

ORIGINALDecision No. 66794

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of M.G.R.S., Inc.)
 for authority to adjust rates)
 and service.)

Application No. 45455
 (Filed May 17, 1963)
 (Amended June 12, 1963)

James H. Lyons, for M.G.R.S., Inc.,
 applicant.

Henry E. Jordan, for the City of Long
 Beach, interested party.

R. W. Russell (by K. D. Walpert), for
 the City of Los Angeles, interested
 party.

Tim Mazur, for Island Boat Service,
 interested party.

Elmer Sjostrom, Timothy Canty and
 William Kendall, for the Trans-
 portation Division of the
 Commission's staff.

O P I N I O N

On July 1 and 2, 1963, and on July 15 and 16, 1963,
 public hearings on the above-numbered application were held
 before Examiner Abernathy at Avalon and Los Angeles, respectively.
 By said application M.G.R.S., Inc., a common carrier by vessel
 engaged in the transportation of persons and baggage between
 Wilmington and Avalon, Santa Catalina Island, seeks authority to
 increase its fares for its scheduled service by about 5 percent
 and to establish a charge of \$8,250 per round trip for its vessel
 when operated in non-scheduled ("charter") service. Applicant
 also seeks certain revisions in its operative authority. The mat-
 ter was taken under submission with the filing of briefs on
 September 19, 1963.¹

¹ The time for the filing of briefs was originally set for July 29,
 1963, but was subsequently extended.

Evidence in this matter was presented by various witnesses for applicant and by an engineer of the Commission's staff. In general, the presentations of these witnesses show applicant's recorded results of operations for the 1962 season and estimates of applicant's operating results for the 1964 season.² For the 1962 season applicant reported net earnings of \$30,088 and an operating ratio of 97.9 percent. The engineer reported earnings of \$45,244 and an operating ratio of 96.9 percent. The differences between the reported earnings for 1962 are due mainly to differences between applicant and the engineer in classification of certain operating expenses.

Applicant's estimates of future operating results cover the months of August and September, 1963, and May, June and July, 1964. Said estimates are summarized in the following table:

Table No. 1

Estimated Operating Results for Season's
Operations under Present and Proposed Fares

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
Revenues		
Passenger	\$1,234,048	\$1,292,600
"Charter"	22,500	24,750
Other	179,796	179,796
Total	<u>\$1,436,344</u>	<u>\$1,497,146</u>
Expenses		
Maintenance	\$ 63,000	\$ 63,000
Depreciation	11,222	11,222
Transportation	673,447	673,447
Terminal	94,194	94,194
Traffic	234,520	238,113
General	147,385	147,385
Insurance	39,000	39,000
Operating Rents	85,550	85,550
Operating Taxes	42,500	42,500
Miscellaneous	(2,500)	(2,500)
Total	<u>\$1,388,318</u>	<u>\$1,391,911</u>
Net Revenues	\$ 48,026	\$ 105,235
Income Taxes	<u>20,741</u>	<u>51,990</u>
Net Income	\$ 27,285	\$ 53,244
Operating Ratio	98.1%	96.4%

² Applicant's operations are conducted on a seasonal basis from about the first of May to about the end of September of each year.

Applicant asserts that its estimates clearly establish its need for increases in its fares and that they show, moreover, that it will not realize excessive earnings under the proposed fares. On the other hand, representatives of the Transportation Division of the Commission's staff who participated in the proceeding assert that applicant's estimates understate its earning position and that applicant's earnings for the 1964 season will be reasonable without any increases in fares. The following are the estimates of applicant's 1964 operating results under present and proposed fares which were submitted by the Commission engineer:

Table No. 2

Estimated Operating Results for 1964 Season
Under Present and Proposed Fares

	<u>Under</u> <u>Present Fares</u>	<u>Under</u> <u>Proposed Fares</u>
Revenues		
Passenger	\$1,253,560	\$1,315,460
"Charter"	22,500	24,750
Other	183,360	183,360
Total	<u>\$1,459,420</u>	<u>\$1,523,570</u>
Expenses		
Maintenance	\$ 57,100	\$ 57,100
Depreciation	4,910	4,910
Transportation	668,680	668,680
Terminal	92,330	92,330
Traffic	223,480	226,490
General	129,040	129,040
Insurance	38,940	38,940
Operating Rents	58,230	58,230
Operating Taxes	42,500	42,520
Total	<u>\$1,315,230</u>	<u>\$1,318,240</u>
Net Revenues	\$ 144,190	\$ 205,330
Income Taxes	73,290	106,690
Net Income	<u>\$ 70,900</u>	<u>\$ 98,640</u>
Operating Ratio	95.1%	93.5%

As may be noted from comparison of the figures in Tables Nos. 1 and 2 above, applicant's estimates of revenues under present and proposed fares are about \$25,000 less than those of the engineer whereas applicant's estimates of expenses are about \$75,000 greater. The principal differences between applicant's and the engineer's expense estimates are shown in further detail in the following table:

<u>Item of Expense</u>	<u>Expense Estimate</u>		<u>Difference</u>
	<u>Applicant</u>	<u>Engineer</u>	
Rent, S.S. CATALINA	\$ 27,767	\$ 9,520	\$18,247 ✓
Concessions' costs	60,015	49,630	10,385
Rent, Avalon pier	51,550	42,390	9,160
Repairs, floating equipment	59,000	51,350	7,650
Wages of crew	548,844	556,100	7,256
Depreciation	11,222	4,910	6,312
Salaries, traffic	19,650	14,240	5,410
Travel and entertainment	12,500	8,930	3,570
Dues, subscriptions, donations	7,845	3,640	4,205
Legal	12,000	8,000	4,000
Outside auditing	3,300	1,650	1,650

Discussion of the differences between the revenue estimates and the above expense estimates follows:

Revenues

Applicant's estimates of revenues were developed upon the assumption that its traffic is declining at the rate of about 2½ percent per year. Evidence was presented to show that this assumption conforms to applicant's actual experience during 1961 and 1962 and to earlier experience of Catalina Island Sightseeing Lines, which formerly operated the service that applicant is now providing.

On the other hand, the revenue estimates of the engineer assume that since 1962 the rate of decline of applicant's traffic has decreased to about 1 percent per year. Evidence which the engineer submitted in this regard shows that the rate of decrease

of applicant's traffic for the 1963 season to about the dates of the hearings in this matter has not been as great as that for the corresponding period of 1962. We are of the opinion that the revenue estimates of the engineer are reasonable and should be adopted as a basis for our findings and conclusions on this application.

Rent, S.S. CATALINA

The S.S. CATALINA is leased by applicant from the Catalina Island Sightseeing Lines pursuant to an agreement that was originally approved by the Commission in Decision No. 59710, dated February 23, 1960. Said decision states in part with respect to the rental for the steamer

"that the rental allowed in any future rate proceeding for the use of the steamer S.S. CATALINA shall be based on the original cost less depreciation."

Applicant's estimate of \$27,767 for steamer rental purportedly complies with this limitation. However, the amount which applicant actually urged be accepted is \$67,100, the rental that applicant is committed to pay by the terms of the lease. Applicant asserts that the rental of \$67,100 is reasonable in relation to the present value of the steamer. It states, furthermore, that it cannot continue to pay the rental of \$67,100 unless it can recover that amount through its fares.

Evidence to establish the propriety of the rental of \$67,100 was submitted by the vice-president and by the auditor of Catalina Island Sightseeing Lines who had been called as witnesses in applicant's behalf. Through the testimony of these witnesses applicant undertook to show that the present value of the

S.S. CATALINA is substantially more than the depreciated value shown on the books of Catalina Island Sightseeing Lines; that the depreciated book value is an unduly depressed figure, and that the rental of \$67,100 is justified not only by the steamer's actual value but by other considerations as well.

Specifically, the vice-president testified that more than a million dollars has been invested in the steamer in additions and betterments since the close of World War II; that the present value of the steamer is in excess of a million dollars, and that in the steamer's present condition a further service life of about 40 years is a reasonable expectation. The auditor testified that the steamer is carried on the books of Catalina Island Sightseeing Lines at a fully-depreciated value of \$15,000, based on original cost; that this amount is the result of the application of depreciation rates which are higher than those consistent with the service life of the steamer; that the resulting depreciation charges have not been fully earned, and that to date more than \$266,000 of the depreciation charges against the steamer have not been recovered through earnings.

