21,490
Rate of Return after Income Taxes	0.1%	31.4%

Applicant is herein seeking increases ranging from 25 to 50 percent in the rates for some of its services. For other of its services no increases are proposed. Applicant holds certificates of public convenience and necessity authorizing (a) the transportation of persons and packages between specified landings at San Pedro on the one hand and vessels lying at anchor within the Long Beach and Los Angeles Harbors on the other hand, and (b) the transportation of passengers in a sightseeing service over specified routes from

Long Beach and from San Pedro.¹ According to testimony of applicant's president, the serving of merchant and other civilian ships constitutes the principal source of his company's revenues. Formerly a large volume of business was enjoyed from the transportation of personnel to and from ships of the United States Navy. The witness said that this type of business has virtually disappeared, however, because fleet movements into Los Angeles Harbor have decreased and because the development of naval facilities at Long Beach which permit the mooring of warships alongside dock has eliminated much of the need for ship-to-shore transportation. He said, also, that the certificated sightseeing service is not being provided at present.

Applicant also is engaged in providing other services which are not certificated and which are (a) a refuse disposal service, (b) a so-called "charter" service, and (c) a special sightseeing or excursion service. The disposal service consists of the collection of refuse from ships at anchor in the harbors and the disposal thereof at sea. The "charter" service was described by applicant's president as being an on-call service which is performed for compensation for the public generally between points other than those specified in the certificated operations.

Applicant seeks authority to establish increases in its rates for its certificated and non-certificated services both. Present charges for transportation to and from merchant and civilian vessels and for the "charter" services are assessed at an hourly rate of \$10.00 per hour, subject to a minimum of \$7.50 per trip.

¹ Applicant's operative authority is set forth in Decision No. 25668, dated February 27, 1933; Decision No. 34510, dated August 19, 1941; and Decision No. 41431, dated April 6, 1948.

Applicant proposes to increase the hourly rate to \$12.50 and the minimum charge per trip to \$10.00. It also proposes to establish a fare of \$1.50 in lieu of its present fare of \$1.00 per passenger for special excursion services. In addition applicant seeks authority (a) to cancel a fare of \$1.00 per passenger for transportation to or from merchant or civilian ships beyond regular routes, and (b) to make miscellaneous adjustments in its tariff.²

Applicant's president said that the sought hourly rates correspond to those which are maintained by other carriers by vessel for similar services on San Francisco Bay. Referring to the fact that the increase which is sought in the minimum charge per trip is greater percentage-wise than that which is proposed in the hourly rates, he explained that under union requirements crew members are paid for a minimum of four hours each time that they are called to duty even though their services are required for a much shorter time. With reference to the sought cancellation of the fare for off-route service, the witness said that the fare applied when deviations from regular, routed service to and from navy ships were made to provide service to merchant ships. With calls of navy ships to the Los Angeles Harbor now infrequent, his company no longer has occasion to operate its vessels over regular routes and the fare for the off-route service has become obsolete. The miscellaneous tariff adjustments

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Applicant's rates and charges (except those relating to its disposal services) are published in its Passenger Tariffs Cal.P.U.C. Nos. 1 and 2 and in its Express Tariff, Cal.P.U.C. No. 2. Applicant's rates for its disposal service are not filed with the Commission. This service is not performed between points in this State and is not subject to the Commission's jurisdiction. The disposal service, applicant's president testified, is profitable, the rates therefor having been recently increased.

are sought for the purpose of tariff clarification and involve no change in the scope of applicant's service, nor in its rates.³

Granting of the application was not opposed. The record shows that notices of the hearing in this proceeding were published in a newspaper of general circulation in the Long Beach area and also were posted conspicuously in all of applicant's operating equipment and depots. In addition, notices were sent by the Commission's secretary to persons believed to be interested in the matter.

Applicant is herein seeking specific adjustments in its rates upon the basis of an over-all showing of revenue needs. From a revenue standpoint the record is convincing that applicant's earnings from its present rates and charges are insufficient to meet operating expenses and provide a reasonable profit. Although the need for additional revenues is clear, the propriety of the sought adjustments is less evident. The data of record do not apply specifically to the services for which the increased rates are sought and the justification for the increases is incomplete in other respects.

In considering whether the specific increases should be authorized on this record three distinct questions are presented:

First, is the insufficiency of applicant's revenues attributable to the transportation to and from the merchant ships, to the "charter" operations, and to the special excursion services?

³ The effect of the adjustments is to show more clearly that applicant's passenger fares apply for transportation to and from the gangways of ships in the Long Beach and Los Angeles Harbors.

As to this point the evidence generally supports an affirmative conclusion. The disposal services, which constitute the larger part of applicant's other operations, appear profitable, although the record is silent as to the extent that profits are being earned from these services. Question may be raised whether the transportation to and from vessels of the United States Navy is profitable inasmuch as the fares for this transportation have remained at the level at which they were first established in 1933. Since, however, it appears that applicant is called upon to provide but little of this type of service, it is concluded that such losses as may result therefrom do not add substantially to the inadequacy of applicant's earnings from the services directly affected by the increase proposals.

