

ORIGINAL

Decision No. 60583

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Application No. 42191
(Filed April 25, 1960)

- Leon W. Scales, for San Diego & Coronado Ferry Company, applicant.
- F. B. Holoboff and Stanley M. Lanham, for the City of San Diego, interested party.
- J. R. Goodbody, for the Council of the City of Coronado, interested party.
- J. Calvin Simpson, for the Commission's staff.

O P I N I O N

The San Diego & Coronado Ferry Company is engaged in the business of transporting 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 fares and rates.

Public hearings on the application were held at San Diego before Examiner C. S. Abernathy on June 8 and 9, 1960. Evidence was presented by applicant's general manager, by an engineer of the Commission's staff, and by two of applicant's patrons. The city attorney for the City of Coronado submitted a statement of position on behalf of that city. The City of San Diego was represented at the hearing by its chief deputy city attorney, who participated in the examination of the witnesses.

¹ Pursuant to arrangement made at the termination of the hearings, a closing statement of position and argument was submitted to the Commission by the attorney for the City of San Diego and by applicant on June 20, 1960.

The increases which applicant seeks to effect in its fares and rates are about 15 percent in amount. The specific proposals are set forth in Exhibit "B" to the application. Examples of the present and proposed fares and rates are as follows:

<u>Passenger Fares</u>	<u>Present fare per ride</u>	<u>Proposed fare per ride</u>
Cash	\$.10	\$.10
Token	.0833 (Tokens, 3 for 25¢)	Cancel; cash fare to apply
- - - - -		
<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>Automobile:</u>		
More than 10 feet but not more than 14 feet in length	\$.34	\$.40
More than 14 feet but not more than 20 feet in length .....	.39	.45
<u>Bus; truck; truck with trailer or semi-trailer:</u>		
15 feet or less than 15 feet in length .....	.35	.40
More than 17 feet but not more than 21 feet in length .....	.47	.54
More than 24 feet but not more than 28 feet in length .....	.62	.71
- - - - -		
<u>Freight Rates for Freight on Vehicles</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
5 Tons and Over, per ton	\$.30	\$.35
Greater than 50 lbs. Less than 5 tons, per ton ..	.40	.45
Minimum Charge .....	.10	.15
50 lbs. and under .....	.10	.10

Applicant alleges that its operations are being conducted at a loss, and that increases in its fares and rates as herein sought are necessary to the maintenance of said operations. It states that during the interval since July 7, 1958, when its fares and rates were first established at their present level, its revenues have decreased because of a declining trend in the volume of its traffic, and its expenses have increased, principally as a consequence of wage increases which it has had to grant to the crews of its ferries and to other of its employees. With respect to the reduction which has occurred in its revenues, applicant states that the volume of its traffic for the past 6 months is about 3 percent less than that for a corresponding period a year ago. It reports that the decrease in traffic volume during the past three months has been even greater -- about 5½ percent. From this latter circumstance applicant concludes that not only has the volume of its traffic decreased, but that the decrease is continuing at an accelerating rate. With reference to the increases in operating costs, applicant states that in accordance with a labor agreement which it entered into as of July 1, 1959, it granted wage increases of 7 percent, effective on that date, and that under this same agreement it is committed to the granting of further increases of 5 percent, effective July 1, 1960, and of an additional 5 percent, effective July 1, 1961. Applicant states, furthermore, that in addition to the increases in wages, it has experienced, and will experience, increased expense payments for social security, unemployment, and state franchise taxes.

The evidence which was submitted by applicant's general manager was directed principally towards a showing of estimates of financial results of the operations during the coming year (a) if

present fares and rates are continued unchanged, and (b) if the sought fares are established. In the development of his estimates of revenues, the general manager analyzed and charted applicant's traffic for the past four years. Trend figures were developed upon which forecasts of the coming year's traffic were made. The anticipated revenues were computed by applying the present and proposed fares to the traffic forecasts with an allowance for a diminution in traffic as a consequence of the fare increases. The estimates of expenses were developed largely upon applicant's operating expenses during the year which ended with March, 1960. In the utilization of such expense data, adjustments were made by the general manager to allow for the increased wage and related costs which will apply during the coming year; for additional costs of complying with recent Coast Guard requirements for more frequent dry-docking of one of the ferries used in the services; for changes in the price of and in the consumption of fuel; and for certain other items which would similarly affect the volume of applicant's expenses. Having thus developed estimates of gross operating revenues and expenses for the year through June, 1961, the general manager computed the anticipated net operating revenues and the corresponding earnings indices of operating ratio and of rate of return.

