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ORIGINAL

Decision No. 46693

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Coggeshall Launch Company for authority to increase rates and to change or cancel certain other items or rules in its freight and passenger tariffs and towage service.

Application No. 32720

Appearances

Kenneth D. Sevier, for applicant.
Don V. Metcalfe, for Pacific Lumber Company, and A. O. Lefors, for Hammond Lumber Company, interested parties.

O P I N I O N

Coggeshall Launch Company operates as a common carrier by vessel for the transportation of passengers and property between points on Humboldt Bay. By this application, authority is sought to increase certain of its passenger fares and freight rates and to make a number of other changes in its tariffs.

Public hearing of the application was held at Eureka on January 10, 1952, before Commissioner Mitchell and Examiner Jacopi.

Applicant's principal common carrier passenger operations are conducted between Eureka and Samoa and Fairhaven. Regularly scheduled launches are operated in this service. Between Eureka and other points, including vessels anchored in Humboldt Bay, launch service is provided on a special trip basis. Small freight shipments are also transported on the passenger launches. Other freight shipments are moved on barges. An "on call" towboat service for the towing of logs and floating equipment is also provided.

Under applicant's proposal, no change would be made in the present one-way passenger fare of 15 cents but the round-trip fare of 25 cents would be increased to 30 cents. The existing commutation fares of $2 for 20 rides and $4 for 50 rides would be advanced to $2.50 and $5, respectively. Various fares for special trips would be increased by amounts ranging from 50 cents to $2 per trip, depending upon the distance involved and whether the trip is made during daytime or evening hours. On freight rates applicable for movement on passenger launches and freight barges, the sought increase amounts to 5 cents per shipment on those weighing less than 200 pounds and 5 cents per 100 pounds on those weighing 200 pounds or more.[1] The present rate of 50 cents per ton, minimum weight 10,000 pounds, on cargo-lot movements of freight would be advanced to 60 cents per ton, minimum weight 20,000 pounds. For towing service, the present rates range from $6 per hour for towboats of 90 horsepower or less to $8 per hour for towboats of 181-270 horsepower. The corresponding increased rates sought range from $8 to $10 per hour. Applicant also seeks authority to clarify the application of cargo-lot rates and to cancel a number of other rates from its tariffs.

Evidence was offered by applicant's vice-president and by a transportation engineer from the Commission's staff. The vice-president reported that the company's revenues and operating expenses for the year 1951 under the present passenger fares and freight rates were $69,165 and $62,444, respectively.[2] The net revenue before provision for income taxes amounted to $6,721 and the corresponding operating ratio was 90.2 percent. The rate base was not submitted. No estimate of the revenues and expenses under

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1 The present freight rates range from 10 cents per shipment for shipments weighing less than 20 pounds, to 30 cents per shipment for those weighing over 150 pounds but less than 200 pounds. For shipments weighing 200 pounds or more, the present rate is 15 cents per 100 pounds.

2 The operating expenses have been adjusted by eliminating therefrom interest charges amounting to $1,360.

the proposed fares and rates was offered. The staff engineer introduced studies of the operating results under the present and proposed bases for a future 12-month period ending January 31,1953. According to the engineer's calculations for the test year, the present rates and fares would produce net income after provision for income taxes amounting to $4,635. The operating ratio after taxes would be 93.4 percent and the rate of return 8.51 percent. Under applicant's proposals, the net income after provision for income taxes would amount to $14,793 with an operating ratio of 82.6 percent after taxes. The rate of return would be 27.15 percent.

The vice-president testified, however, that the foregoing calculations were no longer representative of the anticipated earnings for the test year because of recent changes in conditions. He asserted that, immediately preceding the hearing in this matter, one of the mills served by applicant had entered into a 5-year contract with another towboat company for the towing of its logs. According to the witness, the towboat company in question owns the facilities where the mill's logs are stored and grouped into rafts for towing. He asserted that under these circumstances there was little, if any, opportunity for applicant to regain this traffic during the life of the contract. For the year 1951, applicant's revenue from this service amounted to $5,979. The witness stated that only relatively minor reductions in the over-all operating expenses could be made as a result of the loss of the traffic in question. He explained that the operators of the towboats were also employed to operate the vessels used in the regularly scheduled and in the special passenger and freight services performed. The vice-president also pointed out that the wages of employees were increased by 16 cents per hour effective January 1, 1952, and that the federal tax of two cents per gallon recently imposed on diesel fuel would further increase the operating expenses.

The staff engineer's estimates of the operating results for the test year were based upon the actual operations for the year 1951 and include the revenue from the towing business that since has been lost. The evidence is convincing that it is unlikely that applicant could regain the traffic while the contract between the mill and the competing towboat company is in force. The evidence also shows that there is little prospect of developing new business in the near future that would replace the lost revenue. Under the circumstances, it appears appropriate to adjust the staff engineer's calculations of the estimated operating results for the test year to reflect the loss of revenue and the associated reduction in operating expenses. The new Federal tax on diesel fuel referred to by applicant is not applicable to that used for vessels and no adjustment of the estimated expenses is necessary. The wage increase that was granted effective January 1, 1952, also referred to by applicant, was given effect in the staff engineer's calculations. With the adjustments indicated above, the engineer's figures show the results of operation for the test year under the present and proposed rates and fares as summarized in the tabulation below.

