

Decision No. 48327**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 BRYAN BAYLY, dba HARBOR WATER TAXI CO.,) Application No. 33968
 for authority to increase rates.)

Appearances

Clyde Thomas, for applicant.

Glenn Newton of the Staff of the Public Utilities
Commission of the State of California.O P I N I O N

Applicant is engaged in the common carriage of persons by vessel between Wilmington and Avalon. By this application he seeks authority to increase certain of his fares on less than statutory notice.

Public hearing of the application was held before Examiner Abernathy at Los Angeles on January 29, 1953. Evidence was submitted by applicant and by an engineer of the Commission's staff.

Applicant's operations between Wilmington and Avalon are conducted principally during the months of March through September when he provides a scheduled service. He also operates on an on-call basis the year around subject to a minimum of ten passengers per trip. In addition to these operations, applicant has been transporting passengers in scheduled service between Wilmington and Avalon under

Notices of the hearing were posted in applicant's terminals and vessels, and were published in a newspaper of general circulation in the Wilmington area. In addition notices were sent by the Commission's secretary to persons and organizations believed to be interested.

authority which will expire with April 30, 1953. By Decision No. 47828, dated October 14, 1952, Catalina Island Steamship Line was granted authority to suspend its passenger and freight service until May 1, 1953, and applicant herein was granted a certificate of public convenience and necessity to provide a similar service during the period of suspension authorized for Catalina Island Steamship Line.²

Since November 3, 1952, applicant has been assessing the same fares as those of the Catalina Island Steamship Line. These fares are both higher and lower than those which apply for his usual services. The fares which applicant is assessing at present and those fares which normally apply in accordance with the provisions of his tariff Cal. P.U.C. No. 3, are as follows:

<u>Between Wilmington and Avalon</u>	<u>Present Fares</u>	<u>Fares in Tariff Cal. P.U.C. No. 3</u>
One-way fare, adult	\$ 2.96 *	\$ 2.47 **
Round-trip fare, adult	-	3.84 **
One-way fare, child	1.48 *	-
Ten-ride commutation ticket, adult or child	12.50 *	-

* 15 percent federal transportation tax extra.

** 15 percent federal transportation tax and
Avalon landing fee extra.

In publishing fares the same as those of the Catalina Island Steamship Line, applicant provided that they would expire with February 28, 1953. After that date the lower one-way and round-trip

² It appears that applicant has not been engaged in the transportation of freight since November 27, 1952, and that the City of Avalon is now providing that service. Applicant reported that his freight operations during the period November 3 through November 27, 1952, resulted in revenues of \$3,527, expenses of \$7,294, and a loss of \$3,767.

fares named in his tariff Cal. P.U.C. No. 3 become operative.³

The authority which applicant is seeking herein is to assess fares as follows after February 28, 1953:

Between Wilmington and Avalon:

One-way fare, adult	\$ 2.74 *
One-way fare, child	1.26 *
Ten-ride commutation fare	12.50 **

On-call service subject to a minimum of 10 one-way adult fares.

* 15 percent federal tax and Avalon landing fee extra.

** 15 percent federal tax extra. Avalon landing fee not applicable in connection with commutation fares.

As compared with the fares published in applicant's tariff Cal. P.U.C. No. 3, establishment of the sought fares would result in increases in the adult one-way and round-trip fares and decreases in the fares for children and for commuters. As compared with the fares currently being assessed, no change would result in applicant's over-all charges, federal transportation tax and landing fee at Avalon included:⁴

³ Although applicant's tariff Cal. P.U.C. No. 3 does not include the reduced commutation and children's fares which apply at present, he is obligated by his proposals in connection with the operative authority granted by Decision No. 47828 to continue the reduced fares in effect through April 30, 1953, unless otherwise authorized by the Commission.

⁴ The proposed fares are different than those which are now being assessed. However, the total charges would be the same. The present fares include the 25-cent landing fee at Avalon; the proposed fares do not. The following shows the total charges applicable under present and proposed fares for the transportation of an adult between Wilmington and Avalon:

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
One-way fare	\$ 2.96	\$ 2.74
Federal transportation tax	.44	.44
Landing fee	-	.25
	<u>\$ 3.40</u>	<u>\$ 3.40</u>

By revising his fares as proposed herein, applicant primarily seeks to facilitate the conduct of his operations and to improve his relationships with his patrons. According to applicant's testimony his services to some extent are ancillary to those of the Catalina Island Steamship Line which normally transports about 90 percent of the traffic moving between Wilmington and Avalon. His Wilmington terminal, he said, is adjacent to that of the steamship company and the departure time of his vessels is timed to accommodate persons who either miss the company's steamer or who cannot travel on it because it is filled to capacity. Applicant testified that persons using his services after having been apprised of the fares of the steamship company often are unable to understand why there should be a difference in fares and the fact that he does not provide reduced fares for children is a frequent source of controversy. He said also that residents of Catalina and others who must travel between Wilmington and Avalon of necessity complain because he does not provide commutation fares as does the steamship line. He asserted that inasmuch as he has been assessing fares the same as those of the steamship company since November 3, 1952, the resumption of his usual basis of charges would aggravate the difficulties stemming from the fare differences. By his fare proposals herein he seeks to obviate these difficulties.