The evidence which was submitted by the Commission engineer likewise was developed to show estimates of applicant's operating results for the coming year under present fares and under proposed fares. In general, the engineer's estimates were reached by substantially the same methods as those which were employed in the development of the estimates of applicant's general manager. However, because of certain differences in the factors considered, the engineer's

estimates are greater than those of the general manager in some instances, and in other instances they are less. The more important of the differences will be discussed hereinafter. In Tables Nos. 1 and 2 below the respective estimates are summarized:

Table No. 1

Estimated Financial Results of Operations
Under Present Fares;
Year Ending June 30, 1961

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues:		
Passenger	\$ 296,070	\$ 302,870
Vehicle	1,128,660	1,158,070
Freight	23,930	20,840
Other	2,400	2,400
Total Revenues	<u>\$1,451,060</u>	<u>\$1,484,180</u>
Expenses:		
Maintenance	\$ 176,000	\$ 175,220
Depreciation	121,800	121,810
Transportation -		
Line Service	765,800	765,480
Terminal Service	175,500	175,140
Casualties and Traffic	1,500	1,410
General	101,000	86,060
Insurance	43,200	43,290
Operating Rents	20,200	20,220
Operating Taxes	38,100	39,670
Total Expenses	<u>\$1,443,100</u>	<u>\$1,428,300</u>
Net Operating Revenues	\$ 7,960	\$ 55,880
Income Taxes	\$ 2,700	\$ 17,300
Net Income	\$ 5,260	\$ 38,580
Rate Base	\$1,637,000	\$1,585,990
Operating Ratio	99.6%	97.4%
Rate of Return	.3%	2.4%

Table No. 2

Estimated Financial Results of Operations
Under Proposed Fares;
Year Ending June 30, 1961

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues:		
Passenger	\$ 309,660	\$\$ 317,680
Vehicle	1,284,470	1,316,100
Freight	26,930	23,930
Other	2,400	2,400
Total Revenues	<u>\$1,623,460</u>	<u>\$1,660,110</u>
Expenses:		
Maintenance	\$ 176,000	\$ 175,220
Depreciation	121,800	121,810
Transportation -		
Line Service	765,800	765,480
Terminal Service	175,500	175,140
Casualties and Traffic	1,500	1,410
General	101,000	86,060
Insurance	43,200	43,290
Operating Rents	20,200	20,220
Operating Taxes	38,100	39,670
Total Expenses	<u>\$1,443,100</u>	<u>\$1,428,300</u>
Net Operating Revenues	\$ 180,360	\$ 231,810
Income Taxes	\$ 93,050	\$ 113,430
Net Income	\$ 87,310	\$ 118,380
Rate Base	\$1,637,000	\$1,585,990
Operating Ratio	94.6%	92.9%
Rate of Return	5.3%	7.5%

Authorization of the increases in fares and rates which applicant seeks was opposed by two of applicant's patrons, by the City of Coronado, and by the City of San Diego. Generally speaking, the opposition of the patrons was on the grounds that the resultant fares would be excessive for the transportation which is

involved. The representatives of the City of San Diego and of the City of Coronado urged, in effect, that such fare or rate increases as may be authorized in this matter be restricted to the lowest reasonable level. In this connection the attorney for the City of Coronado requested that all possible consideration be given to the impact that the fare and rate increases would have upon the residents of Coronado. He said that the increases in fares and rates necessarily constitute an economic disadvantage to applicant's patrons. He pointed out that the increased fares and rates which applicant seeks herein would be the second general increase which would be made in applicant's fare structure in the past two years, and he declared that the point is being reached where the City of Coronado will undertake to provide other means of transportation for its residents.² The representative for the City of San Diego particularly questioned whether applicant's showing herein warrants a finding that the full amounts of the sought increases are justified, and he took exception to certain of the items upon which applicant relies to support the sought adjustments. These exceptions will be touched upon below.

Discussion, Findings and Conclusions

The record in this matter is clear that since the time that applicant's fares were previously adjusted in 1958 pursuant to authority granted by Decision No. 56870, supra, applicant's costs of

² It appears that one alternate means of transportation between San Diego and Coronado which has been given consideration is that which would be provided by a vehicular tube under San Diego Bay.

operations have been increased materially by increases in its costs of labor and related items. It appears that applicant has not been able to augment its revenues or to effect economies in other expense items so as to offset the increases in labor and related costs. It further appears that as a consequence of the increased costs of operations applicant's earnings have so diminished that they are now unreasonably low and insufficient. As a consequence it must be concluded that if applicant's services are to be maintained, applicant should be permitted to meet the increased costs by increases in its fares. The question that is to be resolved is whether the full amount of the sought increases is justified and should be authorized.