Adjusted Estimated Results Of Operations For The 12-Month Period Ending January 31, 1953, Under The Present And Proposed Fares And Rates.

	Present Fares and Rates	Proposed Fares and Rates
Revenues	$63,730	$77,130
Operating Expenses	62,504	62,519
Net Operating Revenue	$ 1,226	$14,611
Income Taxes	25	4,280
Net Income	$ 1,201	$10,331
Rate Base	$54,494	$54,494
Rate of Return (1)	2.2%	18.9%
Operating Ratio (1)	98.1%	86.6%

(1) After provision for income taxes.

The vice-president also explained the bases for applicant's proposals to increase its passenger fares and freight rates by varying amounts. His testimony shows that no adjustment is sought in the present 15-cent one-way fare because it is as high as the traffic can bear at present. He considered that the proposed increase of the 25-cent round-trip fare to double the one-way fare would provide needed additional revenue with but little loss of traffic. The adjustment to be made in the commutation fares is no greater than necessary to maintain the existing relationship to the round-trip fare. It was shown that the increases in the fares for special passenger service were developed on the basis of the current hourly cost of vessel operation and the amount of time required to make the various trips. In regard to the rates on freight handled on launches, it was asserted that the sought increases were as high as the small shipments involved could stand. The proposed advance of 10 cents per ton in the rates for cargo-lot movements reflects the increased costs experienced. The proposal to raise the minimum weight of 10,000 pounds applicable on general freight to 20,000 pounds would place this minimum weight on the level of that for other cargo-lot rates and is designed to provide compensatory revenue. The sought advances in the towing rates were developed on the basis of the current hourly cost of operating the towboats. The witness also testified that for many years the cargo-lot rates have been based upon the shippers loading and unloading the barges and that this practice has been followed uniformly. He stated that the proposed amendment of the tariff provisions was intended to remove any doubt relative to the performance of the loading and unloading services. According to the witness, the cancellation of various tariff rates was proposed because there has been no movement thereunder for the past five years.

The record shows that notices of the hearing in this matter were posted in applicant's vessels and terminals and were published in a newspaper of general circulation in the area involved. In addition, the Commission's secretary sent notices of the hearing to various city and county officials, chambers of commerce, business concerns and other persons believed to be interested. No one appeared in opposition to the granting of the application.

It is apparent from the evidence of record that if the present fares and rates were continued in effect in the test year the net income after provision for income taxes would amount to only $1,201. It is clear that additional revenue is needed to sustain the services. Under the proposed fares and rates, the net income for the test year would be $10,331 after provision for income taxes. The staff engineer's calculations show, however, that this amount includes the effect of revenue of $5,330 earned from noncarrier operations consisting of rentals of lighters and of anchorage space. The expenses involved in these services amount to $517 per year. Thus, about 31 percent of the aforesaid net income of $10,331 for the over-all operations is derived from noncarrier services. From the engineer's studies, it appears that the net income from the common carrier operations for the test year under the proposed fares and rates would amount to $6,864 after provision for income taxes. The corresponding operating ratio and rate of return would be 90.3 percent and 12.8 percent, respectively. The record also shows, however, that the depreciated rate base is now down to 34 percent of the original book value. All of the circumstances and conditions disclosed by this record lead to the conclusion that the margin of $6,864 between the common carrier revenues and expenses after provision for income taxes is needed to sustain the operations and we hereby find it to be reasonable.

With respect to the varying increases sought in fares and rates, it has been shown that in the main the amounts of the adjustments were based upon the increased costs of the services. In other instances, the advances were limited to amounts which were indicated to be as great as the traffic would stand without substantial loss of business. Under the circumstances, the varying adjustments appear necessary in order to maintain the service.

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and hereby finds that the increases and changes in fares, rates and tariff rules proposed by applicant in this proceeding are justified. The application will be granted.

ORDER

Public hearing having been held in the above-entitled proceeding and based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Coggeshall Launch Company be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, the increases and changes in passenger fares, freight rates and tariff provisions proposed in the above-entitled application.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED that applicant be and it is hereby directed to post and maintain in its vessels and terminals a notice of the increased fares and rates herein authorized. Such notice shall be made not less than five (5) days prior to the effective date of such fares and rates and shall be maintained for a period of not less than thirty (30) days.

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

Dated at Los Angeles, California, this 29th day of January, 1952.

R. T. [illegible]
President

Justus F. Craemer

Harold P. Hulz

Kenneth Potter

Peter E. Mitchell

Commissioners