

ORIGINAL

Decision No. 55700

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )	
DE LUXE WATER TAXI CO., a California )	
corporation, for increase in fare to )	Application No. 39159
navy ships at anchor under Local )	
Passenger Tariff #7, Item #1. )	

Robert C. Beecher, for applicant.

Henry Jordan, for the Bureau of Franchises and Public Utilities of the City of Long Beach; Walfrid Jacobson, City Attorney, and Leslie E. Still, Jr., Deputy City Attorney, by Leslie E. Still, Jr., for the City of Long Beach, interested parties.

W. F. Hibbard and Glenn E. Newton for the Commission staff.

O P I N I O N

De Luxe Water Taxi Co. is a California corporation engaged in the business of transporting persons and property by vessel as a common carrier between points in the Los Angeles and Long Beach harbor areas and between Long Beach and various points on Santa Catalina Island. By this application, filed on June 17, 1957, and amended by an amendment filed on June 28, 1957, it seeks authority to effect certain increases in its fares.

A public hearing on the application was held before Examiner Kent C. Rogers at Long Beach on August 23, 1957. Prior to the hearing notice thereof was published as required by this Commission.

Applicant seeks authority to increase its fares for the transportation of persons between the Magnolia Pier in Long Beach

and vessels of the U. S. Navy anchored in Long Beach-Los Angeles Harbor and waiting time on such service as follows;<sup>1/</sup>

<u>Present Fares</u>		<u>Proposed Fares</u>	
One way	- \$ .30	One way	- \$ .50
Round trip	- .60	Round trip	- 1.00
Children under 5 years of age free when accompanied by parent or guardian.		Children under 5 years of age free when accompanied by parent or guardian.	
Waiting time - \$5.00 per hour		Waiting time - \$10.00 per hour.	

Fares for all other services will remain the same as at present.

Applicant has not rendered the service for which it here seeks a rate increase since June 11, 1956, on which date it discontinued service without authority from this Commission.<sup>2/</sup> Applicant also has authority from this Commission to render service between the Pico Street Landing in Long Beach and the entrance to Alamitos Bay,<sup>3/</sup> and has never rendered service pursuant thereto. The staff recommended that the above authorities be cancelled unless the applicant establishes service pursuant thereto within ten days from the date of the hearing herein. The applicant's president stated that the applicant has no desire at present to establish service to Alamitos Bay and agreed that the authority for such service be cancelled. It will be so ordered. The

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<sup>1/</sup> This service was authorized by Decision No. 26214, dated August 7, 1933, in Application No. 18774, and modified by Decision No. 34510, dated August 19, 1941, in Application No. 23653. The present individual fares were authorized by Decision No. 52482, dated January 16, 1956, in Application No. 37355.

<sup>2/</sup> See Exhibit No. 2.

<sup>3/</sup> Decision No. 51934, dated September 6, 1955, in Application No. 37083.

applicant asserts that it cannot resume the service to and from the navy ships at present as his city franchise to operate from Magnolia Pier has expired.

As justification for the proposed increases, the applicant's president testified that labor costs have increased since applicant was authorized to increase its fares for the services involved (Decision No. 52482, dated January 16, 1956, in Application No. 37355); that prior to July, 1956, boat operators received \$2.10 per hour; that in July, 1956, operators' wages were advanced to \$2.50 per hour plus time and one-half for overtime; and that deck hands were receiving \$1.57 per hour salary prior to July, 1956, and since that time have been receiving \$2.17; and that the total of these increases is very substantial inasmuch as the applicant estimates that it will have annually 18,000 operator hours plus 2,000 hours at time and one-half, and will have 10,000 deck hand hours. The record herein shows, however, that applicant voluntarily discontinued operations to the navy vessels prior to the time the salary increases became effective (See paragraph 4 of the application herein).

The head of the Long Beach Bureau of Franchises and Public Utilities stated that the city will wait until the Commission has acted on the instant application before it will decide whether or not to grant the applicant a franchise to render service between the Magnolia Pier and the navy ships at anchor in the harbor. He further stated that the bureau has not made any agreement with the applicant as to the percentage to be charged for the use of the pier in the event a franchise is granted.