The vice-president also stated in his testimony that the rental which Catalina Island Steamship Company receives for the S.S. CATALINA has a bearing on the maintenance of year-around common carrier service by vessel to and from Santa Catalina Island. He said that during the months when the S.S. CATALINA is not in operation, other common carrier service by vessel is provided by Island Boat Service, an affiliate of Catalina Island Sightseeing Lines; that the volume of travel during those months is not

sufficient that the service can be sustained by reasonable fares, and that as a consequence the service is operated at a loss. He said that part of the rental which Catalina Island Sightseeing Lines receives for the S.S. CATALINA is used to defray losses of Island Boat Service.

Applicant's request for approval of the amount of \$67,100 as a reasonable rental for the S.S. CATALINA is, in substance, a request for modification of the above-cited condition of the authority granted by Decision No. 59710 under which applicant's lease of the steamer was effected. This request will not be entertained in this proceeding. The authority under which applicant leased the steamer is not in issue. The condition which applicant seeks to have eliminated specifically precludes its consideration in this proceeding. It appears, moreover, that modification or elimination of the condition on the bases which applicant has advanced in this matter would require additional information relative to the valuation of the steamer and relative to what inter-relationships, if any, should be maintained between the fares and operations of applicant and the fares and operations of Island Boat Service. If applicant wishes to pursue its request further, an appropriate time to do so would be when its renewal of its lease of the steamer is next considered.³

The amount of \$27,767 which applicant seeks to have adopted in the alternative as the rental for the S.S. CATALINA will not be approved. This estimate exceeds that of the Commission engineer by about \$18,000, an amount that was represented

³ The present lease expired with December 31, 1963.

as expenditures which are made by the Catalina Island Sightseeing Lines for the maintenance of the steamer above those made by applicant for like purposes. However, the evidence does not clearly establish that said expenditures are properly chargeable to current operating expenses. Although said expenditures were designated as a repair expense by the auditor of Catalina Island Sightseeing Lines, the evidence also shows that over the years Catalina Island Sightseeing Lines has followed the practice of charging capital expenditures to expense. In the absence of more specific information regarding the nature of the work for which the \$18,000 is claimed, said amount will be considered herein as a capital outlay. Provision therefor will be made by adding \$1,440 to the \$9,520 rental estimate of the engineer. The total of \$10,960 is hereby adopted as the reasonable rental of the steamer for the purposes of this proceeding.

Concessions' Costs

The difference of \$10,385 between applicant's and the engineer's estimates of concessions' costs is due to the fact that applicant's estimate includes provision for such items of expense as administration, advertising, telephone, personal property taxes, stationery, printing and travel, whereas the engineer's estimate does not. These items of expense were considered and found reasonable in connection with increases in applicant's fares which were authorized in 1962 by Decision No. 64153 (60 Cal.P.U.C.148). Applicant's estimate in this instance is similar in amount to that previously approved. We find that it is reasonable. It will be adopted.

Rent, Avalon Pier

Applicant's estimate in this respect reflects the amount which it is committed to pay by its lease of the pier. The engineer's estimate was developed upon the depreciated cost of the facilities and upon the annual costs of maintenance, insurance and taxes.

The engineer's use of the depreciated costs of the properties as a basis for his estimate conforms to the method heretofore approved in connection with previous adjustments in applicant's fares. However, the evidence shows that in his allocations the engineer did not take into account all of the properties involved. Consequently, the rental that should be allowed should be somewhat higher than the amount of \$42,390 which the engineer estimated. The amount which we hereby adopt as a reasonable rental in this instance is \$45,000.

Repairs, Floating Equipment

The engineer's estimate of \$51,350 for this item of expense was based upon applicant's recorded experience for the 1962 season. The evidence indicates that applicant's repair costs for the 1962 season were less than those that normally apply. It appears, moreover, that the engineer did not take into account miscellaneous repair costs which are incurred during the summer operational period.

