

ORIGINAL

Decision No. 50870

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE SAN DIEGO AND CORONADO FERRY COMPANY
for authority to increase fares.

} Application No. 39761

- Leon W. Scales, for The San Diego and Coronado Ferry Company, applicant.
- J. F. DePaul (by Frederick B. Holoboff) and Clarence A. Winder, for the City of San Diego, interested party.
- Coleman M. Gray, for the City of Coronado, protestant.
- Manuel L. Kugler, for the City of Chula Vista, interested party.
- Homer C. Wedge, for the North Island Association, interested party.
- Martin J. Porter and Timothy J. Canty, for the staff of the Public Utilities Commission of the State of California.

O P I N I O N

The San Diego and Coronado Ferry Company is engaged in the business of transporting automobiles, persons and property as a common carrier by vessel across San Diego Bay between the City of San Diego and the City of Coronado. By this application it seeks authority to increase its passenger fares and freight rates.

Public hearings on the application were held at San Diego before Commissioner R. E. Untereiner and Examiner C. S. Abernathy on April 3, 1958, and before Examiner C. S. Abernathy on April 17 and 18, 1958.¹

Applicant's fares and rates were first established at their current level approximately 10 years ago. Applicant alleges that under present conditions its earnings are insufficient to provide a

¹ The hearing on April 3, 1958, was held in conjunction with hearings on Application No. 39705 of San Diego Transit System for authority to establish increased bus fares. The hearings on Application No. 39705 were held April 2, 3 and 4, 1958. For convenience of the parties involved the two applications were heard on a consolidated record.

reasonable return on its investment and that increases in its fares and rates are necessary if it is to earn a reasonable return in the future.

Applicant's fare and rate proposals are set forth in detail in Revised Exhibit "B" to the application. Examples of the present and proposed charges are as follows:

<u>Passenger Fares</u>	<u>Present fare per ride</u>	<u>Proposed fare per ride</u>
Cash	\$.10	\$.10
Token	.0625 (Tokens, 4 for 25¢)	.0833 (Tokens, 3 for 25¢)

<u>Vehicle Rates (including driver's fare)</u>	<u>Present rate per one-way trip</u>	<u>Proposed rate per one-way trip</u>
<u>Automobiles:</u>		
More than 10 feet but not more than 14 feet in length	\$.29	\$.34
More than 14 feet but not more than 20 feet in length .....	.34	.39
<u>Trucks:</u>		
More than 15 feet but not more than 17 feet in length .....	.35	.40
More than 21 feet but not more than 24 feet in length .....	.49	.55
More than 24 feet but not more than 28 feet in length .....	.56	.62
<u>Buses:</u>		
Less than 25 feet in length .....	.30	(Same rates to { apply as for { trucks of { like lengths)
More than 25 feet but not more than 30 feet in length .....	.40	

<u>Freight Rates for Freight on Vehicles</u>	<u>Present rate per ton</u>	<u>Proposed rate per ton</u>
Any quantity	\$.35	\$.40
Minimum, 5 tons .....	.25	.30

Applicant's revenues are derived principally from the transportation of vehicles. About 75 percent of its revenues stem from that source. Approximately 20 percent of its revenues is earned from the transportation of passengers. The balance is derived from the transportation of freight and from miscellaneous sources. By its proposals applicant seeks to increase its vehicle and freight revenues by about 13 percent and its passenger revenues by about 9 percent. On a percentage basis the increases which are sought in the individual vehicle rates cover a wide range -- from less than 5 percent to more than 80 percent. The differences arise from the fact that in addition to seeking increased revenues applicant also seeks to revise its rate structure for vehicles so that its charges will be more commensurate with the space which the various types and classes of vehicles occupy on the ferries.

Data bearing on applicant's financial results of operations during the coming year (a) if present fares and rates are continued in effect and (b) if the sought fares and rates are established were presented by applicant through several witnesses and by engineers of the Commission's staff. These data are summarized in Tables Nos. 1 and 2 below:

Table No. 1

Estimated Financial Results of Operations
Under Present Fares
Year Ending April 30, 1959

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues	\$1,313,265	\$1,385,360
Expenses	<u>1,287,715</u>	<u>1,259,580</u>
Net Operating Revenues	\$ 25,550	\$ 125,780
Income Taxes	<u>7,786</u> *	<u>56,790</u> **
Net Income	\$ 17,764	\$ 68,990
Rate Base	\$1,776,800	\$1,659,430
Operating Ratio	98.65%	95.0%
Rate of Return	1.00%	4.2%

Table No. 2

Estimated Financial Results of Operations
Under Proposed Fares
Year Ending April 30, 1959

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues	\$1,477,878	\$1,565,850
Expenses	<u>1,289,565</u>	<u>1,259,580</u>
Net Operating Revenues	\$ 188,313	\$ 306,270
Income Taxes	<u>92,423</u> *	<u>154,110</u> **
Net Income	\$ 95,890	\$ 152,160
Rate Base	\$1,776,800	\$1,659,430
Operating Ratio	93.51%	90.3%
Rate of Return	5.40%	9.2%

* Federal Income Taxes only; State Income Taxes included in Expenses.