In general, it appears that for the most part the showings herein of applicant, and of the Commission engineer, reasonably set forth the revenues and expenses of the operations during the coming year, both under present fares and rates and under the proposed fares and rates. With certain exceptions or modifications, the showings should be adopted as basis for the findings and conclusions herein.

The exceptions and modifications involve the estimates of the gross operating revenues to be earned during the coming year, the expense items of "other" general expenses, depreciation and income taxes, and the rate base item of working cash. The estimates of applicant and of the engineer with respect to these items are set forth below:

	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues (Under proposed fares)	\$1,623,460	\$1,660,110
Expenses		
"Other" general expenses	21,700	8,500
Depreciation	121,800	121,810
Income taxes	93,050	113,430
Working cash (or business fund requirements)	60,900	11,000

Revenues

It will be noted from the foregoing figures that the revenue estimate of the Commission engineer exceeds that of applicant by approximately \$37,000. This difference stems principally from differences between the estimates of the engineer and applicant's general manager of the extent that applicant's traffic will decline during the coming year due to trend. As has been indicated hereinbefore, the revenue estimate of the general manager was substantially influenced by the fact that during the past year applicant's traffic apparently has been declining at an accelerating rate. The engineer's estimate was developed by methods which did not give corresponding weight to the experience of the recent months. The percentage amounts by which the general manager and the engineer estimated that applicant's traffic for the coming year would fall below that of the preceding period because of trend are as follows:

	<u>Applicant</u>	<u>Commission Engineer</u>
Passenger traffic	4.38%	3.5%
Vehicular "	3.70%	1.5%
Freight "	3.70%	2.0%

The evidence in this matter shows that during the past several years the volume of applicant's traffic has been declining

rather steadily. The decline which has taken place in the passenger traffic is more pronounced than that which has occurred in the vehicular and in the freight traffic. In view of applicant's experience it appears that further declines are probable and that allowance therefor should be made in estimates of future operating results. Insofar as the estimates of applicant's general manager are concerned, however, it appears that they have been unduly weighted by experience for the most recent three months with the consequence that the probable downward trend in traffic has been somewhat overstated. The engineer's figures, on the other hand, appear to understate the probable trend. For example, applicant's figures for the 12 months through March, 1960, show a decline of 2.87 percent and declines of 3.70 percent and of 5.40 percent for the 6 and 3 months' periods ending with March, 1960. In the light of these figures the engineer's estimate of a declining trend of 1.5 percent for the year appears low. Upon consideration of all of the evidence pertaining to this aspect of applicant's operations, it appears that as a result of trend applicant's traffic during the coming year will decline by about the following percentages:

Passenger traffic		4%
Vehicular	"	3%
Freight	"	2%

Another factor which bears upon the volume of applicant's revenues under the proposed fares and rates is the amount of the diminution in traffic that will result from the increases in fares. In developing estimates of future passenger traffic, applicant's general manager applied a diminution factor of one-fourth of the percent of fare increases; for his estimate of vehicular traffic

he applied a diminution factor of one-tenth of the percent of increase in the average rate. The diminution factor which the manager used for passenger traffic is the same as that which has been used in various instances in proceedings involving fares of passenger stage corporations. The diminution factor for the vehicular traffic was developed by the general manager from certain comparisons which he had made of applicant's traffic before and after the previous fare and rate adjustments in 1958. The estimates of the Commission engineer were developed by the use of the same diminution factors for the passenger and vehicular traffic as used in previous staff studies and also the same as those employed by applicant's manager.

The adoption of the foregoing allowances for diminution was opposed by the City of San Diego on the grounds that the evidence in this matter does not show the propriety of applying to a ferry operation a diminution factor which has been developed from passenger stage operations, and that, furthermore, the evidence does not substantiate the claimed diminution factor for vehicular traffic. The attorney for the City of San Diego contended that but little, if any, diminution would result from establishment of the increased fares and rates. As grounds for this contention he pointed out that as a practical matter applicant's patrons do not have alternative means of transportation to and from Coronado readily available to them, inasmuch as the only other vehicular route between San Diego and Coronado is that which runs southward around San Diego Bay and which is about 30 miles long.

