

**ORIGINAL**Decision No. 60706

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ISLAND TRANSPORTATION CO., )  
 a California corporation, to extend serv- )  
 ice and to establish rates of fare for )  
 the transportation of passengers between )  
 Newport Beach and Catalina Island, )  
 California. )

Application  
 No. 42109

Hewitt and Rickles, by James H. Radcliffe, for  
 applicant.

Mark A. Soden, for Newport Bay Investment Co.,  
 doing business as Balboa Pavilion Company;  
Gibson, Dunn & Crutcher, by Raymond L. Curran,  
 for Island Boat Service and Santa Catalina  
 Island Company; protestants.

Glenn E. Newton and Wm. F. Hibbard, for the Com-  
 mission's staff.

O P I N I O N

By Decisions Nos. 48700 and 51067 applicant is authorized to transport persons by vessel between Newport Beach (this includes Balboa which is a part of the City of Newport Beach) and the City of Avalon situated on Catalina Island. A regularly scheduled service is operated each year between April 1st and September 30th and an "on-call" service is offered the remainder of the year.

By this application it is proposed to enlarge the "on-call" service to include other points on the island which, particularly in summer time, are used to embark and disembark passengers consisting usually of groups such as girl and boy scouts, children attending summer camps, and civic organizations.

Applicant also proposes to increase the adult cash fare from \$2.74 to \$3.41, with children's fare at one-half of the adult fare, and to discontinue the reduced fare commutation book. No change is proposed in the charter rate.

Protestant Newport Bay Investment Co., a corporation, objects to the proposed extension of the "on-call" service on the grounds that it has Application No. 41842 on file with this Commission, in which it requests authority to render a charter service to all points on Catalina Island and an extension of its local excursion service.<sup>(1)</sup> Other grounds for protest are (a) that applicant's witness testified at protestants hearing that there is no need for charter service to Catalina Island, and (b) that applicant has deliberately changed the location of its dock in Balboa in order to compete with protestants' present or proposed boat service.

Protestants Island Boat Service and Catalina Island Company take the position that as Catalina Island is a private island (except for the City of Avalon), all landings on the island are at private wharfs, requiring the payment of an additional fee. That some coves and landing sites are leased to camps and/or clubs and are not available for public landings, and that at one or two places where public landings are allowed a landing fee is required.

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(1) Protestant Newport Bay Investment Co. now operates a sight-seeing service (Decision No. 58308) and charter service generally in the Newport Bay area. It has requested an extension of its operating authority (Application No. 41842, filed January 8, 1960) to include Upper Newport Bay and Laguna Beach and to render a charter service to Santa Catalina Island. It also has on file Application No. 42380, filed June 17, 1960, requesting authority to operate a regular boat service between Newport Beach and Avalon on Santa Catalina Island.

A public hearing was held in Newport Beach on June 17, 1960, before Examiner Mark V. Chiesa. Oral and documentary evidence having been adduced, the matter was submitted for decision.

The evidence of record shows and we find that applicant has been rendering a regularly scheduled service between Balboa and Avalon and has also been transporting charter parties to other points on the island; that some public need does exist for charter "on-call" service to coves and landing where camps and/or club grounds are located, and that there is no objection to the landings provided arrangements are first made with the organizations leasing the camps and/or the owners of the island. At landings such as the Isthmus and Two Harbors landings may be made by prior arrangements with the owners of the island and the payment of the required landing fee. There is no evidence of discrimination by the protestant Catalina Island Company as to the use of various facilities, provided its regulations are complied with. The Commission finds that the proposed extension of service is in the public interest and that there is enough public need to justify the granting of the application and to provide applicant and the public with a better over-all service.

Applicant's Fares.

The present one-way adult cash passenger fare is \$2.74 plus Federal Transportation Tax of 10 percent, or \$.27, and Avalon Franchise Tax of 25 cents per person, resulting in a total one-way cost of \$3.26. The fare for children is one-half the adult fare. There is also a round-trip charter fare of \$4.55 per person for groups of 50 or more. Reduced fare commutation ticket books, sold

at the rate of 10 for \$12.50, or \$1.25 per ride, appear in applicant's tariff, but no record has been found of their use.

