

**ORIGINAL**

Decision No. 57183

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of CATALINA ISLAND SIGHTSEEING LINES, a Corporation, for an order authorizing an increase in its freight rates.

Application No. 40080

Jack E. Fennie, for Catalina Island Sightseeing Lines, applicant.  
Bill Krug, in person, interested party.  
Glenn E. Newton, for the staff of the Public Utilities Commission of the State of California.

O P I N I O N

Catalina Island Sightseeing Lines is engaged in the transportation of passengers and freight as a common carrier by vessel between Wilmington on the one hand and Avalon and The Isthmus, Santa Catalina Island, on the other hand. By this application it seeks authority to increase and revise its freight rates on less than statutory notice.

Public hearing on the application was held before Commissioner Ray E. Untereiner and Examiner C. S. Abernathy at Avalon on July 10 and 11, 1958. Evidence was presented by witnesses for applicant, by a resident of Avalon, and by an engineer of the Commission's staff.

Applicant's present rates for the transportation of freight are principally class rates. They range from 25 cents to 50 cents per 100 pounds, depending upon the classification and the weight of the shipment involved. Rates on a per-vehicle basis are also

provided for automobiles and trucks. These rates range from \$10 per vehicle for vehicles of less than 4,000 pounds to \$25 per vehicle for vehicles weighing between 7,000 and 8,000 pounds. Vehicles of greater weights are subject to an additional charge of 50 cents per 100 pounds. The minimum charge for any shipment is 75 cents.

In lieu of its present rates applicant seeks to establish rates which are the same for all freight and to establish minimum charges as follows:

All Freight\*

<u>Rate in Cents per 100 Pounds</u>	<u>Weight of Shipment in Pounds</u>
160 .....	Any quantity
80 .....	20,000
68 .....	30,000

Minimum Charge per Shipment\*

<u>Minimum Charge in Cents</u>	<u>Weight of Shipment in Pounds</u>	
	<u>Over</u>	<u>But Not Over</u>
75 .....	0	25
100 .....	25	50
125 .....	50	75
160 .....	75	

\* Exception

Empty containers returning, 50 cents per 100 pounds; minimum charge per shipment, 75 cents.

According to testimony and exhibits of applicant's witnesses, applicant is incurring substantial losses from its freight services under present rates. If said rates are continued in effect during the coming year applicant expects to incur a loss of \$188,838. The equivalent operating ratio would be 320.7 percent.

Heretofore, less than 10 percent of applicant's total revenues have been earned from the transportation of freight. The company's principal revenues have been derived from the transportation of passengers. Allegedly, this fact has caused the company to look upon the freight services as a relatively inconsequential by-product of the passenger operations and to forego seeking rate adjustments to compensate for increases in the freight operating costs which it has experienced since 1948, when the present rates were first established. Moreover, in treating the freight services as a by-product of the passenger operations, applicant has not sought to recover through its freight rates much more than the out-of-pocket costs of those services.<sup>1</sup> Applicant now has concluded that these policies with respect to freight result in an undue burdening of its passenger operations. By its proposals herein it seeks to establish the freight services on a self-sustaining basis. Also in seeking the establishment of the same rates for all freight instead of rates which vary according to the classification of the commodity transported, applicant seeks to simplify its rate structure and thereby to effect operating economies through reductions in its billing costs. Assertedly, the nature of its traffic is not such as to justify the continuance of the more complex form of rates.

Data to show anticipated operating results for the coming year (a) if present rates are continued in effect and (b) if the sought rates are established were submitted both by applicant's

---

<sup>1</sup> The rate adjustments which were effected in 1948 were designed to return the out-of-pocket costs and only a portion of the costs of the indirect services then being performed. No provision was made for any profit on the operations.

accountant and by the Commission engineer. As previously stated, applicant predicted a loss of \$183,838 from the freight services under present rates. The Commission engineer likewise predicted a loss, the amount being \$161,875. The estimates of the witnesses of operating results under the sought rates are summarized in Tables Nos. 1 and 2 below:

Table No. 1

Estimated Operating Results Under Proposed Rates (per Applicant)  
12 Months through June 30, 1959

	<u>Freight</u>	<u>Passenger</u>	<u>Total</u>
Revenues	\$ 265,316	\$ 1,280,449	\$ 1,545,765
Expenses	<u>274,383</u>	<u>1,226,722</u>	<u>1,501,105</u>
Net Operating Revenues	<u>(\$ 9,067)</u>	\$ 53,727	\$ 44,660
Income Taxes	5,078*	<u>24,587</u>	<u>19,509</u>
Net Income	<u>(\$ 3,989)</u>	\$ 29,140	\$ 25,151
Rate Base	\$ 287,937	\$ 619,808	\$ 907,745
Operating Ratio	103.4%	97.7%	98.4%
Rate of Return	-	4.7%	2.8%

           indicates loss  
 \* credit figure

Table No. 2

Estimated Operating Results Under Proposed Rates  
(per Commission Engineer) - 12 Months through June 30, 1959

	<u>Freight</u>	<u>Passenger</u>	<u>Total</u>
Revenues	\$ 278,520	\$ 1,212,230	\$ 1,490,750
Expenses	<u>259,780</u>	<u>1,105,550</u>	<u>1,365,330</u>
Net Operating Revenues	\$ 18,740	\$ 106,680	\$ 125,420
Income Taxes #	<u>7,360</u>	<u>54,770</u>	<u>62,130</u>
Net Income	\$ 11,380	\$ 51,910	\$ 63,290
Rate Base	\$ 210,850	\$ 453,870	\$ 664,720
Operating Ratio	95.9%	95.7%	95.8%
Rate of Return	5.4%	11.4%	9.5%

