

ORIGINAL

Decision No. 56282

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
Star & Crescent Ferry Company for an)	
order authorizing sale and transfer)	Application No. 39462
of the property known as the)	
Crescent Cafe and News Stand to)	
O. J. Hall.)	
_____)	

In the Matter of the Application of)	
Star & Crescent Ferry Company for)	
an increase in passenger fares.)	Application No. 39202
_____)	

John C. McHose for applicant.

J. Jason Gale for Bureau of Aeronautics, Western District, and North Island Employees Association; Lt. J. G. William M. Kennedy for 11th Naval District, interested parties.

Hugh N. Orr for the Commission's staff.

O P I N I O N

In Application No. 39462 authority is sought by Star & Crescent Ferry Company to sell and transfer a cafe and newstand business to O. J. Hall, Sr., and in Application No. 39202 authority is sought to increase present token fares of 4 tokens for 25 cents to 3 tokens for 25 cents. It is not proposed to change the present 10-cent cash fare.

Public hearings were held in the City of Coronado before Examiner Mark V. Chiesa. The applications having been consolidated for hearing and evidence, oral and documentary, having been adduced, the matters were submitted for decision.

APPLICATION NO. 39462

Applicant's principal business is the operation of a ferry service between its terminal at the foot of Market Street in the City of San Diego and a dock or float situated on the east shore of North Island, a distance of approximately one mile. Applicant also operates a small cafe or restaurant and newsstand at its San Diego terminal.

The evidence of record shows, and we find, that the ferry operation was inaugurated by O. J. Hall, Sr., applicant's president, about 1908 and that it has since been in continuous operation. Sometime in 1954, applicant corporation acquired the ferry business and certain cafe equipment from the Star & Crescent Boat Co.,^{1/} one of four affiliated companies owned or controlled by Hall. The evidence shows that the cafe and newsstand is operated separately and not as an integral part of the ferry operation; that it is not essential to the ferry business and that it does not generate any passenger traffic as the general public is not allowed on that portion of North Island served by applicant's ferry without special authorization. The only persons using the ferry are civilian employees and Navy personnel who would use the transportation regardless of the existence of the cafe. It was testified by the cafe's manager that as much as 50 percent of the cafe's business comes from "city-side" guests who do not use the ferry service. It is apparent that, although the cafe is a convenience for some of the ferry patrons, principally during the morning and afternoon peak periods, it is not a facility which is necessary or useful in the

^{1/} See Application No. 31483, Third Supplemental Application, and Fourth Supplemental Order in Decision No. 50233.

performance of applicant's duty to the public. The evidence further shows that applicant's ferry and cafe businesses are managed and operated separately; that they have no common operating employees; and that although the several affiliated companies have a common bookkeeping force, the books and records of the ferry operation and cafe business are kept separately.

The assets of the cafe business proposed to be sold are as follows (Exhibit C filed with the application):

Equipment and Fixtures	\$ 9,161.99
Inventory, Merchandise and Supplies	12,151.36
Petty Cash Fund	5,000.00
Prepaid Insurance	<u>1,265.00</u>
Total Book Value as of July 31, 1957	<u>\$27,578.35</u>

The terms of sale are cash equal to the book value of said items as of the last day of the month preceding the date of sale. The agreement of sale provides that O. J. Hall, Sr., with the consent of the San Diego Harbor Department, will assume the lease on the San Diego terminal, and he will then sublease to applicant that portion of said premises used in conducting the ferry business for a monthly rental of \$150. At present, rental payments are allocated by applicant, for accounting purposes, between the ferry operations and the cafe operation, and the portion allocated to the ferry operations has averaged \$354 per month for the past three years.

Having considered the matters pertinent to the proposed sale and transfer and finding the facts to be as above set forth, it is the opinion of the Commission that applicant's cafe and newsstand business is not an integral part of the ferry operations, and

that it is not essential thereto, and that such transfer is not adverse to the public interest. The sale will be authorized.

APPLICATION NO. 39202

Star & Crescent Ferry Company conducts passenger ferry service from the San Diego bay waterfront at the foot of Market Street in the City of San Diego to North Island, a distance of about one mile, where certain United States naval installations are located. Applicant operates nine ferry boats. Five vessels have a passenger-carrying capacity of 485 persons each, two vessels have a capacity of 197 persons each, one has a capacity of 555 persons, and a smaller boat has a capacity of 65 passengers. The boats are about 60 feet in length with the exception of the smallest which is slightly over 40 feet. The headway is approximately 10 minutes during the early morning, afternoon, and evening peak periods. During the balance of the day the service is on an "on-call" basis. Passenger traffic of 9,000 to 10,000 riders per day is mainly enlisted and civilian personnel of the United States Navy. About 80 percent of the travel represents civilian Navy employees working on North Island and commuting to and from San Diego daily.

The present fare is 10 cents cash with reduced fare tokens sold at the rate of 4 for 25 cents (\$0.0625 each) which may be used in lieu of the 10-cent cash fare. There is no provision for student or children's fares as the need does not exist. There are no transfers or joint fare arrangement with the connecting carrier in San Diego. In this proceeding applicant proposes to increase the one-way token fare from four tokens for 25 cents (\$0.0625 each) to three tokens for 25 cents (\$0.0833 each).

