

ORIGINALDecision No. 66573

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of H-10 WATER TAXI
COMPANY LTD., a corporation,
for authority to increase minimum
fares.

Application No. 45468

Filed May 24, 1963.

Jeanne M. Seehorn, for H-10 Water Taxi
Company Ltd., applicant.
Tim Mazur, for Island Boat Service,
interested party.
Glenn E. Newton, for the Transportation
Division of the Commission's staff.

O P I N I O N

H-10 Water Taxi Company Ltd. operates as a common carrier by vessel within and about the Long Beach-Los Angeles Harbor areas and between said areas and points and places on Santa Catalina Island. By this application it seeks authority to effect increases in certain of its rates and charges on less than statutory notice.

Public hearing on the application was held before Examiner Abernathy at San Pedro on September 26, 1963. The matter was taken under submission upon the receipt of a late-filed exhibit on September 30, 1963.

In general, applicant's charges are computed on an hourly basis subject to specified minimums. For service within the Long Beach and Los Angeles areas a rate of \$15.00 per hour and a minimum charge of \$12.50 apply. For service to or from vessels arriving at or departing from said harbors the applicable rates and charges are \$17.50 per hour, minimum charge \$17.50, when a single-screw water

taxi is used, and \$20.00 per hour, minimum charge \$20.00, when a twin-screw water taxi is used. Charges for the transportation of property to or from Santa Catalina Island are the same as those for service to or from vessels arriving at or departing from the Long Beach and Los Angeles Harbors. Different charges apply, however, for the transportation of persons to or from Santa Catalina Island. The applicable charges for said transportation are as follows:

Groups of 40 persons or less:

| | |
|----------------------------|----------|
| One way fare, per group | \$100.00 |
| Round-trip fare, per group | 180.00 |

Groups of more than 40 persons:

| | |
|-----------------------------|------|
| One way fare, per person | 2.50 |
| Round-trip fare, per person | 4.50 |

Members of non-profit organizations,
in groups of 49 persons or less:

| | |
|--|---------|
| One way fare, per group (Minimum charge, 6 hours according to vessel used) | 100.00* |
|--|---------|

*Includes return transportation from Santa Catalina Island when return is made by any of applicant's water taxis returning to point of departure after completing trip to island for the organization involved.

By its proposals in this matter applicant seeks authority to establish a charge of \$20 as its minimum charge for service performed under the hourly rates and a charge of \$115 as its minimum charge for service between Santa Catalina Island and the mainland. Applicant alleges that increases in its charges have been made necessary by decreasing revenues resulting from decreases in

shipping activity in and about the Long Beach and Los Angeles Harbors and by increases in labor costs. The increases in labor costs have been both in the form of increases in wage rates and in increases in minimum number of hours per shift. According to evidence which applicant submitted through its secretary-treasurer, the wage rate which applicant must pay at present for labor is \$3.60 per hour, subject to a minimum of 4 hours per shift. The impact of the increases in labor costs has fallen particularly on those trips within the harbor areas which are of relatively short duration.

The witness reported that during the months of April, May and June, 1963, applicant operated a total of 197 trips; that the average duration of 104 of these trips was approximately 1 hour, and that the labor costs of a number of these trips were calculated at the minimum of 4 hours per shift. Average gross revenues, hours, and direct labor costs per trip were reported by the witness as follows:

Trips returning less than \$20 per trip:

Average revenue per trip ... \$14.84

Average time per trip 1 hour

Trips returning more than \$20 per trip:

Average revenue per trip ... \$47.65

Average time per trip 2.88 hours

Direct wage costs, all trips:

Total wage costs \$4,749

Average direct wage costs per trip \$24.11

Average direct wage costs per trip hour \$12.66

Applicant stated that its operations during 1962 resulted in a loss of \$12,126. It estimated that it would experience approximately the same amount of loss during 1963 under present charges. It further estimates that under the sought charges (had they been in effect throughout 1963) its loss for the year would be reduced by about \$6,400, and that its operating ratio for the year would be 105.9 percent.