#Error corrected

Notices of the hearing on this application and the purposes thereof were posted in applicant's vessels and terminals and were published in newspapers of general circulation in San Pedro, Wilmington and Avalon. Also, notices were published in the Commission's calendar and were sent by the Commission's secretary to governmental, civic and other organizations believed to be interested. No one appeared in opposition to the proposed rate increases. A resident of Avalon, who participated in the proceeding as an interested party, urged that, in considering applicant's need for the sought rates, the Commission also give consideration to the quality of applicant's service. He stated that during the winter months the company's freight service is inadequate and that shipments to Avalon during those months are subjected to severe delays caused by the company.<sup>2</sup> Applicant's manager, in reply, disputed this testimony. He said that there have been some delays which have been occasioned by weather conditions, but that he knew of no prolonged delays which were due to circumstances within the company's control.

Discussion. Findings and Conclusions

The record in this matter is clear that under present rates applicant's revenues from its freight services fall substantially below the costs of the services provided. If the services

---

<sup>2</sup> During summer months, when travel to and from Catalina is at its peak for the year, applicant utilizes a steamship and various smaller vessels in its operations. During the winter months the smaller vessels only are used.

are to be maintained, or if they are to be maintained without burdening other of applicant's traffic, it is evident that increases in the applicable rates should be effected. Generally speaking, it appears that the financial data presented by applicant and by the Commission engineer both provide a fair portrayal of applicant's revenues and expenses. Discussion of certain differences between the showings of applicant and of the engineer does not appear necessary. The engineer's figures indicate somewhat greater earnings under the proposed rates than do those which applicant presented. However, even on the basis of the earnings estimate of the engineer, it does not appear that establishment of the proposed rates would result in excessive earnings from the operations. From a revenue standpoint, establishment of the proposed rates appears reasonable.

Aside from the matter of revenues, an aspect of applicant's proposals which necessarily must be considered deals with the form of the rates which applicant proposes. The establishment of a single scale of rates that is the same for all types and classes of freight is a departure from the basis of rates in general use. Under this basis the rates vary with the classification of the commodity transported.<sup>3</sup>

The justification upon which applicant primarily relies for discontinuing its classification practices is relatively meager in effect. Applicant's purpose to simplify its rate structure is a

---

<sup>3</sup> Classification provides a means by which the costs of service are reasonably apportioned to the kinds and types of commodities transported. The need for classification arises out of statutory obligations of carriers to assess rates and charges that are reasonable and non-discriminatory.

(Sections 451 and 453, Public Utilities Code)

desirable objective but is not of itself sufficient grounds for approving the action sought. As to applicant's assertions that the nature of its traffic is not such as to justify the continuance of its classification procedures, these assertions were largely unsupported. Applicant did not have data available which would show what the consist of its traffic actually is.

Despite these deficiencies it appears, nevertheless, that the sought basis of rates may be authorized in this instance. First, the evidence shows that a large proportion of the shipments which applicant transports are shipments of 150 pounds or less. As to such shipments differences in classification would have but a small effect upon the applicable charges per shipment. Second, it is noted that the classification which applicant uses at the present time was first established about twenty-five years ago; that it has not been materially revised since; and that it differs in substantial respects from the classification that has been approved by the Commission as reasonable for most transportation within California. Thus it appears that departures from applicant's present classification would not entail the question of reasonableness to as great an extent as would apply were the classification on a more current basis and were the ratings in greater conformity with those which have been approved as reasonable for California carriers generally. Third, it appears from the estimates of operating results under the sought rates, that the earnings which applicant will probably realize from the freight services under the increased rates will be at or below the lower limits of reasonableness. Generally speaking, it thus appears that establishment of the single scale of rates which

applicant proposes would not unduly burden any class of traffic, but that, instead, the rates for certain commodities would be somewhat lower than those which would apply were they based on normal classification ratings.<sup>4</sup>

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 rate increases and other tariff adjustments which applicant seeks in this proceeding have been shown to be justified. The application, including the request to establish the increased rates and other adjustments on less than statutory notice, will be granted. In finding the above-described increases and other adjustments justified, no finding is made as to the reasonableness of any particular rate or charge.

With reference to the quality of applicant's service, regarding which complaint was made, no order thereon appears required at the present time. Should occasion for specific complaint subsequently develop, the parties affected may bring the matter or matters to the Commission's attention for such action as is appropriate in the circumstances.

#### O R D E R

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

---

<sup>4</sup> In view of this conclusion it should be pointed out that should applicant be impelled to seek further increases in its rates in a subsequent proceeding it should give primary consideration to applying increases to those commodities which under normal classification practices would bear higher rates than those resulting under the single scale of rates hereinafter authorized.



IT IS HEREBY ORDERED that

1. Catalina Island Sightseeing Lines be, and it hereby is, authorized to establish, on not less than five days' notice to the Commission and to the public, the rates, rules, regulations and charges set forth in its proposed tariff identified as Exhibit "I" attached to its application in this above-numbered proceeding, said rates, rules, regulations and charges to be established in lieu of, and to supersede, the rates, rules, regulations and charges set forth in Local Freight Tariff Cal.P.U.C. No. 2 of Catalina Island Sightseeing Lines.
2. The authority herein granted is subject to the express condition that Catalina Island Sightseeing Lines will never urge before this Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as consent to this condition.

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

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

Dated at San Francisco, California,  
this 12th day of August, 1958.

[Signature]  
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Theodore H. Jenner, being necessarily absent, did not participate in the disposition of this proceeding.