The City of San Diego submitted no evidence in support of its contentions. It appears, nevertheless, that there is substantial merit in the City's objections to the allowances for diminution

which applicant's manager and the Commission engineer would include in their respective estimates of revenues under the sought rates and fares. In view of the geographical location of the City of Coronado, applicant's patrons clearly do not have alternative means of transportation so available to them that usual standards of diminution can be applied.³ It does not appear that the evidence supports the adoption of the diminution factor which applicant's manager developed in connection with the vehicular traffic. In the circumstances it is concluded that allowances for diminution as great as those which were applied by applicant's manager and by the engineer have not been substantiated.

Nevertheless, it must be conceded that applicant will experience some diminution in traffic as a consequence of the establishment of increased fares. Consideration being given both to the factor of trend, which has been discussed heretofore, and to the factor of diminution, it is concluded that the record supports the following as reasonable estimates of applicant's revenues if the sought fares and rates are established and maintained during the coming year:

³ The services of another ferry line, the Star & Crescent Ferry Company, which operates between San Diego and North Island, are available as an alternative to the pedestrian patrons of applicant. However, from a fare standpoint applicant's patrons would not attain any advantage by the utilization of this alternative, inasmuch as the fare which the Star & Crescent Ferry Company assesses is 10 cents cash per one-way ride, the same fare level as would result under applicant's proposals herein with the elimination of present ticket fares of 8.33 cents per ride.

Estimated Revenues
Under Proposed Fares and Rates

Passenger	\$ 316,600
Vehicular	1,313,000
Freight	24,000
Other	<u>2,400</u>
Total Revenues	\$1,656,000

The above figures will be adopted as basis for our findings and conclusions hereinafter.

Depreciation Expense

The depreciation expense estimates of \$121,800 and of \$121,810 of applicant's manager and of the Commission engineer, respectively, represent the total charges to depreciation expense for the coming year as calculated on a remaining life basis in accordance with applicant's present depreciation schedules. In the light of the service lives of various of the properties which are involved, it appears that the full amount of these charges is excessive and unjustified.

This conclusion stems from the fact that said properties apparently will be maintained in service over a greater period of time than that upon which the charges to depreciation expense are computed. For example, the scheduled total service lives (for depreciation expense purposes) and the remaining scheduled service lives of three of the five ferries which are used in applicant's operations are as follows:

<u>Motor Vessel</u>	<u>Service Lines (in years)</u>	
	<u>Scheduled</u>	<u>Remaining</u>
"Cordnado"	34	2.5
"San Diego"	34	4.5
"North Island"	20	3.5

The testimony of applicant's manager as to the prospective use of these vessels is clear that the retirement of the vessels at the end of their scheduled service lives is not contemplated, and that present plans call for the continued operation of the vessels. It is obvious that in these circumstances, where the actual service lives will extend beyond the scheduled service lives, the computation of depreciation expense on the basis of the shorter periods results in inflated costs. In proceedings of this nature it is incumbent upon the applicant to establish the propriety of its charges to depreciation expense as well as that of its other expenses. Applicant's manager was unable to provide a basis upon which depreciation expense conforming to the probable remaining service lives of the three vessels might be calculated. Accordingly, the depreciation charges for those vessels will be substantially disallowed. For the purposes of this matter the figure of \$110,000 will be used as representing the total amount of depreciation expense reasonably chargeable to applicant's operations during the coming year.

'Other' General Expenses

The difference between the estimate of \$21,700 of applicant's general manager for this group of expenses and the estimate of \$8,500 of the Commission engineer is due principally to the fact the engineer excluded from his estimate allowances for charitable donations. The estimate of applicant reflects the fact that during 1959 it made donations as follows:

United Fund	\$5,500
California Western University	1,000
Tri-Hospital Building Fund	800
San Diego Council, Boy Scouts of America	60
Theater and Arts Foundation	<u>500</u>
	\$7,860

Applicant's position with respect to these items is that they represent outlays which it must make as a matter of course as a corporate citizen of the San Diego area and that, consequently, said outlays should be deemed to be proper charges to operations. As an alternative applicant asserts that, as a minimum, at least half of its donations should be allowed as an operating expense. In support of this contention applicant points out that the Commission has heretofore recognized donations in part as a proper charge to the operations of a public utility. It quotes as follows from a decision of the Commission touching upon this point:

"The staff, following precedents established by former decisions of the Commission, excluded such items as service club dues and miscellaneous donations, but included one-half of contributions paid Red Cross, Community Chest and Chambers of Commerce ... After considering this matter we will adopt the staff's estimate of \$1,766,200 for administrative and general expenses."

