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ORIGINAL

Decision No. 62159

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the COGGESHALL LAUNCH COMPANY for authority to increase rates and to change certain other items or rules in its passenger, freight and towing tariffs.

Application No. 43094

Kenneth D. Sevier, for applicant.

Clyde T. Neary, for the Commission staff.

O P I N I O N

Coggeshall Launch Company operates as a common carrier by vessels for the transportation of passengers and property between points on Humboldt Bay. By this application, as amended, authority is sought to increase certain of its passenger fares and freight rates and to make various other changes in its tariffs.

Public hearing of the application was held before Examiner Carter R. Bishop at Eureka on April 21, 1961.

Applicant operates regularly scheduled passenger launches from Eureka to Samoa and Fairhaven, the sites of Georgia Pacific Lumber Company mill and U. S. Plywood mill, respectively. Approximately 80 percent of the scheduled passenger service, the record shows, is devoted to commutation runs to Samoa and Fairhaven, principally for mill employees. Applicant also stands by to operate "special" charter boats to transport stevedore gangs to points on the bay, as well as to carry ships' crews between the mainland and ships. U. S. Mail and small freight packages are handled on the passenger boats.

Major freight operations in the past were comprised of the barging of lumber and the towing of logs between Samoa and Eureka. With the closing of Georgia-Pacific Corporation's Plant No. 2 on November 30, 1960, however, applicant lost all of its lumber traffic and a substantial part of its log towing business. These developments have resulted in loss to applicant of gross annual revenues of approximately $32,000. Additionally, the carrier has lost most of its pilot service revenues, amounting to $2,800 per year, due to circumstances over which it had no control. The above-mentioned revenue losses prompted the filing of the present application.

The principal adjustments proposed in passenger fares are as follows:

1. Increase the present adult fares between Eureka and Samoa-Fairhaven from 15 cents (one-way) and 30 cents (round-trip) to 20 cents and 40 cents, respectively. Increase the present children's fares from five cents (one-way) and 10 cents (round-trip) to 10 cents and 20 cents, respectively. Increase the present 20-ride commutation ticket from $2.75 (13-3/4 cents per ride) to $3.50 (17½ cents per ride). Cancel the present 50-ride commutation ticket, which sells for $5.50 (11 cents per ride).

2. Increase the special boat fare between Eureka and Samoa from $3.00 plus 20 cents per passenger to $4.00 plus 20 cents per passenger.

3. Increase the special night crew boat fare from $4.50 plus commutation ticket to $6.00 plus commutation ticket.

Applicant's freight traffic, apart from that which is towed, now consists principally of small package deliveries from Eureka to Samoa; hence, the most important proposed adjustment in its freight rates is an increase in minimum weight and charge from 10 pounds for 10 cents to 20 pounds for 20 cents. In addition to other minor freight rate increases applicant proposes to cancel certain obsolete tariff provisions which have not been utilized for many years past.

As justification for the proposed cancellation of the 50-ride commutation fare, applicant's president stated that other passenger carriers, such as Western Greyhound, have only the 20-ride commutation fare. He believed that said fare basis would be reasonable for applicant's patrons.

Results of applicant's operations for the 12-month period ended December 31, 1960, as reflected by its books, are summarized in Table I, below.

TABLE I

Results of Operations for Year 1960

Revenues	
Passenger, Mail, L.C.L. Freight	$ 45,704
C.L. Freight, Towing and Miscellaneous	61,170
Total	$106,874
Expenses	
Passenger, Mail, L.C.L. Freight	$ 39,472
C.L. Freight, Towing and Miscellaneous	52,662
Total	$ 92,134
Net Before Income Taxes	$ 14,740
Income Taxes	4,990
Net After Income Taxes	$ 9,750
Rate Base	$ 81,500
Rate of Return	11.9%
Operating Ratio	91%

Applicant's president and an associate transportation engineer from the Commission's staff testified regarding studies which they had made independently of the carrier's operations. These studies included estimated results of operations for the future, both under present and proposed rates and fares. Both estimates covered 12-month periods, ending with December 31, 1961 and March 31, 1962, for applicant and the staff, respectively. The estimated results are summarized in Table II below.

TABLE II

Estimated Results of Operations Under Present and Proposed Rates and Fares For Rate Years Ending December 31, 1961 (Applicant) and March 31, 1962 (Staff)

	Present Basis		Proposed Basis	
Operating Revenues	Applicant	Staff	Applicant	Staff
Passenger	$43,317	$43,200	$60,149	$60,100
Freight	1,187	1,200	2,372	2,400
Mail	1,200	1,200	1,200	1,200
Towing	14,993	15,000	18,750	18,800
Miscellaneous	8,175	8,400	8,778	8,400
Total	$68,872	$69,000	$91,249	$90,900
Operating Expenses				
Passenger, Mail, and Freight	$51,437	$47,400	$51,437	$47,600
Towing and Miscellaneous	33,179	40,700	33,179	40,700
Total	$84,616	$88,100	$84,616	$88,300
Net Before Taxes	$(15,744)	$(19,100)	$ 6,633	$ 2,600
Income Taxes	-	$ 100	$ 2,245	$ 880
Net After Taxes	$(15,744)	$(19,200)	$ 4,388	$ 1,720
Rate Base	$92,391	$91,500	$92,391	$91,500
Rate of Return	-	-	4.7%#	1.9%
Operating Ratio	123%	128%	95%	98%

( ) - Indicates loss.

Recalculated to correct error in figures of record.