On the other hand, it appears that applicant's estimate of \$59,000 reflects the normal repair costs of the vessel that applicant assumes under the terms of its lease of the S.S. CATALINA. Applicant's estimate is hereby adopted as reasonable.

Wages of Crew

The difference of \$7,256 between applicant's and the engineer's estimate of crew wages apparently arises out of the fact that the engineer's estimate was developed for the full 1964 season, whereas applicant's estimate partly reflects operations for the 1963 season. Since the fares which are sought herein are intended to be applied throughout the 1964 season, the need therefor should be considered in terms of that season's operations. We conclude that the engineer's estimate is the more representative. It is hereby adopted as reasonable.

Depreciation

Applicant's estimate of \$11,222 is based in part upon the fact that applicant recently has purchased from Catalina Island Sightseeing Lines various items of office equipment which it formerly rented from said company. The estimate of \$4,910 of the Commission engineer apparently did not take into account the depreciation of the acquired equipment. However, the engineer intended to include in his expense estimates an allowance of \$1,000 for the rental, but he did not do so.

We are not persuaded that the full amount of applicant's estimate is correct, inasmuch as it appears that said estimates were developed in part upon depreciation rates greater than those that are allowed for fare purposes. It appears, moreover, that the

use of applicant's depreciation schedules may have the effect of partly re-depreciating properties that were depreciated while owned by Catalina Island Sightseeing Lines. In the absence of more complete information relative to applicant's depreciation rates, we are of the opinion that the transfer of ownership of the properties involved should not have the effect of increasing applicant's depreciation expense by more than the \$1,000 rental that formerly applied.

The amount that will be adopted herein will be the engineer's estimate of \$4,910 plus \$1,000. We find said amount to be reasonable.

Salaries, Traffic

Applicant's estimate of \$19,650 includes provision for the employment of additional clerical help for the 1964 season, whereas the engineer's estimate of \$14,240 does not. Applicant's evidence shows that such additional help is being or will be employed. We conclude that the provision for said help is reasonable. Applicant's estimate will be adopted.

Travel and Entertainment

The difference of \$3,570 between applicant's estimate of \$12,500 and the engineer's estimate of \$8,930 for travel and entertainment expense is due principally to differences in judgment. Applicant's expenditures for travel and entertainment during 1962 were approximately \$8,900. On this basis the engineer estimated that a like amount for 1964 would be reasonable. On the other hand applicant's president testified in substance that extensive promotional work is necessary to attract travel to and from Santa

Catalina Island, and that such promotional work is made particularly necessary by the competition of other recreational centers. He said, moreover, that considerable travel and entertainment is otherwise required in attending meetings, and in dealing with labor problems and similar matters. For these reasons he asserted that the amount of \$12,500 is a reasonable estimate for necessary travel and entertainment expenditures during 1964.

Applicant's estimate will be adopted as reasonable. The services which applicant provides are mainly recreational in character. Applicant must engage in extensive promotional work in order to maintain its traffic. ✓

Dues, Subscriptions, Donations

Applicant's estimate of \$7,845 for dues, subscriptions and donations is intended to provide for such outlays as dues to various chambers of commerce and convention bureaus, subscriptions to trade journals and magazines, donations for charitable purposes, and contributions toward the maintenance of a Mariachi orchestra in Avalon during the summer season, toward the maintenance of the golf course at Avalon, and for fireworks for the Fourth of July festivities at Avalon. The engineer's estimate of \$3,640 would allow only about half of applicant's expected outlays to be treated as an operating expense. The engineer's estimate was developed in conformity with the Commission's policy, heretofore expressed in Decision No. 60583, regarding dues and donations that may be ✓

charged to operating expense.⁴

Applicant argued through its president that the full amount of its estimate should be considered to be a reasonable charge to operations in that all of the outlays involved are made for the purpose of furthering its business. We are not convinced, however, that the previously expressed policy should not generally apply to applicant's estimates. Nevertheless, we are persuaded that exceptions should be made with respect to the estimated outlays toward the maintenance of the Mariachi orchestra and the Avalon golf course and for fireworks on the Fourth of July. These exceptions are justified by the benefits in the form of entertainment that accrue to applicant's patrons from the activities involved. In this respect we find that such outlays are made necessary by the recreational character of applicant's operations. The amount that will be adopted herein as a reasonable charge to operating expense for dues, subscriptions and donations is \$5,000.