San Diego Gas & Electric Company, 54 Cal. P.U.C. 274,278

Applicant argues to the effect that as a public utility serving the San Diego area its situation is like that of the San Diego Gas & Electric Company, and that there is no logical distinction that would justify the disallowance of contributions for the one utility while contributions are being allowed for the other.

On this record it appears that action should here be taken to place applicant on the same basis as San Diego Gas & Electric Company with respect to the treatment for rate purposes to be accorded applicant's outlays for donations, chamber of commerce dues,

and certain related items. On this basis a portion of the donations would be allowed as an operating expense. On the other hand certain outlays which were included in the engineer's estimate of operating expenses would not be allowed. Pursuant to these conclusions allowances in the amounts shown below should be included as reasonable charges to applicant's costs of operations during the coming year. Said amounts represent one-half of applicant's recorded outlays for the stated items during 1959.

Donations, United Fund	\$2,750
Business and Trade Association Dues	
San Diego Chamber of Commerce	350
Coronado Chamber of Commerce	50
San Diego Taxpayers Association	50
San Diego Convention and Tourist Bureau	480
Fiesta del Pacifico	<u>375</u>
Total	\$4,055

Other expenses of a miscellaneous nature that apply to applicant's operations and that are classed as "Other" General Expenses include such items as telephone expense, armored transport expense, directors' fees, auditing expense, U. S. Coast Guard inspection costs, and subscriptions. The evidence shows that applicant's outlays for these items totalled almost \$10,000 for the year 1959. Consideration being given to these expenses, and to the donations and related items referred to above, it appears that an amount of \$14,000 should be adopted herein as the reasonable amount to be charged to applicant's operations for "Other" General Expenses during the coming year.

Income Taxes

Applicant's estimate of \$93,050 and the Commission engineer's estimate of \$113,430 for income taxes on earnings expected

under the proposed fares and rates differ because of differences in the factors employed in the calculations and because of differences in the amounts of the expected earnings. The engineer's estimate was developed on the basis of prevailing tax rates, and takes into account applicant's actual tax payments under a liberalized depreciation schedule which applicant applies under authority of Section 167 of the Federal Internal Revenue Code in computing depreciation on one of its vessels, the "Crown City." Applicant's estimate of depreciation expense was developed without reference to the aforesaid liberalized schedule. As a consequence, applicant's estimate is approximately \$7,500 more than its actual estimated tax payments for the earnings involved. The matter of the taxes to be allowed as operating expense in connection with liberalized depreciation under Section 167 of the Internal Revenue Code has heretofore been considered by the Commission in Decision No. 59926, dated April 12, 1960. As stated in said decision,

"We hold that a public utility is not lawfully entitled to charge to its operating expense any amount for income taxes in excess of the amount of such taxes which the taxing authority lawfully assesses and which the utility pays. It will be the order of this Commission that such treatment will be accorded income taxes for the purposes of rate-fixing."

The amount to be allowed for income taxes in this matter will be limited in accordance with the provisions of the aforesaid decision.

Working Cash

In the development of rate base the Commission engineer included in his figures an allowance of \$11,000 to cover certain

funds which applicant maintains by outstanding deposits of cash. No other allowance was made by the engineer for cash for the conduct of the operations. His position in this respect is that such other cash that is needed for the operations is generated as a consequence of the lag between the time of applicant's receipt of monies for services rendered and the time that applicant's payments are subsequently made for the costs of those services.

Applicant's general manager declared, on the other hand, that the cash needs of the business are not met by generated funds; that an additional sum of \$60,900 is needed for the conduct of the operations, and that provision for said amount should be included in the rate base. This amount assertedly is necessary for the following purposes:

Prepaid insurance	\$20,095
Prepaid taxes	3,205
Undeposited cash	5,400
Revolving funds in hands of shore collectors	10,500
Accounts receivable	9,500
Drydocking costs	<u>12,200</u>
Total	\$60,900

The question which is thus presented in connection with applicant's cash requirements is one that has been considered on numerous occasions by the Commission, which has found that, in general, where a carrier's revenues are received in advance of the payments for the services provided, relatively little provision for working cash need be included in the carrier's rate base. In the carrier's ordinary operations a considerable sum becomes available to the carrier and may be used for working cash purposes. Applicant here alleges in effect that insofar as its operations are concerned the generated funds fall short by \$60,900 of meeting its requirements.