Second, to what extent is the insufficiency of applicant's earnings due to losses from the certificated service to and from the merchant ships as contrasted with losses from the "charter" and from the special excursion services? The lack of specific information concerning the operating results of the certificated service, on the one hand, and the "charter" and special excursion operations on the other hand, precludes specific findings concerning the profitableness of the separate operations. However, it appears that the transportation to and from merchant ships and the "charter" services are substantially similar and it is reasonable to conclude that under the hourly rates which apply, the two services make proportionate contributions to applicant's operating results. The special excursion operations appear less profitable than either the services to the merchant ships or the "charter" operations since applicant seeks a 50 percent increase in the special excursion fares as compared with the increases of 25 percent and 33 percent which are so sought in the

hourly rates and minimum charges. Considered together, it appears that the "charter" and special excursion operations combined are somewhat less profitable than the service to and from merchant ships.

Third, are the revenues which are anticipated from the sought rates reasonable and consistent with the nature of applicant's undertaking? On this point applicant did not offer evidence to show specifically the reasonableness of its results under its proposal. As indicated in Table No. 1, the Commission engineer calculated that the sought rates would return net revenues of \$6,750 after allowance for income taxes, with a corresponding rate of return of 31.4 percent and an operating ratio of 89.5 percent. The Commission engineer said in effect that applicant's operating properties are depreciated to 7 percent of their costs and that a rate base reflecting these low valuations is not a fair yardstick for measuring the company's earnings. On a larger rate base, one reflecting valuations of 50 percent of costs and one which he considered would be normal for the operations, the engineer developed that the rate of return would be about 11 percent. He said that if the operating equipment should be renewed the increased depreciation expense would tend to cancel the indicated earnings. Although increased depreciation expense and a larger rate base will probably result from the replacement of present properties, applicant apparently has no program for replacement of any or all of its properties in the near future. On this record there seems to be no cogent reason for departing substantially from data reflecting applicant's

present operations.⁴ Measured in relation to the rate base which was developed from applicant's present book valuations, and consideration being given also to the other evidence of record, it appears that earnings as much as those anticipated from the sought fares or rates are not justified.

Summarizing the foregoing discussion of the evidence, it is concluded that applicant's earnings from its certificated services to and from merchant ships, from its "charter" services, and from its special excursion services are inadequate; that the "charter" and special excursion services combined are the less profitable; that increases in the rates for the certificated services should be authorized but that increases as much as those sought have not been shown to be reasonable or justified. At the best the record herein provides only a rough measure of the extent that increases should be authorized. Because of the inadequacy of the record in various respects, doubts must be resolved against applicant for failing to sustain the burden of proof necessary in this type of proceeding. All factors being weighed carefully, it appears that the maximum increases which the evidence substantiates are an increase to \$11.00 per hour in the hourly rates, and to \$8.75 in the minimum charge per trip. Increases in these amounts, if likewise applied to rates for the "charter" operations, would result in additional revenues of about \$2,400 after allowance for income taxes. The corresponding rate of return and operating ratio figures would be 11 percent and 95.8

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It may be that applicant's present rate base is a result of excessive charges for depreciation in the past. In view of the past record of losses, it appears that revaluation of the properties to compensate for the effect of possible excessive and unrecovered depreciation would be justified. What, if any, adjustment should be made herein is not determinable from the evidence at hand, however.

percent, respectively.

Applicant's proposals to cancel its tariff item providing for a charge of \$1.00 per passenger for transportation to and from merchant ships outside of the regular route of its boats and to adjust its tariff so as to clarify the scope of its services appear reasonable. Publication of the adjustments to coincide with publication of other tariff changes hereinafter authorized should be permitted. In making the indicated tariff adjustments, applicant should clarify its tariff further by including full explanation of the application of the separate rates and charges; rates and charges which apply to services for which applicant has no operative authority should be deleted. It appearing that applicant is performing certain services by vessel for the public generally without first having acquired proper operative authority, applicant is hereby placed on notice that it is expected to refrain from performing said operations until authority therefor has been obtained in conformity with the provisions of the Public Utilities Act. It appears that the discontinuance of the sightseeing service which applicant performed in accordance with Decision No. 41431 is also unauthorized. Applicant should either restore the service or obtain permanent or temporary authority for its discontinuance.

Upon careful consideration of the facts and circumstances of record, the Commission is of the opinion and finds as a fact that increases in applicant's rates and charges as provided in the order

which follows and cancellation of the fares for off-route services are justified. In view of applicant's evident need for additional revenues publication of the increased rates on less than statutory notice will be permitted. To the foregoing extent the application will be granted. In all other respects it will be denied. ✓

O R D E R

Public hearing having been held in the above-entitled proceeding, the evidence received therein having been fully considered, and good cause appearing,

IT IS HEREBY ORDERED that H-10 Water Taxi Company, Ltd. be and it is hereby authorized to amend, on not less than five (5) days' notice to the Commission and to the public, its Passenger Tariff Cal. P.U.C. No. 2 and its Express Tariff Cal. P.U.C. No. 2 as follows:

1. To cancel from the passenger tariff the fare of \$1.00 per passenger for transportation to or from civilian ships anchored outside or beyond the regular route of applicant's boats.
2. To increase the hourly rates in its express tariff to \$11.00 per hour and to make such rates subject to a minimum charge of \$8.75 per trip.
3. To amend the passenger and express tariffs to show clearly that the passenger fares therein provided apply to or from the gangways of ships anchored in the Los Angeles and Long Beach Harbors.

IT IS HEREBY FURTHER ORDERED that in all other respects the authority sought by the above-numbered application, as amended, be and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 4th day of September, 1951.

R. T. Anderson
President

Justus F. Gammes
Harold B. Huls

Francis H. Pottor
Robert E. Miller
Commissioners