Revenue estimates of both applicant and staff took into account the above-mentioned loss of the lumber and towing traffic, as well as the anticipated increase in revenue, under the proposed rates and fares. In the development of revenue estimates under the proposed fares it was assumed that there would be no diminution of patronage. The reason for this assumption is that applicant's vessels provide the only passenger common carrier service between the points here in issue. The only alternative means of transportation is by private automobile, involving a circuitous drive from Eureka around Humboldt Bay to Samoa (16 miles) and to Fairhaven (18 miles). The distances via water to these latter points are 1½ and 2 miles, respectively. Under these circumstances the witnesses were of the opinion that there would be no loss of patronage if the fares are increased as proposed. It will be seen from Table II that there are no material differences between the revenue estimates of applicant and those of the staff.

The operating expense estimates, the record shows, were based upon current costs, including known changes for the respective rate years. Depreciation expense has been calculated in all instances, both by applicant and staff, on the straight-line basis. The company's president testified that income taxes, as paid by the carrier, also reflect straight-line depreciation expense. According to the record, the methods and bases which applicant and the staff, respectively, utilized in the development of expense estimates did not materially differ. Table II shows, however, that the aggregate of operating expenses for the rate year, as developed by the staff, exceeds the corresponding estimate of applicant by about 4 percent. This difference may be accountable, in part, by the fact that the periods embraced by the two studies are not identical.

The staff engineer included in his study estimated operating results under three alternative passenger fare structures, which were submitted merely for the Commission's information. The alternates are as follows: (1) the same as proposed by applicant, except that the 20-ride commutation ticket would be offered at $3.00 (15 cents per ride); (2) the same as proposed by applicant, except that the 20-ride commutation ticket would be sold at the present rate of $2.75 (13-3/4 cents per ride); (3) present one-way and round-trip fares and the 20-ride commutation fare would continue in effect, while the 50-ride fare would not be cancelled but would be increased from the present basis of $5.50 (11 cents per ride) to $6.00 (12 cents per ride). The estimated over-all operating ratios, after income taxes, under the three alternate fare structures are as follows:

Alternate 1	103 percent
Alternate 2	107 "
Alternate 3	111 "

Patrons and others believed to be interested were informed of the filing of the application, and subsequently of the public hearing, by notices posted in the vessels and terminals of applicant and by direct service. Additionally, annoucement of the hearing was made in a newspaper of general circulation. No one appeared at the hearing in opposition to the sought rate and fare increases.

Conclusions

As hereinabove stated, applicant lost the bulk of its freight traffic in November 1960 by reason of the closing down of a large lumber mill in Eureka. Applicant does not expect a restoration of this traffic and the record discloses that there is no other source of traffic on Humboldt Bay to take the place of the business which applicant has lost. The effect of these circumstances on the financial results of operations is revealed by a comparison of Tables I and II above. Whereas operations in 1960 reflected an operating ratio of 91 percent and a rate of return of 11.9 percent, after provision for income taxes, estimates of both applicant and the staff for the respective rate years contemplate substantial losses under a continuation of present rates and fares. The greater part of these losses, the studies indicate, would be attributable to those remaining operations, such as towing, which are not conducted with applicant's passenger launches.

Operating results under the proposed rates and fares, as shown in Table II, would reflect over-all operating ratios, after taxes, of 95 percent and 98 percent as estimated by applicant and the staff, respectively. The corresponding estimates of rates of return would be 4.7 percent and 1.9 percent, respectively.

Because of the highly favorable results which the proposed increased passenger fares are estimated to produce for that segment of applicant's operations, the staff engineer developed the above-mentioned estimates of results under three alternate fare structures. Under all of these structures, however, over-all operations of the carrier would, according to the engineer's study, result in financial losses.

According to the record, applicant has taken all practicable steps to reduce its operating expenses since the loss of the lumber and towing traffic hereinabove mentioned. Additionally, it appears that any increases in freight rates and charges for miscellaneous services greater than those herein proposed would result in further losses of traffic. The service which applicant renders as a passenger carrier is, in view of the relative locations of Eureka, Samoa and Fairhaven, highly important to the users. It is essential, therefore, that the integrity of said service be safeguarded. It should be noted that if the towing and other operations were discontinued most of the portion of overhead expenses, which are now properly allocated to that service, would not be eliminated and would have to be absorbed by the remaining passenger operation. In view of the foregoing combination of circumstances, the propriety of the sought rate and fare relief must be judged in the light of the estimated operating results of the service as a whole. The operating ratios and rates of return anticipated under the proposed rates and fares, as developed both by applicant and the staff, and as set forth in Table II above, are within the zone of reasonableness.

Upon careful consideration of all the facts and circumstances of record, we hereby find that the sought rate and fare increases and other proposed tariff adjustments have been justified. The application, as amended, will be granted.

O R D E R

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

IT IS ORDERED that:

1. Coggeshall Launch Company is hereby authorized to establish the increases and changes in passenger fares, freight rates and tariff provisions proposed in the application, as amended, filed in this proceeding. The tariff publications authorized to be made as a result of this order may be filed not earlier than the effective date hereof, and may be made effective on not less than five days' notice to the Commission and to the public.

2. The authority herein granted shall expire unless exercised within one hundred twenty days after the effective date of this order.

3. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in

its vessels and terminals a printed explanation of its rates and fares. Such notice shall be posted not less than five days before the effective date of the tariff changes, and shall be posted for a period of not less than thirty days.

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

Dated at San Francisco, California, this 20th day of JUNE, 1961.

Everett C. McKeage
President

George G. Grover

Frederick B. Holoboff

Commissioners

Commissioners C. Lyn Fox, Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.