An engineer of the Commission's staff also submitted estimates of applicant's operating results for a year, assuming (a) that present charges are maintained and (b) that the proposed charges had been in effect throughout the year. The engineer's estimates are as follows:

Estimated Results of Operation for
Year Ending with June, 1964

| | <u>Present Charges</u> | <u>Proposed Charges</u> |
|-----------------|----------------------------|-----------------------------|
| Revenues | \$146,650 | \$154,300 |
| Expenses | <u>155,130</u> | <u>155,130</u> |
| Net Revenues | \$ (8,480) | \$ (830) |
| Income Taxes | <u>100</u> | <u>100</u> |
| Net Income | \$ (8,580) | \$ (930) |
| Rate Base | \$ 89,590 | \$ 89,590 |
| Operating Ratio | 105.9% | 100.6% |
| Rate of Return | - | - |

() Indicates loss

Upon the basis of his analysis of applicant's operations and records, and in consideration of his conclusions that establishment of the sought increased charges would only enable applicant to meet its total operating costs, the engineer recommended that the sought increases in charges be authorized.

Notices of applicant's proposals in this matter and of the hearing thereon were posted in applicant's terminals and vessels. Also, notices of the hearing were sent to representatives of the Long Beach and Los Angeles Harbor Departments and to representatives of Los Angeles and Orange Counties. No one appeared at the hearing in opposition to granting of the application.

The determination to be made in this matter is whether the increases in charges which applicant seeks to make are justified. In this regard the showings of losses from applicant's total operations do little towards establishing that the minimum charges themselves are inadequate. First, the showings of total operating results of themselves do not disclose the profitableness or unprofitableness of any segment of applicant's operations. Second, it appears that applicant is engaged in certain operations which are unauthorized.¹ Any losses emanating from the unauthorized operations will not be considered as justification for increases in charges for the authorized operations. Third, it is noted that applicant extends reduced rates to nonprofit organizations. If applicant is experiencing losses as a consequence of

¹ The record indicates that as part of its total operations applicant provides service to and from vessels in Santa Monica Bay although it does not possess operative authority for said service. The record also indicates that applicant is engaged in the transportation of property within or about the Long Beach and Los Angeles harbor areas by vessels other than passenger-carrying vessels (water taxis). Applicant's operative authority with respect to the transportation of property generally is limited to that by passenger-carrying vessels of the type described in Application No. 35338 (Decision No. 50479). Applicant is hereby placed on notice that it should take steps forthwith either to bring its services within the scope of its operative authority or to seek appropriate enlargement of its authority.

rate reductions which it has voluntarily granted to nonprofit organizations, said losses should not be imposed on other of applicant's patrons through increased rates and charges.

Although the record with respect to applicant's operating losses from its total services does not provide basis for authorization of the increased charges which applicant seeks, the showing of direct labor costs and related financial data support the establishment of the proposed minimum charge of \$20. Expense data which applicant submitted as part of its presentation show that applicant's direct wage costs comprise about 45 percent of its total operating costs. As previously reported herein, applicant's figures pertaining to its wage costs show that its direct wage costs during the period April through June, 1963, averaged \$12.66 per trip hour. If this amount is accepted as representing about 45 percent of applicant's total costs per trip hour, the total costs may be calculated as amounting to approximately \$28 per trip hour. On this basis it appears that even under the proposed minimum charge of \$20 applicant would not be compensated in full for the costs of an average trip of an hour's duration.

The total cost figure of \$28 per trip hour must be necessarily viewed as an approximation. The application of more precise cost-development procedures undoubtedly would result in a different amount. Nevertheless, we are persuaded that this estimate is sufficiently accurate to justify the conclusion the proposed minimum charge of \$20 is reasonable from a cost standpoint. We find that the establishment of such a charge is justified. The charge will be authorized. Also, authority will be granted to establish the charge on five days' notice to the Commission and to the public.

No finding is made concerning the minimum charge of \$115 per trip which applicant seeks to establish for service between Santa Catalina Island and the Long Beach and Los Angeles Harbor areas. The evidence is insufficient to show that increases in applicant's present charges for this service are justified. The application in this respect will be denied.

O R D E R

IT IS ORDERED that:

1. H-10 Water Taxi Company Ltd. is authorized to amend its Passenger Tariff Cal. P.U.C. No. 8 and its Express Tariff Cal. P.U.C. No. 8 to establish a minimum charge of \$20 in connection with the hourly rates set forth in Sections 1-C and 1-D of said Passenger Tariff and in Sections 1-B and 1-C of said Express Tariff.
2. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public. ✓
3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order. ✓

4. Except as is otherwise provided herein, Application No. 45468 is denied.

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

Dated at San Francisco, California, this 7th day of JANUARY, 1964.

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

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.