Results of operations prepared by the applicant for the year ending December 31, 1956, and estimated results of operations for a year with the increased fares, are set out below:

January 1, 1956 through December 31, 1956

Income:

Packages & freight	\$ 333.50.	
Navy Landing, Magnolia Pier	41,271.85	
Harbor trips	964.50	
Other landings	952.50	
Catalina trips	8,000.00	
Miscellaneous & special trips	1,808.72	
Boat rental	<u>11,000.00</u>	
Gross Income		\$64,331.07

Less Direct Operating Expenses:

Operating wages	\$26,529.73	
Station Agent salary	2,609.66	
Payroll taxes, Oper. wages	1,288.72	
Payroll taxes, Station Agent	130.48	
Gas and oil	6,366.63	
Radio rental, supplies	1,415.18	
P & I Insurance, Hull Insurance	2,985.96	
Miscellaneous	264.86	
Rent Magnolia Pier	2,975.48	
Repairs, Material	4,548.62	
Repairs, outside labor and wages	<u>3,241.24</u>	
Total Direct Operating Expense		\$52,356.56

Less Overhead and Office Expense:

Personal Property Tax on boats	\$ 709.50	
Franchise Tax, Business License	47.55	
Interest expense	662.04	
Casualty loss	150.00	
Depreciation, boats	2,901.40	
Depreciation, auto and truck	256.73	
Adv., travel, dues, entertainment	363.86	
Rent, storage, mooring	1,220.94	
Rent, Pacific Landing	393.00	
Salaries, Managers, Office	8,820.00	
Payroll taxes on above	424.79	
Office supplies, repairs, etc.	249.09	
Legal and audit	794.00	
Telephone	641.84	
Insurance, general	1,354.85	
Auto and truck operating	1,618.64	
Compensation Insurance	<u>206.34</u>	
Total Overhead and Office Expense		\$20,824.57
TOTAL EXPENSES		\$73,181.13
Less Surplus Account from 1955		<u>2,545.54</u>
Deficit for year		\$ 6,304.52
		<u>\$70,635.59</u> <u>\$70,635.59</u>

Estimated results of a 2-boat operation steady with double-up  
at liberty-time

Figured at a 20,000-hour annual operation

18,000 Operator hours	\$ 2.50 per hour	\$ 45,000.00
2,000 Operator hours	3.50 " "	7,200.00
10,000 Deck hand hours	2.17 " "	21,700.00
6,000 Dispatcher hours	1.65 " "	9,900.00
52 Weeks Dispatcher	125.00 per week	6,500.00
52 Weeks Office	75.00 per week	3,900.00
52 Weeks Managers	200.00 per week	10,400.00
Payroll taxes on above		4,800.00
Office overhead and insurance		5,000.00
20,000 boat hours	\$ 4.00 per hour	<u>80,000.00</u>
Total Estimated Expenses		\$194,400.00
(Magnolia Pier) Rent 2% for the first \$120,000		2,400.00
6% rent excess (\$99,000)		<u>5,940.00</u>
Total Estimated Expense with Rent		\$202,740.00
Percent figured on \$219,000 Income		\$202,740.00
Estimated 1200 passengers per day average, or for year 438,000 passengers at 50 cents		\$219,000.00
Less Expenses		<u>202,740.00</u>
Gross Profit		\$ 16,260.00
State and Federal Income Tax on \$16,260		<u>5,333.40</u>
Net Profit		\$ 10,926.60

The results for the year ending December 31, 1956, include only a little over six months of shore boat operations inasmuch as applicant discontinued such operations on June 11, 1956. The estimated results under proposed fares assume 20,000 hours of boat operations. The estimated results of future operations take into consideration the salary increases referred to above. In addition, applicant assumes that the rental of the Magnolia Pier will be at the rate of 2 percent of the first \$120,000 of gross income and at the rate of 6 percent of the gross income for all in excess of \$120,000. It was admitted that the City of Long Beach has made no commitments as to the cost of applicant's franchise to

use Magnolia Pier and the record shows that the usual franchise fee is 6 percent of the gross income.

The results of applicant's operations for the 12 months ending on July 31, 1956, as recorded on its books, and the estimated results of operations for the year ending September 30, 1956, under the present and proposed fares, both prepared by the staff, are as follows:

Item	:Book Records:		
	:12 Mos. End.: : 7-31-56 :	Present Fares	:Proposed : Fares
Boat Hours		20,000	20,000
<u>Revenue</u>			
Shore Boat Passenger Service	\$ 76,338	\$ 98,170	\$163,620
Harbor, Gen. Com'l & Other	* 17,423	17,420	17,420
	\$ 93,761	\$115,590	\$181,040
<u>Expense</u>			
Maintenance	\$ 11,326	\$ 18,440	\$ 18,440
Transportation	56,247	109,020	109,020
General Expense	24,236	25,940	25,940
Operating Rents	13,849	4,230	7,980
	\$105,658	\$157,630	\$161,380
Depreciation	8,132	810	810
Operating Taxes	3,672	3,638	3,638
	\$117,462	\$162,070	\$165,820
Net Before Income Taxes	\$(23,701)	\$(46,480)	\$ 15,220
Income Taxes	25	25	4,990
Net Income	\$(23,726)	\$(46,505)	\$ 10,230
Operating Ratio %	125.3	140.2	94.3