Legal Expense

Applicant's estimate of \$12,000 was developed on the basis of expenditures specifically anticipated for legal purposes. The engineer's estimate was derived mainly as a matter of judgment. Supporting details were submitted by applicant to establish the validity of its figure. We find that applicant's estimate is reasonable. It will be adopted.

⁴ Decision No. 60583, dated August 16, 1960, In re fares San Diego & Coronado Ferry Company (57 Cal. P.U.C. 787), provides that one half of designated dues and contributions may be considered, for rate purposes, as operating expenses.

Outside Auditing Expense

Applicant's estimate of \$3,300 covers auditing costs incurred not only for its operations but for an affiliated company as well. The engineer's estimate of \$1,650 is a result of an equal proration of the auditing costs between the two companies. We adopt the engineer's estimate as reasonable.

Another item of expense, in addition to those discussed above, which requires consideration is the expense which is incurred in the operation of a yacht, the ARCTURUS.

Applicant asserts that the ARCTURUS is used extensively in the generation of travel aboard the SS CATALINA through the promotion of tours for groups and through the promotion of advertising. For this reason applicant claims that the costs of operating the ARCTURUS (\$6,750, crew wages; \$10,000, charter costs) constitute a legitimate charge against the operation of the SS CATALINA. It submitted considerable evidence through testimony of its president that in numerous instances sales of group tours through tour managers are made aboard the ARCTURUS. By way of example of advertising benefits stemming from the ARCTURUS, applicant's president referred to an article in the September, 1962, issue of Sunset Magazine featuring Santa Catalina Island. He said that much of the material for this article had been developed aboard the ARCTURUS, and that the article itself had produced much additional traffic for applicant. He also submitted numerous other examples of advertising which he said had been generated by the ARCTURUS.

In 1962, when the question of increases in applicant's fares was previously considered by the Commission, applicant urged

at that time that the costs of the ARCTURUS be allowed as part of its operating expenses. This request, however, was denied (Decision No. 64153). Regarding applicant's present request, we reaffirm our view previously expressed in Decision No. 64153 that the costs of operating the ARCTURUS are not a legitimate charge as such against applicant's operations. Nevertheless, the evidence in this present proceeding is convincing that applicant realizes substantial sales promotion and advertising benefits from the use of the ARCTURUS, and that a reasonable charge for said benefits would be a proper charge against applicant's sales and advertising (traffic) expense. We find an amount of \$8,500 to be reasonable for this purpose. Such amount will be allowed.

Except as has been otherwise indicated, applicant's estimates of its expenses for the coming season do not differ materially from those of the Commission engineer. Restatement of applicant's estimates to give effect to our conclusions above results in the following figures:

Table No. 3Adjusted Estimated Operating Results for 1964 Season
Under Present and Proposed Fares

	<u>Under Present Fares</u>	<u>Under Proposed Fares</u>
Revenues		
Passenger	\$1,253,560	\$1,315,460
"Charter"	22,500	24,750
Other	183,360	183,360
Total	<u>\$1,459,420</u>	<u>\$1,523,570</u>
Expenses		
Maintenance	\$ 63,000	\$ 63,000
Depreciation	5,910	5,910
Transportation	680,703	680,703
Terminal	94,194	94,194
Traffic	243,020	246,613 ✓
General	142,890	142,890
Insurance	39,000	39,000
Operating Rents	62,193	62,193
Operating Taxes	42,500	42,500
Miscellaneous	(2,500)	(2,500)
Total	<u>\$1,370,910</u>	<u>\$1,374,503</u> ✓
Net Revenues	\$ 88,510	\$ 149,067 ✓
Income Taxes	<u>\$ 42,862</u>	<u>\$ 75,950</u> ✓
Net Income	\$ 45,648	\$ 73,117 ✓
Operating Ratio	96.9%	95.2% ✓

The foregoing estimates are hereby adopted as reasonable estimates of applicant's operating results for the 1964 season under present and proposed fares. Based upon said estimates and upon the evidence in this proceeding, we hereby find that applicant's earnings will be insufficient under present fares, and that its earnings under the proposed fares will be reasonable. We further find that the fare increases which would result from establishment of the proposed fares have been shown to be justified. Said fare increases will be authorized.

