

ORIGINAL

Decision SS 07 017 JUL 8 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CATALINA CHANNEL	)	
EXPRESS, INC. for authority to adjust	)	Application 88-05-044
its rates and for limited relief from	)	(Filed May 24, 1988)
long haul/short haul restrictions.	)	
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O P I N I O N

Catalina Channel Express, Inc. (applicant), a corporation, doing business as Catalina Express, is a vessel common carrier (VCC-52) operating between the Port of Los Angeles (San Pedro), and the Port of Long Beach or Redondo Beach on the one hand, and authorized points on Santa Catalina Island on the other hand.

Applicant seeks authority to increase its passenger fares and charter rates by an average of 10% for its San Pedro and Long Beach services, to remove from its tariffs for these services all landing fees, and to be exempted from the short haul-long haul restriction in PU Code 460.

Applicant's present fares and rates were established by Decision (D.) 93292 dated, July 7, 1981. Applicant alleges that the requested fare increase is necessary to offset increases in operating costs.

The proposed one-way fares are tabulated in exhibit B-1 of the application. These fares include the landing fee and vary from 60 cents for an infant to \$13.50 for an adult.

As indicated by Table 1, applicant's operations in the test year ending December 31, 1988 under proposed fares will result

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in an annual gross revenue of \$5,595,074 and a annual gross revenue increase of \$512,659 with an operating ratio of 93.8% after income taxes.

These financials include the revenue and expenses of charter operations, which will not be affected by the fare increase sought in this application. Because charter operations provide only 0.7% of the total revenue shown herein, their revenue and expenses have not been removed from the totals shown by either the applicant or the staff, although normally they would be.

Table 1  
Test Year Ending December 31, 1988

	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$5,082,415	\$5,595,074
Operating Expenses	5,000,983	5,026,644
Operating Income		
Before Income Tax	81,432	568,430
After Income Tax	50,080	349,584
Operating Ratio After Income Tax	99.0%	93.8%

The City of Avalon and the management of Two Harbors impose a passenger landing fee. When applicant's present fares were established in 1981, both cities charged a landing fee of 50 cents per one-way passenger. A later increase in Avalon's fee to 60 cents reduced the applicant's net revenue by 10 cents per passenger because its tariff includes the landing fee. In order to avoid future revenue reductions, the applicant seeks to state its fares exclusively of the landing fees and to collect the fees from

the passengers in addition to the tariff fare at the time of ticket purchase. Table 2 shows the effect of the landing fees on the applicant's revenues for an adult ticket.

Table 2  
Passenger Fares For Adults

<u>Avalon Service</u>	<u>Present</u>	<u>Proposed</u>
Received by Applicant	\$11.90	\$12.90 (b)
Received by Avalon	0.60	0.60
Collected from Passenger	\$12.50 (a)	\$13.50
 <u>Two Harbor Service</u>		
Received by Applicant	\$12.00	\$13.00 (b)
Received by Two Harbors	0.50	0.50
Collected from Passenger	\$12.50 (a)	\$13.50

a. shown on present tariff

b. to be shown on proposed tariff if landing fee is excluded.

Depending on the predominate destination of the passengers, the applicant sometimes operates its vessels in a manner which violates the long haul/short haul restrictions of PU Code 460. At these times, Avalon passengers travel further than Two Harbors passengers even though an Avalon ticket contributes ten cents less than a Two Harbors ticket to the applicant's revenues. The revenue difference is due to the conflict between the applicant's desire for uniform ticket prices and the ten cent differential between Avalon's and Two Harbors' landing fees. A

uniform fare allows the applicant to keep its cost of fare collection relatively low which, in turn, tends to reduce passengers fares. Because the fare differential is small and the cost of collecting non-uniform fares relatively high, it appears to be in the best interest of the passengers that PU Code 460 be waived in this instance.

Notice of the filing of this application appeared on the Commission's Daily Calendar of May 27, 1988. The application was also served on Los Angeles County and the cities of Long Beach and Avalon. No protest or request for public hearing has been received.

Findings of Fact

1. Applicant seeks an increase in its passenger fares and charter rates to offset increases in operating expenses.
2. Applicant's present fares were authorized by D.93292 dated July 7, 1981.
3. Applicant's operations in the test year will be conducted at a profit of \$50,080 under present fares with an operating ratio of 99% after taxes.
4. Applicant has included the revenue and expenses of charter operations in its financial data.
5. The requested fare increase will result in additional annual gross revenues of \$512,659 with an operating ratio of 93.8% after taxes.
6. The requested fares are necessary and justified.
7. The proposed removal from Catalina Channel Express's tariff of the landing fee collected by the Cities of Avalon and Two-Harbors will increase the flexibility of its fare schedule by allowing automatic fare changes to compensate for changes in landing fees. The tariff should have appropriate reference to their collection.

8. The observation of the long haul-short haul restriction of PU Code 460 would impede the applicant's ability to serve its clients efficiently and increase its costs of doing business.

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

10. Since the fare increase is necessary to ensure applicant's continued operations, the effective date of this order should be the date of signature.

Conclusions of Law

1. The fare increase requested in A.88-05-044 is just and reasonable and should be granted.

2. The exclusion of landing fees from the applicant's tariff for San Pedro and Long Beach to Santa Catalina Services is justified and its tariff should be revised accordingly with appropriate reference to their collection remaining.

3. The waiver of PU Code 460 restriction on long haul-short haul is justified.

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

O R D E R

IT IS ORDERED that:

1. Catalina Channel Express, Inc. is authorized to establish the increased passenger fares proposed in Application 88-05-044. Tariffs shall be filed on or after the effective date of this order. They may go into effect 5 days or more after the effective date of this order on not less than 5 days' notice to the Commission and to the public.

2. Catalina Channel Express is authorized to exclude landing fees assessed by the City of Avalon and the management of Two Harbors from its tariff as proposed in A.88-05-044. It need only refer to them in its tariff.

3. Catalina Channel Express is exempted from PU Code 460 restriction on long haul-short haul in its operations between San Pedro or Long Beach and Avalon and Two Harbors.

4. This authority shall expire unless exercised within 120 days after the effective date of this order.

5. 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 fares. Such notice shall be posted not less than 5 days before the effective date of the fare changes and shall remain posted for a period of not less than 30 days.

6. The application is granted as set forth above.  
This order is effective today.  
Dated JUL 8 1988, at San Francisco, California.

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

Commissioner Frederick R. Duda  
being necessarily absent, did not  
participate.

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

*Victor Weiss*  
Victor Weiss, Executive Director  
D.B.

in an annual gross revenue of \$5,595,074 and a annual gross revenue increase of \$512,659 with an operating ratio of 93.8% after income taxes.

These financials include the revenue and expenses of charter operations, whose rates are not now regulated and to which the fare increase sought in this application will not apply. Because charter operations provide only 0.7% of the total revenue shown herein, their revenue and expenses have not been removed from the totals shown by either the applicant or the staff, although normally they would be.

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