Applicant and the Commission's staff presented estimated results of operation under present and proposed fares as follows:

	Book Record adjusted(1) 12 mos. end- ing 12-31-59	Applicant(2)		P.U.C.(3)	
		Present Fares	Proposed Fares	Present Fares	Proposed Fares
Revenue	\$59,464	\$51,164	\$53,285 <sup>(4)</sup>	\$63,130	\$72,860
Expense	<u>65,469</u>	<u>48,954</u>	<u>49,015</u>	<u>64,100</u>	<u>65,380</u>
Net Before In- come Taxes	<u>(6,005)</u>	2,210	4,270	<u>(970)</u>	7,480
Income Taxes	<u>25</u>	<u>767</u>	<u>1,482</u>	<u>100</u>	<u>2,530</u>
Net Income	<u>(6,030)</u>	1,443	2,788	<u>(1,070)</u>	4,950
Operating Ratio	110.1%	97.1%	94.7%	101.7%	93.2%
Rate Base(5)	38,770	.		49,460	49,460
Rate of Return	-			-	10.0%

(Red Figure)

- (1) Adjusted to include remuneration for owner's services.
- (2) Year ending December 31, 1960.
- (3) Year ending June 30, 1961.
- (4) Projected from average annual increase 1954-1958 and estimated loss of traffic to reestablished Catalina Steamship operation.
- (5) Adjusted by staff to include estimated full original construction cost of M. V. Island Lady.

The staff based its estimated revenue on the trend of passenger traffic for the past four years, limited to the carrying capacity of applicant's vessel. There has been a decided upward trend which, in the staff's opinion, will continue. Distribution of fares was based on company records. Diminution in traffic due to increased fares is placed at one-fourth of the percent increase in accordance with past experience. Applicant, on the other hand, arrived at its estimated revenue by projecting the average annual

increase for the years 1954 through 1958 and deducting an estimated 25 percent loss due to the resumption of the Catalina Steamship service out of Los Angeles harbor.

The staff's operating expense estimates were based on company experience with adjustments made to reflect existing conditions and current cost levels. The maintenance account was adjusted to provide remuneration for owner's time devoted to this work. Wages were estimated according to present operating personnel requirements. Due to the installation of a diesel engine, with the resulting economy, the fuel account was estimated lower than the recorded figure for gasoline operation. Operating taxes were based on rates and charges currently in effect. The variance shown is due mainly to the difference in salaries actually paid owners for services and the value of said services as determined by the Commission staff. Also the staff has included the time the owners worked in building and repairing boats and other equipment.

The staff estimated investment, depreciation, and rate base reflect the original cost of plant and equipment to applicant. The service lives were based on the experience of similar equipment under like service conditions. The net cost of converting from gasoline to diesel power was included in rate base. The investment for the M. V. Island Lady was adjusted to reflect the full estimated original cost. The vessel was built by the owners and the recorded amount does not include any allowance for their labor. The variance in the rate base which applicant's unadjusted figures show as \$9,114 is due principally to an allocation by the staff to reflect the estimated original cost of the M. V. Island Lady and the estimated life of said vessel. The staff's figures represent

original cost plus additions, betterments and retirements including labor with an estimated life of 20 years, while applicant used the cost of materials only and a rate of depreciation expense conformed to income taxes rather than the longer life used by the Commission's staff.

The Commission finds that the fares hereinafter authorized are justified and reasonable. The application will be granted.

O R D E R

A public hearing having been held, the Commission being fully advised in the premises and having found that public convenience and necessity require the vessel passenger service as hereinbelow set forth, and that the fares hereinbelow are justified and reasonable,

IT IS ORDERED:

1. That Island Transportation Company, a corporation, be, and it hereby is, authorized to establish and operate an "on-call" charter service as a common carrier for the transportation by vessel of persons and hand baggage between the City of Newport Beach and points and places on Santa Catalina Island.

2. That Island Transportation Company be, and it hereby is, authorized to increase passenger fares between the City of Newport Beach and Santa Catalina Island to \$3.41 for a one-way adult fare and \$1.71 for a one-way fare for a child twelve years of age or under, said fares being exclusive of Federal transportation tax, Franchise tax, and/or wharfage fee.

3. That Island Transportation Company be, and it hereby is, authorized to discontinue its reduced fare commutation book.

4. That Island Transportation Company shall, within thirty days after the effective date hereof, and on not less than five days' notice to the Commission and to the public, amend its tariffs to reflect the authority herein granted and file a written acceptance of the certificate herein granted.

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

Dated at San Francisco, California, this 6th day of September, 1960.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners

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