Establishment of the sought fares would have very little direct effect upon his total revenues, applicant said. The revenue increases which would result from the higher one-way and round-trip fares would be largely offset by reductions resulting from the lower commutation and children's fares. On the basis of his operations between November 3, 1952, and January 20, 1953, inclusive, he estimated that had his fares in his tariff Cal. P.U.C. No. 3 been collected

during that period his total revenues would have been virtually the same as those which he actually received. Indirectly, however, applicant expects to achieve some improvement in earnings as a consequence of increased patronage resulting from greater acceptance of his fares and from improvements in service. The increases in revenues, he asserted, would not produce excessive earnings but on the contrary would serve only to place his earnings on a more reasonable plane. He said that his present operations are resulting in losses. For the year 1952 he reported revenues and expenses, exclusive of those applicable to the transportation of freight, as follows: Revenues, \$67,343; expenses, \$74,390; net loss, \$7,047.

The Commission engineer submitted the results of a study which he had made for the purpose of developing (a) the financial results of applicant's operations for the past year and (b) estimates of earnings for the coming year (1) if the fares named in applicant's tariff Cal. P.U.C. No. 3 are maintained and (2) if the sought fares are established. In the development of his data he analyzed applicant's records, made segregations where necessary to arrive at figures related specifically to the services herein involved,⁵ and included adjustments to allow for expected changes in the trend of traffic and for increases in operating costs incident to the increasing age of the operating equipment. He tested his data in the light of expenses of other carriers and in some respects he adjusted his figures to make them conform to those which he considered to be more nearly representative of normal operating experience of common carriers by vessel.

⁵ In addition to the operations involved herein, applicant operates vessels in a sports-fishing business. Other vessels than those used in the common carrier services are utilized in these operations.

The data which the engineer developed are summarized in the table below:

Financial Operating Results, Year Ended November 30, 1952
Also
Estimates of Operating Results for Year Ending February 28, 1954.

	(1)	(2)	(3)
<u>Revenues</u>			
Passenger	\$52,177	\$44,320	\$46,220
Other	<u>13,275</u>	<u>8,700</u>	<u>8,700</u>
Total	\$65,452	\$53,020	\$54,920
<u>Expenses</u>			
Repairs to equipment	\$ 6,000	\$ 5,000	\$ 5,000
Transportation	32,240	20,400	20,400
General	14,600	14,300	14,300
Operating Rents	5,000	2,000	2,000
Depreciation	6,690	6,540	6,540
Operating Taxes	<u>6,840</u>	<u>6,050</u>	<u>6,240</u>
Total Expense	\$71,370	\$54,290	\$54,480
Net operating revenues	\$(<u>5,918</u>)	\$(<u>1,270</u>)	\$ 480
Income taxes	-	-	-
Net income	\$(<u>5,918</u>)	\$(<u>1,270</u>)	\$ 480
Rate base	\$61,670	\$58,300	\$58,300
Operating ratio	109.0%	102.4%	99.2%
Rate of return	-	-	.75%

() Indicates loss

- (1) Financial operating results, year ended November 30, 1952.
- (2) Estimated operating results under fares in applicant's
Tariff Cal.P.U.C. No. 3, year ending February 28, 1954.
- (3) Estimated operating results under proposed fares, year ending
February 28, 1954.

No one appeared at the hearing of this application to oppose the granting thereof.

It appears from the record herein that the revisions which applicant proposes to effect in his fares are part of a long-range program by which he seeks to better his operations and to make them more attractive to the traveling public. For this purpose it appears that although the sought fares would not result in substantial increases in revenues, they would yield material benefits in the form of reduction of complaints and increased patron goodwill. With respect to the residents of Catalina Island and to other necessity riders for whom the commutation fares are designed, the benefits of increased goodwill of such patrons should be particularly tangible because of the influence which those patrons can exert in applicant's favor upon the flow of tourist traffic moving to and from Avalon.