Applicant's fiscal year ends September 30 and its financial condition as of September 30, 1957 was as follows:

Total Assets	\$233,932.36	
Total Liabilities	<u>49,081.19</u>	
Net Worth		\$184,851.17

Represented by:		
Capital Stock Outstanding	100,000.00	
Surplus	<u>84,851.17</u>	
		\$184,851.17

Its profit and loss statement for said year shows a net loss of \$23,026.93. A \$34,335.70 loss was attributable to its ferry operation, and a \$11,308.77 profit resulted from the operation of the cafe and newsstand.

Both applicant and the Commission's staff have submitted data showing that applicant is operating at a loss and is in need of relief by way of an increase in fares.

Estimated results of operations under present and proposed fares for a 12-month period are as follows:^{2/}

	<u>Present Fares</u>		<u>Proposed Fares</u>	
	<u>Applicant*</u>	<u>P.U.C.</u>	<u>Applicant*</u>	<u>P.U.C.</u>
Revenue	\$261,010	\$268,370	\$333,110	\$345,780
Expense	<u>317,715</u>	<u>297,810</u>	<u>318,145</u>	<u>297,810</u>
Net Before Income Tax	\$(56,705)	\$(29,440)	\$ 13,965	\$ 47,970
Income Taxes	<u>-</u>	<u>-</u>	<u>4,580</u>	<u>20,370</u>
Net Income	<u>\$(56,705)</u>	<u>\$(29,440)</u>	<u>\$ 9,385</u>	<u>\$ 27,600</u>
Operating Ratio	120.4%	111.0%	96.7%	92.0%
Rate Base	\$169,300	\$148,840	\$169,300	\$148,840
Rate of Return	-	-	6.4%	18.5%

(Red Figure)
*Adjusted

^{2/} Applicant's figures are for the fiscal year ending September 30, 1958, the staff's for the year ending December 31, 1958, and both summaries are exclusive of cafe and newsstand business.

The Commission's staff also submitted results of operations for a 12-month period, ending December 31, 1958, on two alternate fare structures of 10 cents cash, 7 tokens for 50 cents (\$0.0714 each); and 10 cents cash, 4 tokens for 30 cents (\$0.0750 each), as follows:

	<u>10 cents cash 7 tokens for 50 cents</u>	<u>10 cents cash 4 tokens for 30 cents</u>
Revenue	\$306,220	\$318,180
Expense	<u>297,810</u>	<u>297,810</u>
Net Before Income Tax	\$ 8,410	\$ 20,370
Income Taxes	<u>2,760</u>	<u>6,680</u>
Net Income	\$ <u>5,650</u>	\$ <u>13,690</u>
Operating Ratio	98.2%	95.7%
Rate Base	\$148,840	\$148,840
Rate of Return	3.8%	9.2%

Alternate fare structures were not considered by applicant.

In reviewing the applicant's and the Commission staff's reports (Exhibits Nos. 5, 5-a, 9 and 10) it is apparent that there are several items of revenue and expense not in agreement. The Commission has considered both the applicant's and the staff's positions with reference thereto. In some cases it has accepted the company's figures and in others the staff results were believed to be more in accord with past and present Commission practice. It is not deemed necessary to enter into detailed explanations in order to reconcile the variations as it is the opinion of the Commission that, after careful consideration of the entire record, applicant should have relief to the extent shown by the alternate plan based upon a 10-cent cash fare with tokens at 4 for 30 cents, which fares we find to be just and reasonable and the increases involved we find justified. The Commission makes its order as follows:

O R D E R

A public hearing having been held in the above-entitled proceeding, the Commission being fully advised in the premises, and having made findings as hereinabove set forth,

IT IS ORDERED:

(1) That Star & Crescent Ferry Company, a corporation, may sell and transfer, on or before sixty days after the effective date of this order, to O. J. Hall, Sr., all of its right, title and interest in and to the cafe and newsstand business hereinabove referred to, said sale to be made substantially upon the terms and conditions as set forth in the application.

(2) That, in the event the authority herein granted is exercised, applicant shall notify this Commission in writing of the fact within thirty days after the date of transfer.

(3) That Star & Crescent Ferry Company, a corporation, be and it hereby is authorized to establish, on not less than five days' notice to the Commission and to the public, increased fares as follows:

Cash Fare - 10 cents

Token Fare - 7½ cents, based on the sale
of tokens at the rate of
4 tokens for 30 cents

(4) That, in addition to the required filing of tariffs, applicant shall give notice to the public by posting on its vessels and at its terminals a statement of the fare change. Such notice shall be posted not less than five days prior to the effective date of the fare change and shall remain posted for a minimum period of twenty days.

(5) That the authority herein granted shall expire unless exercised within ninety days after the effective date hereof.

(6) That, except as herein authorized, Application No. 39202 be and it hereby is denied.

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

Dated at San Francisco, California, this 25th day of February, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners