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Decision 88 04 071 APR 27 1988

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CATALINA PASSENGER SERVICE, INC., a)
California corporation, for)
authorization to increase rates of)
fare for the transportation of)
passengers by vessel between Newport)
Beach and Avalon, Santa Catalina Island)
California.)

Application 88-02-037
(Filed February 22, 1988)

O P I N I O N

Catalina Passenger Service, Inc. (applicant), is a vessel common carrier (VCC-47) operating between Avalon, Santa Catalina Island and Newport Beach.

Applicant seeks authority to increase its fares an average of 29.5%. The present fares were established by Decision (D.) 87-06-052, dated June 24, 1987, in Application (A.) 87-05-006.

Table 1 shows the present and proposed fares.

TABLE 1

	<u>Present Fares</u>	<u>Proposed Fares</u>
Adult One-Way Fare	\$10.40	\$ 13.40
Adult Round Trip Fare	20.80	26.80
Child One-Way Fare	4.90	6.90
Child Round Trip Fare	9.80	13.80

Passengers destined to Avalon pay an additional \$1.20 per person landing fee collected by the City of Avalon.

Applicant requests the fare increase to offset the costs involved with the acquisition and operation of a new vessel. Applicant presently operates the 115 foot vessel, Catalina Holiday, carrying a maximum of 500 passengers at a speed of approximately twelve (12) knots. Applicant intends to replace the Catalina Holiday with a new 118 foot twin-hulled catamaran vessel which will carry approximately the same number of passengers at twenty-six (26) knots, more than twice the speed of the existing vessel. The new vessel, Catalina Flyer, will be more luxurious and provide a more comfortable ride than the Catalina Holiday. Applicant alleges that several expense items, including fuel, advertising and promotion, will increase with the new vessel. In addition, applicant will lease the new vessel at an annual expense of \$470,044. This compares to the depreciation expense of \$56,579 taken in 1987 for the Catalina Holiday.

Applicant will not charge the proposed increased fares until the Catalina Flyer is placed in operation, on or about May 15, 1988.

Table 2 has been constructed from the information supplied by applicant. The table shows the projected results of operation under the present and proposed fares for the test year ending May 31, 1989.

TABLE 2

	<u>Test Year Ending May 31, 1989</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>
Revenue	\$1,497,724	\$1,939,528
Expenses	1,615,741	1,793,069
Income (after income tax)	(118,017)	146,459
Operating Ratio (after income tax)	107.9%	92.4%

(Red Figure)

As indicated by Table 2, applicant's operations in the test year ending May 31, 1989 under the present fares will result in a loss of \$118,017 with an operating ratio, after income taxes, of 107.9%. The proposed fares will result in an annual gross operating revenue increase of \$441,804 and operating income of \$146,459 with an operating ratio of 92.4%, after income taxes.

Notice of filing of this application appeared on the Commission's Daily Calendar of February 25, 1988. No protests or requests for public hearing have been received. Applicant's business is seasonal. Approximately 79% of its passengers travel between June 1 and September 30. Therefore, the order should be issued as expeditiously as possible.

Findings of Fact

1. Applicant seeks authority to increase its fares by an average of 29.5% to offset costs of acquiring a new luxurious and faster vessel.
2. Applicant's operations in the test year ending May 31, 1988 under present fares would be at a loss of \$118,017 with an operating ratio of 107.9% after taxes.
3. Applicant's operations at the proposed fares will result in an annual gross revenue increase of \$441,804, with an operating ratio of 92.4%, after taxes.
4. The requested passenger fare increases are necessary and justified.

5. No protests have been received and a public hearing is not necessary.

6. To ensure applicant's continued operations, the effective date of this order should be the date of signature.

Conclusions of Law

1. The fare increases requested in A.88-02-037 are just and reasonable and should be granted.

2. To ensure applicant's continued operations, the order should be effective today.

O R D E R

IT IS ORDERED that:

1. Catalina Passenger Service, Inc., is authorized to establish the increased passenger fares proposed in A.88-02-037. Tariffs shall be filed on or after the effective date of this order. They may go into effect ten days or more after the effective date of this order on not less than ten days' notice to the Commission and to the public.

2. This authority shall expire unless exercised within 120 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 a printed explanation of its fares in conspicuous places on its vessel and at all its ticket selling locations.

4. The application is granted as set forth above.

This order is effective today.

Dated APR 27 1988, at San Francisco, California

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Victor Weissor, Executive Director

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