** Includes Federal and State Income Taxes.

The Cities of San Diego, Chula Vista, Imperial Beach and Coronado were represented at the hearings of this application. The City of San Diego and the City of Chula Vista participated in the proceeding as interested parties. The City of Imperial Beach opposed granting of the application on the grounds that present general economic conditions are such that an increase in applicant's fares is not warranted. The City of Coronado urged that the authorization of any fare and rate increases be confined to the minimum amounts possible. In this connection it was stated that many of the residents of Coronado have incomes which are fixed, and that their means for meeting the increases in their living costs that would result from the fare and rate increases are limited. A representative of a group of applicant's patrons opposed the increases as a step in a cycle which would divert patronage to private transportation, and which, as a consequence, would increase traffic congestion to the point that an additional number of applicant's patrons would turn to private transportation as a speedier means of going to and from work. Another of applicant's patrons urged that an increase in scheduled trips be effected to provide better transbay service.

Notwithstanding the opposition to applicant's proposals, it appears that increases in applicant's fares and rates should be authorized. Of paramount importance is the matter of maintaining transportation facilities which will adequately meet the needs of the public that must travel between San Diego and Coronado. In this respect the record is convincing that applicant is providing an economical and efficient service, and that if this service is to be

sustained under present conditions there is no reasonable alternative to authorization of fare and rate increases. It appears, furthermore, that were applicant to establish the full amount of the increases which it seeks, its earnings at the most would not exceed a level which the Commission heretofore has found reasonable for applicant's operations and for other ferry operations. The estimates of the Commission engineer (which estimates anticipate a more favorable rate of earnings than do the estimates of applicant) indicate that the sought fares and rates would yield a rate of return of 9.2 percent. This return is but slightly higher than the return which was found reasonable when applicant's fares were previously considered by the Commission. Moreover, it is virtually the same as the Commission recently found reasonable for other ferry operations on San Diego Bay between San Diego and North Island.²

It appears that the engineer's estimate of earnings represents the maximum probable earnings that applicant may realize from establishment of the proposed increases. The evidence indicates that the earnings which will actually be attained will be somewhat less. The engineer's estimates were reached in part upon a projection of traffic trends developed on applicant's experience over the past seven years. The method used assumes a constant trend in traffic and upon this basis the engineer estimated that applicant's traffic for the year through April, 1959, would be about one-half

² Decision No. 56292, dated February 25, 1958, in Application No. 39202, Star & Crescent Ferry Company, re increased fares.

percent less than that for 1957. However, applicant's records indicate a change in trend since August, 1957, with a decrease in traffic of more than 5 percent. The most recent figures of record do not show any recovery from this decrease.

Further analysis of applicant's showing or of that of the Commission engineer is not necessary, inasmuch as the record is clear that the additional revenues which the sought fare and rate increases would produce would not result in earnings in excess of those which are reasonable for applicant's operations. In view of the need shown for additional revenues to sustain applicant's services, and in view of our conclusions concerning the reasonableness of the earnings under the proposed rates, it is hereby found that the increases in fares and rates which applicant seeks have been shown to be justified. The application will be granted. In connection with establishment of the increased fares and rates applicant asked that it be permitted to make the increases effective at the earliest possible date. Authority will be granted to make the increases effective on five days' notice to the Commission and to the public.

O R D E R

Based on the evidence and on the conclusions and findings contained in the preceding opinion,

IT IS HEREBY ORDERED that:

1. The San Diego and Coronado Ferry Company be, and it hereby is, authorized to amend its Local Passenger Tariff No. 7, Cal. P.U.C. No. 7, and its Local Freight Tariff No. 6, Cal. P.U.C. No. 6, on not less than 5 days' notice to the Commission and to the public, to establish the increased fares, rates and related provisions (a) as set forth in Revised Exhibit "B" attached to the first amendment to the above-numbered application in this proceeding and (b) as modified by the further amendments proposed at the hearings on this matter, which amendments are set forth in the Appendix "A" attached hereto and by this reference made a part hereof.
2. The exercise of the authority herein granted be, and it is, subject to the following conditions:
 - a. In addition to making the tariff filings required in connection with the establishment of the increased fares, rates and related provisions herein authorized, The San Diego and Coronado Ferry Company shall notify the public of said fare, rate and related changes by posting a statement of said changes in each of its terminals and in each of its vessels. Said notice shall be posted not less than five days before the date that the changes are made effective, and shall remain posted until not less than ten days after said effective date.

b. Prior to the establishment of the increased fares, rates and related changes herein authorized, The San Diego and Coronado Ferry Company shall file with the Commission its written acceptance of the foregoing conditions.

3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California,
this 17th day of June, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX "A" TO DECISION NO. 56870

Amendments to the Fare, Rate and Related Proposals Set Forth in Revised Exhibit "B" Attached to First Amendment to Application No. 39761.

1. Commutation Fares: - The following provisions shall apply in connection with the commutation fares shown in Revised Exhibit "E":

Each vehicle for which a commutation book is used shall be subject to an additional charge of 5 cents for each 3 feet of length or fraction thereof exceeding the length specified in the commutation book.

2. Rates Subject to a Minimum of 1,000 Trips per Calendar Month: - The following provisions shall apply in connection with such rates:

A party desiring to qualify for the 50-cent rate must declare its intention to do so in advance of the time the 50-cent rate is to apply, and establish its credit to the satisfaction of the Company to the extent of the difference between the 50-cent rate and a 30-trip ticket rate applicable to the size of equipment involved; such credit to remain in effect as long as the 50-cent rate is to apply. In the event that less than 1,000 trips per month is made the charge shall be at the regular commutation or cash rate, whichever is applicable.

3. The rates for the transportation of a bus, truck or truck with trailer or semitrailer, or automobile with trailer (which trailer is in excess of 10 feet in length) shall also apply for the transportation of an ambulance or a hearse.

(End of Appendix)