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Decision No. 81309

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of: CATALINA FREIGHT LINE, a corporation, to increase rates for the transportation of freight between LOS ANGELES HARBOR and CATALINA ISLAND, CALIFORNIA, pursuant to Section 454 of the Public Utilities Code.	Application No. 53856 (Filed February 22, 1973)

INTERIM OPINION

Catalina Freight Line (a corporation) is a vessel common carrier engaged in the transportation of property by barge between the Port of Los Angeles and Santa Catalina Island (Avalon or the Isthmus). By this application it seeks authority to increase rates and charges contained in its current freight tariff. Applicant states that immediate rate relief is necessary because over the past 14 years it has been required to absorb substantial increases in labor, terminal, and other costs, and that it is now operating at a loss.

Applicant's current rates were established pursuant to Decision No. 57163 dated August 25, 1958. The only rate changes since that time have been for shipments of laundry and automobiles. Applicant estimates that the net effect of the request would be an overall increase of approximately 42 percent, assuming the volume of traffic handled in 1973 will be the same as that handled in 1972. Applicant proposes to cancel the current tariff in its entirety and to publish all proposed rates and charges in a new tariff.

Attached to the application are the following exhibits:

Exhibit A - Copy of applicant's current tariff, Local Freight Tariff No. 3, Cal PUC No. 1 (series of Catalina Sightseeing Lines).

Exhibit B - Copy of applicant's proposed tariff, Local Freight Tariff No. 4.

Exhibit C - Balance sheet for year 1972, profit and loss statement for year 1972, and projected profit and loss statement for year 1973.

Exhibit D - Statement showing projected increases by rate categories, using months of January and July, 1972 as test months.

Exhibit E - Number of employees and hours worked during 1972.

Applicant's present and proposed all-freight rates are summarized below:

Weight In Pounds		Present	Proposed
Over	But Not Over	Minimum Charges In Cents	
0	25	75	300
25	50	100	300
50	75	125	300
75	*	160	300
		Rates In Cents Per 100 Pounds	
Any Quantity *		160	250
5,000		160	200
20,000		80	100
30,000		68	80

*The minimum charge is the amount determined at the rate in cents per 100 pounds applicable to the quantity shipped, but not less than 160 cents (present); 300 cents (proposed).

In addition to the proposed increases in all-freight rates, applicant seeks to add a charge of $3.00 to shipments where charges are advanced to carriers bringing shipments to it. A single C.O.D. charge of $2.50 would replace a series of C.O.D. charges ranging from 50 cents per collection of $10 to $4.50 per $1,000. The charge on automobiles would be increased from $3.20 per 100 pounds to $5.00 per 100 pounds (with no charge from Catalina). The rate and minimum charge for empty containers would be increased. The rate on laundry is proposed to be cancelled for the reason there are now laundries in Avalon and shipments are almost nonexistent.

Applicant states that some freight rates by truck in the metropolitan Los Angeles area have increased as much as 300 percent since 1958 and that charges by transportation companies within Avalon (an area of one square mile) are substantially more than those charged by applicant.

The asserted major increases in costs of operations since 1958 are set forth below:

1. The wage rates for drivers, helpers, and maintenance men has increased from $2.36 per hour to $5.15 per hour (118 percent). Other wages have been similarly increased, along with payroll taxes.

2. As late as 1963 rent for the Catalina terminal was $6,448. This has risen to $25,000 and will rise to approximately $32,000 in 1973, an increase of almost 500 percent.

3. In 1958 the rates at the terminal lot in Wilmington (Port of Los Angeles) with building was $600 per year. Now the outside lot without a building is $7,000 plus a possessory interest tax in excess wharfage of $3,800 a year, an increase of approximately 1800 percent.

Applicant contends that it performs a vital service to Catalina in that it transports all of the necessities utilized on the island, except for some relatively small items which are carried by amphibious planes. The carrier alleges that during the past 14 years it has operated under its tariff it has endeavored to keep costs from exceeding revenue. This was accomplished principally by acquiring the use of a new barge designed and built especially for the Catalina service. Subsequently a new tug was constructed for the special purpose of handling the barge more efficiently. The facilities in Los Angeles Harbor and Catalina Island were constructed especially to accommodate most efficiently the rolling of semi-trailers on and off the barge. Applicant states that concurrently with holding costs down it has improved service. Shipments arriving on "freight days" are transported during the night to Catalina where the freight and shipping documents are made ready for distribution at the beginning of the next day. Labor has been capable and efficient. There have been no interruptions of service by strikes or breakdowns.

Exhibit C to the application shows a deficit as of December 31, 1972 of $9,073.69 and a net worth of $15,926.31. The profit and loss data for 1972 and 1973 (projected) from Exhibit C are summarized below:

	Year 1972	Projected 1973
Total Revenue	$242,044.40	$341,806.00
Total Expense	263,737.11	323,773.00
Net profit or loss	$(21,692.71)	$ 18,033.00
Operating ratio	108.96%	94.7%*

*Before income taxes

The projected increased wage costs cover increased salaries to be incurred by applicant. The terminal wages include the cost of one additional full time employee and the extension of another employee from half time basis to full time basis. Applicant asserts that this increased time is essential because it is now in the position of being required to maintain a watchman on the premises at Wilmington to protect the freight. One clerical employee now spends three days per month clearing accounts for advance charges. He is assisted by others. In other respects applicant continues its past practice of using seasonal help wherever feasible.