After a careful review of the record, it is concluded that for the purposes of this proceeding an allowance of \$30,000 should be included in applicant's rate base as a reasonable allowance for working cash.

Effect being given to the foregoing conclusions concerning the volume of applicant's revenues under the sought fares and rates, and concerning the items of "other" general expenses, depreciation, income taxes, and working cash, it appears that the data which are set forth in Table No. 3 below may be adopted on this record as representing the level of revenues, expenses and operating results that may be reasonably expected under the proposed fares and rates. However, it should be pointed out in connection with said data that the amount of earnings which is shown assumes that the increased fares and rates, and the present level of expenses, will prevail for a full year. No effect is given to the fact that applicant's expenses will be augmented by the increases in wage costs which will become applicable July 1, 1961. The other data of record do not provide a basis for the projection of estimates beyond June 30, 1961.

Table No. 3
 Estimated Financial Results of Operations
 Under Proposed Fares
Year Ending June 30, 1961

Revenues:

Passenger	\$ 316,600
Vehicle	1,313,000
Freight	24,000
Other	<u>2,400</u>
Total Revenues	\$1,656,000

Expenses:

Maintenance	\$ 176,000
Depreciation	110,000
Transportation	
Line Service	765,800
Terminal Service	175,500
Casualties and Traffic	1,500
General	91,560
Insurance	43,200
Operating Rents	20,200
Operating Taxes	<u>38,100</u>
Total Expenses	\$1,421,860
Net Operating Revenues	\$ 234,140
Income Taxes	\$ 114,703
Net Income	\$ 119,437
Rate Base	\$1,617,907
Operating Ratio	92.8%
Rate of Return	7.4%

As has been stated earlier herein, the record is clear that applicant must be permitted to increase its fares and rates if its services to the public are to be maintained. It now appears that with a minor exception which is set forth in the margin below that the full amounts of the sought increases should

be authorized in order to restore applicant's earnings to a reasonable level.⁴ The level of the earnings which the above Table No. 3 indicates would be realized under the sought fares and rates is well within the range of earnings that the Commission has heretofore found to be reasonable for ferry operations in the light of the risks applicable to said operations.⁵ As related to applicant's operations under all of the applicable circumstances as shown on this record, it appears, and the Commission so finds, that said level of earnings are reasonable in this instance also. The Commission is of the opinion and finds that with the exception indicated the sought increases in fares and rates have been shown to be justified. Full consideration has been given in these conclusions to the position of the City of San Diego and of the City of Coronado that the fare and rate increases should be limited to the lowest reasonable amounts.

4.

The exception relates to a proposed increase of 10 cents per trip in the rate for the transportation of buses of not more than 35 feet in length. This increase would constitute an increase of 20 percent over the present rate, and is a greater increase, percentagewise, than the other increases which applicant proposes. No justification was submitted which would support the greater increases for buses. The increase should be limited to 8 cents to conform to applicant's other proposals.

5

Aside from such hazards that may apply to applicant's services as a result of their maritime nature, an important element of risk to be considered is the fact that the services require the commitment of substantial sums of capital over extended periods for the acquisition and operation of the necessary vessels. During such extended periods, circumstances may arise which would seriously affect the operations. Illustrative of such circumstances is the discussed construction of a vehicular tube beneath San Diego Bay which would provide a direct land connection between San Diego and Coronado and which would obviate a further need for applicant's services.

Applicant asks that in connection with the establishment of such fare and rate increases as are authorized in this proceeding that it be permitted to make the increased fares and rates effective on less than statutory notice. This request will be granted also. Such action is justified by applicant's needs for additional revenues to meet its increased costs of operation.

O R D E R

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

IT IS HEREBY ORDERED:

1. That the San Diego & Coronado Ferry Company be, and it hereby is, authorized to amend its Local Passenger Tariff No. 8, Cal. P.U.C. No. 8, 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 (except as otherwise provided herein) the increased fares, rates and related provisions which it seeks by above-numbered application and which are set forth in Exhibit B of said application and identified under the heading of "Proposed Fares."
2. That the increased fare or rate which may be established for the transportation of buses of not more than 35 feet in length shall not exceed 58 cents per bus (and the driver thereof) per one way trip for a minimum of 1,000 trips per calendar month.
3. That the exercise of the authority herein granted be, and it hereby is, subject to the following condition:

In addition to making the tariff filings required in connection with the establishment of the increased fares, rates and related provisions authorized by this Order, the San Diego & 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 changes 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.

- 4. 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 16th day of August 1960.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.