The "charter" revenues of \$24,750 which are shown in the above Table No. 3 represent revenues which applicant expects to realize during the 1964 season from three round trips of the SS CATALINA between Wilmington and Avalon in "charter" service under a charge of \$8,250 per round trip. The service which is embraced by the term "charter", as used by applicant, is that which is provided when the SS CATALINA is engaged for the sole use of, or on behalf of, the hiring party. Under the terms which applicant proposes to apply the charge of \$8,250 per round trip, the transportation under said charge would have to be completed within a 24-hour period.

Applicant has been heretofore directed by Decision No. 64153 to publish its charges for its "charter" service. The publication in applicant's tariff of the charge of \$8,250 per round trip would comply with this directive. According to applicant's president the amount of \$8,250 is based on the present costs of the services that would be provided thereunder. Said amount will be authorized.

The changes which applicant seeks in its operating authority would result in both an enlargement and a clarification of applicant's present authority. Applicant's operations are conducted under a certificate of public convenience and necessity granted by Decision No. 59710. Said certificate authorizes applicant to operate as a common carrier for the transportation "of persons and their hand baggage and for the transportation of freight by the S.S. CATALINA between Wilmington ... and Avalon." The second

numbered ordering paragraph of said decision includes the following condition:

" ... the passenger service herein authorized shall be conducted on a daily scheduled basis from May 1st to and including Labor Day of each year."

Applicant seeks enlargement of its certificate to permit the return of passengers to the mainland by some other means than the SS CATALINA. Its request in this respect is, in effect, a request for ratification of its present practices, inasmuch as applicant has been utilizing other vehicles than the SS CATALINA for the return of passengers in the circumstances hereinbefore described in connection with the amount for which it seeks approval for charter expense.⁵ Regarding the condition specifying that operations shall be conducted on a daily scheduled basis between May 1 and Labor Day of each year, applicant asks that said condition be deleted from its certificate. It asserts that the condition is ambiguous; that it prescribes a term of service that applicant cannot meet for the reason that applicant cannot secure labor contracts for the operation of the SS CATALINA that would be limited to the period between May 1 and Labor Day of each year; that there is a public need for service subsequent to Labor Day, and that there is a need for "charter" (non-scheduled) service in addition to the service which applicant provides on a scheduled basis. In addition applicant asserts that its operations should be sufficiently flexible that it can adjust its services to changes in its season

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Applicant also requested authority to transport persons to Avalon by other means than the SS CATALINA. However, it subsequently withdrew this request.

caused by variations in school vacation periods, variations in the time of Easter and other holidays, and in the scheduling of the conventions. Applicant asks that either the period from May 1 to Labor Day be designated as the minimum period for the operation of scheduled service, or that the specified period for the operation of scheduled service be extended. It also asks that specific provision for the operation of "charter" service be made also. Evidence to show that there is a public need for the sought changes in applicant's operating authority was submitted through applicant's president.

The authority which applicant seeks to utilize the vessels or vehicles of other carriers for the return of persons from Avalon will be granted. Applicant's services are sold on the basis that the transportation to and from Santa Catalina Island will be provided by the SS CATALINA. It does not appear that the alternative services which applicant proposes so correspond to that via the SS CATALINA as to provide readily acceptable substitutes for the service that applicant contracts to provide. Therefore, applicant should undertake to discharge its obligations through improvement of its reservation procedures. However, situations will arise from time to time which require the use of other means of transportation and applicant's authority will be so modified. Applicant will also be required to amend its tariff to provide that those passengers with validated tickets will be transported on the designated date via the SS CATALINA or other vessels or vehicles except under conditions which prevent the operation of the SS CATALINA.

Applicant's request for extension of the period of its operating authority should be granted. The record is clear that normal demands for applicant's service extend well into September.