The increases in the one-way and round-trip fares which applicant would make effective concurrently with establishment of the reduced fares for commuters raise some question as to whether he is unduly favoring commuters at the expense of casual riders. This question relates to the extent of the proposed difference between the commutation and one-way fares. In this respect it is to be noted that the charge per trip for commuters would be less than one-half of the one-way fares. Although a difference of this degree might ordinarily indicate that those traveling on the one-way tickets would be burdened with costs properly assignable to commute traffic, it appears that such is not the case in this instance and that applicant is foregoing earnings which might otherwise be justified in order to develop traffic through the medium of the reduced fares. However, should applicant's expectations of the gains to be attained through the proposed commutation fares not be fully realized, it appears that he

should consider adjustment of those fares before seeking further increases in the one-way and round-trip fares.

As to other justification for applicant's fare proposals, the record is convincing that his earnings under the fares set forth in his tariff Cal. P.U.C. No. 3 are not sufficient to maintain his operations. At the best it appears that should he continue those fares in effect throughout the coming year he would enjoy only a small margin of profit. Since the sought fares would not produce substantially greater revenues, his profit margin would not be increased materially thereby. Should the volume of traffic anticipated by the engineer be realized, it appears that applicant's earnings from the sought fares would approximate \$4,000 and that the resultant operating ratio and rate of return would be about 92 $\frac{1}{2}$ percent and 6 percent, respectively. These earnings do not appear excessive for the services involved.

Upon careful consideration of all of the facts and circumstances of record the Commission is of the opinion and finds as a fact that the increases in applicant's fares and the other fare changes which are sought in this proceeding have been shown to be justified. The application will be granted. In order that applicant may continue his present level of charges without interruption, the authority herein granted will be made effective March 1, 1953, and applicant will be authorized to make the necessary amendments

⁶ These results are somewhat more favorable than those shown in the engineer's estimates. In computing depreciation expense applicant and the engineer both included little if any allowance for the salvage or resale value of the vessels. It appears that this value is substantial and that allowance therefor would result in a material reduction in the annual charges to depreciation expense.

to his tariff effective on less than statutory notice. In publishing the fares herein authorized, applicant should make them subject to the same rules and regulations that govern his present fares (said rules and regulations being those published in Local Passenger Tariff No. 3, Cal. P.U.C. No. 3 of Catalina Island Steamship Line) in order that there will be no modification of the service which he is currently performing pursuant to the authority granted by Decision No. 47828, supra.

O R D E R

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

IT IS HEREBY ORDERED that Bryan Bayly, doing business as Harbor Water Taxi Co., be and he is hereby authorized to amend his passenger tariff Cal. P.U.C. No. 3, on not less than one day's notice to the Commission and to the public, so as to establish fares exclusive of federal transportation tax or of wharfage fees assessed by the City of Avalon as follows:

Between Wilmington and Avalon:

One-way fare, adult \$ 2.74

One-way fare, child 1.26

Ten-ride commutation ticket
adult or child 12.50

On-call service subject to a minimum of 10 one-way
adult fares.


IT IS HEREBY FURTHER ORDERED that in publishing said fares, applicant shall make them subject to the same rules and regulations as those governing the transportation of persons between Wilmington and Avalon in accordance with the provisions of Local Passenger Tariff No. 3, Cal. P.U.C. No. 3, of Catalina Island Steamship Line.


IT IS HEREBY FURTHER ORDERED that in addition to the required filing of tariffs applicant shall give notice to the public of the fares herein authorized by posting in his vessels and at his terminals an explanation of the fare changes. Such notices shall be posted not less than one day before the effective date of the fare changes and shall remain posted not less than ten days after said effective date.

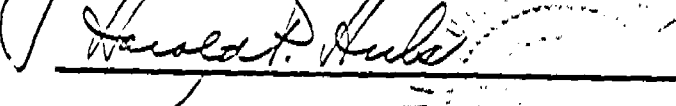
IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

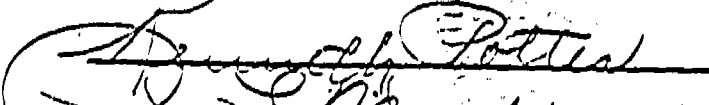
This order shall become effective March 3, 1953.

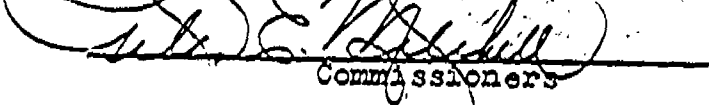
Dated at San Francisco, California, this 2nd day of March, 1953.



President








Commissioners