Applicant alleges that it was aware that it would be required to seek increases in rates as early as December 31, 1970, at which time it showed a profit of only $492. Also at that time the carrier received notice of eviction from its premises in the Port of Los Angeles to make way for a new steamship terminal. After a year and a half of negotiations with the Los Angeles Harbor Department a new location was established in Wilmington in November, 1972. While the new location was more expensive to acquire and is more costly to operate, it does offer some improvement in service. The new location has 25,000 sq. ft. under cover and more area in which to expand. It is also more centrally located and more easily accessible to shippers. The rent in Los Angeles Harbor was increased 100 percent. At the same time a six percent surcharge on all additional gross income was established for facilities on Catalina Island. The changed location at Los Angeles Harbor increased towing time one hour per trip with resulting increase in cost. Applicant states that it postponed seeking relief because it thought it must wait until the new location was acquired and resulting costs could be determined.

The year 1972 represents the highest revenue ever achieved by applicant. To the extent that volume of traffic is less in 1973, revenues projected in Exhibit D to the application would be correspondingly less than shown. Applicant explains that in any event it cannot achieve the profit projected for the year 1973 for the reason that, even though the Commission were to authorize immediate relief, two months have gone by without the increase. The projected revenue increase for 1973, based on January and July 1972, combined (from Exhibit D), is summarized as follows:

Present	$38,856.50
Proposed	55,483.37
Increase	$16,626.87
Full year 1973 projected ($16,626.87 x 6)	$99,761.22

Applicant points out that in conjunction with its 1958 increase proposal it estimated 1959 operations to produce gross freight revenue of $265,316. The staff estimated $278,520 at that time. Applicant states that up to the present time it has yet to achieve either level of gross revenue.

The carrier asserts that its proposed tariff reflects efforts to continue the program of maintaining a simple tariff as has been done in the past. It is contended that the proposed tariff has been designed so that the rates would apply where the greatest labor costs are incurred. Applicant states that it has attempted to develop a rate structure which will not impede the growth of the island's economy, which depends upon its services.

Applicant alleges that to its knowledge it has never paid a dividend during its existence. Profits and losses for years 1966 through 1972 are listed below:

1972	-	($21,693)
1971	-	($10,982)
1970	-	$ 492
1969	-	$ 5,036
1968	-	$ 2,116
1967	-	$12,751
1966	-	($ 1,047)
Composite 1966 - 1972		($13,327)

( ) = loss

Notice of the filing of the application appeared on the Commission's Daily Calendar. No objection to the sought rate increases has been received. The Finance and Accounts Division of the staff is preparing a study of applicant's operations which may indicate that modification of applicant's request is needed. However, because of applicant's obvious financial distress, we will authorize an increase in rates on an interim basis, subject to refund.

Based upon the application the Commission finds:

1. Present rates and charges which applicant maintains in its Local Freight Tariff No. 3 do not provide revenues sufficient to enable applicant to cover the expenses of performing the common carrier vessel operations here involved.

2. Applicant is in need of additional revenue to offset the increases in operating costs it has experienced since the all-freight rates here in issue were last adjusted in 1958.

3. The estimates of operating results of applicants under the proposed rates and increased expenses, set forth in Appendix C of the application, as summarized in the preceding opinion, should be adopted on an interim basis.

4. Applicant should be authorized to establish on an interim basis, the increased rates and charges and other provisions contained in Exhibit B to the application (proposed Local Freight Tariff No. 4), and to cancel concurrently its Local Freight Tariff No. 3.

5. The interim increase authorized herein is consistent with Rule 23.1 of this Commission's Rules of Procedure:

a. The proposed rate increases are cost justified. The increased revenue sought in this proceeding is to offset increases in costs, principally wages and terminal expenses, occurring since rates were last adjusted in 1958.

b. The increased wages and other costs sought to be recovered in this phase of the proceeding are those currently being experienced by the applicant.

c. The proposed rate increases are the minimum required to assure continued adequate and safe service of applicant.

d. The proposed rate increases take into account expected and obtainable productivity gains, efficiencies, and savings. The record does not show that there are any productivity gains, efficiencies, or savings susceptible to quantitative measurement available to applicant which have not been reflected in its current operations.

e. No public utility common carrier vessel operator has expressed a willingness and capacity to provide the current services of applicant at existing rates.

The Commission concludes that the sought increases should be granted on an interim basis and that permanent relief should be considered at a later date. We also conclude that the interim rates should be subject to a refund provision, in the event the final level of increased rates is less than the interim rates authorized herein.

INTERIM ORDER

IT IS ORDERED that:

1. Subject to the condition set forth below, applicant is authorized to establish on an interim basis the increased rates and charges and other provisions contained in Exhibit B to the application (proposed Local Freight Tariff No. 4), and to cancel concurrently its Local Freight Tariff No. 3.

Condition:

The increased rates herein authorized and the proceeds therefrom are subject to modification or refund to the extent that any part thereof is not found justified by a subsequent decision in this proceeding. Prior to exercising the authority granted herein applicant shall inform the Commission in writing that it accepts this condition.

2. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and may be made effective not earlier than 10 days after the effective date hereof on not less than 10 days' notice to the Commission and to the public.

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3. The authority granted herein shall expire unless exercised within sixty days after the effective date of this order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 24th day of APRIL, 1973.

Vernon L. Sturgeon
President

William Symons Jr.

J. P. Vukasin Jr.

Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.