It appears that in order to meet such demands applicant's daily scheduled service should be extended through the month of September of each year. Furthermore, in order to be able to meet public demands for services that may accrue before Memorial Day or that continue after September, applicant asks that it be permitted to initiate operations as early as April 15 or to continue them to as late as October 15 upon ten days' advance notice to the Commission and to the public. The granting of this request is also justified on this record. Also, applicant's request for authority to operate "charter" (non-scheduled) service should be granted, inasmuch as applicant's experience shows there is a demand for such service by groups of persons or others who may wish to engage the SS CATALINA for their exclusive use on a per trip basis. Such service should be coordinated with applicant's regularly scheduled service so that the regular schedules will not be disrupted. Upon consideration of applicant's several requests in connection with its operating authority, and upon consideration of the evidence submitted in support thereof, we find that public convenience and necessity require changes in applicant's present operating authority to the extent provided in the following order.

O R D E R

IT IS ORDERED that:

1. M.G.R.S., Inc., is authorized:

a. To establish the following increased fares per person for transportation between Wilmington and Avalon:

	<u>One Way</u>	<u>Round Trip</u>
Per adult	\$3.75	\$7.50
Per child (5 years or older but less than 12 years old)	\$1.90	\$3.75
Per child (12 years old or older)	\$3.75	\$7.50

- b. To establish a charge of \$8,250 per round trip between Wilmington and Avalon for the use of the SS CATALINA in "charter" (non-scheduled) service (as hereinafter defined), said trip to be completed within 24 hours from the time that the SS CATALINA is made available to the chartering person or group.

2. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

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

4. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in the SS CATALINA and in its terminals a printed explanation of its fares. Such notice shall be posted for not less than the first thirty days of the 1964 operating season.

IT IS FURTHER ORDERED that subparagraph "a" of paragraph 2 of the Order in Decision No. 59710 is amended to read as follows:

- a. The service which may be provided under the certificate herein granted shall be conducted in accordance with the following:
 - (1) Scheduled Daily Service: Scheduled service shall be initiated not later than Memorial Day of each year and shall be conducted on a daily basis until not sooner than September 30 of each year. However, when in the opinion of the management of M.G.R.S., Inc., public convenience and necessity require the operation of daily scheduled service sooner than Memorial Day or later than September 30, or both, said service may be initiated not sooner than April 15 and/or continued to not later than October 15 of each year upon 10 days' advance notice to the Commission and to the public.

- (2) The service may be provided with equipment other than the SS CATALINA under those unusual conditions where the number of intending passengers with validated tickets for a particular day exceed the maximum capacity of the SS CATALINA.
- (3) "Charter" (non-scheduled) Service: M.G.R.S., Inc., may also operate "charter" (non-scheduled) service between Wilmington and Avalon during the period between the commencement and termination of daily scheduled service as set forth above. The operation of said "charter" service shall be so coordinated with the scheduled service as to avoid disruption of the scheduled service. The term "charter" (non-scheduled) service, as herein used, means service in which the SS CATALINA is engaged, for a specified charge, by a person or group of persons for the exclusive use of said person or group of persons in transportation between Wilmington and Avalon.

IT IS FURTHER ORDERED that M.G.R.S., Inc. shall amend Section 17(b) of its Local Passenger Tariff No. 1, Cal. P.U.C. No. 1, to read as follows:

When the number of passengers taken aboard the SS CATALINA at any time reaches the then applicable capacity authorized by the United States Coast Guard Bureau of Marine Inspection, the carrier reserves the right to refuse to honor tickets of additional passengers until the next sailing, except that all passengers holding tickets validated by M.G.R.S., Inc., or one of its agents, for the particular date shall be provided transportation on that date via the SS CATALINA or by other means. This exception shall not apply if conditions prevent the operation of the SS CATALINA and notice of suspension of service has been given.

IT IS FURTHER ORDERED that except as is otherwise provided herein, Application No. 45455, as amended, is denied.

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

Dated at San Francisco, California, this 11th day of February, 1964.

President

Robert H. Page

George L. Grover

Frederick B. Holhoff

Commissioners

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

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