\* 12 months ended 7-31-57

(See Figure)

The staff witness pointed out that the shore boat passenger service was rendered for six months only in 1956 and that

the cost of labor has increased 33 percent since 1955. He also pointed out that the rate base is depreciated to less than 10 percent of the original investment and that the records show that the applicant now owns only two boats, hence the small amount of depreciation he considered in determining the rate base. The applicant's president testified that applicant formerly owned four diesel-powered boats and one gasoline-powered boat, but that all except two (the De Luxe and the Lark) have been transferred to an affiliated company, the Coastal Marine Transport. The staff witness further stated that in the forecast the maintenance costs exceed the recorded figures for the period ending July 31, 1956, as the forecast assumes the taxi service will be operated for 12 months and the recorded operations reflect a situation where the taxi service was discontinued on June 11, 1956. Transportation costs also reflect a sharp increase for the future due to increased labor costs and operating rents are based on the former franchise cost for renting Magnolia Pier space of 6% of the gross revenues, he said.

A review of the estimated results of operation as prepared by the staff indicates an operating loss under the present fares. No corresponding estimated results of operation under present fares was prepared by the applicant. Under the proposed fares the applicant estimates a net annual earning of \$10,926.60 after income taxes. The staff estimates an annual earning, after income taxes, of \$10,230, with an operating ratio of 94.3 percent.

After considering the evidence of record, the Commission is of the opinion and finds that the proposed increases in fares are justified.

A staff member testified that applicant is rendering service to Avalon Bay. By Decision No. 50572, dated September 21, 1954, in Application No. 35287, applicant was authorized to transport persons and property between landing places in the City of Long Beach, on the one hand, and points and places on Santa Catalina Island, excepting therefrom Avalon Bay, on the other hand. The applicant's president stated that Avalon Bay is the only point on the island to which service is required, so the company operates to Avalon Bay. Applicant is admonished to review its operating authority and to adhere thereto in the future until and unless it secures authority from this Commission to deviate therefrom.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that De Luxe Water Taxi Co. be and it is hereby authorized to amend on not less than thirty days' notice to the Commission and to the public, Section I of its Local Passenger Tariff No. 7 by establishing the following fares, exclusive of federal transportation tax, in lieu of those set forth in said Section I, for transportation of persons between applicant's regular landing in Long Beach and vessels of the U. S. Navy anchored in the Long Beach-Los Angeles harbor:



Authorized Fares

1. Between Regular Landing Long Beach	And Vessels of the U.S. Navy anchored in Long Beach - Los Angeles Harbor	One Way	Round Trip
		.50¢	\$1.00

Children's Fares

Children under 5 years of age will be carried free when accompanied by a parent or guardian.

In the event a boat is held waiting at the ship or shore, the rate of \$10 per hour will apply.

IT IS FURTHER ORDERED that the authority herein granted to De Luxe Water Taxi Co. to increase its rates shall expire if the service between Navy ships and the Long Beach Landing is not resumed within ninety days after the effective date of this order.

IT IS FURTHER ORDERED that the authority granted by Decision No. 51934, dated September 6, 1955, in Application No. 37083, be and the same hereby is cancelled.

IT IS FURTHER ORDERED that in the event the service authorized by the certificate of public convenience and necessity granted to De Luxe Water Taxi Co. by this Commission by Decision No. 26214, dated August 7, 1933, in Application No. 18774, as modified by Decision No. 34510, dated August 19, 1941, in Application No. 23653, is not rendered by the company pursuant to its filed tariffs as modified by the herein decision commencing on or before 90 days after the effective date of this order said authority is cancelled on the date of the expiration of said 90 day period and De Luxe Water Taxi Co. shall, within 10 days thereafter, file amendments to its tariffs cancelling rates for service to and from ships at anchor in the Long Beach-Los Angeles Harbor.

IT IS FURTHER ORDERED that within thirty days after the effective date of this order De Luxe Water Taxi Co. shall file an amendment to its passenger tariff Cal. P.U.C. No. 7, Local Passenger Tariff No. 7, subdivision III A.1 thereof, to show the correct hourly charges for a vessel between 40 and not over 50 feet in length with a one man crew to be \$12.50 per hour.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 15th day of October, 1957.

[Signature]  
President

[Signature]

[Signature]

[Signature]

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Commissioners