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ORIGINALDecision S2 08 077 AUG 18 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Harbor Carriers, Inc., a corporation,)
 for interim and permanent authoriza-) Application 82-02-45
 tion to increase rates for passenger) (Filed February 19, 1982)
 vessel service between San Francisco)
 and Tiburon.)
 _____)

Edward Hegarty, Attorney at Law, for
 Harbor Carriers, Inc., applicant.
Gary T. Ragghianti, Deputy Town Attorney,
 and Larry Smith, for Town of Tiburon,
 protestant.
James R. Panella, for the Commission staff.

O P I N I O N

Harbor Carriers, Inc. (Harbor), a division of Crowley Maritime Corporation, has applied for a fare increase for its Tiburon-San Francisco weekday commuter ferry service. This decision grants the requested 50¢ one-way fare increase plus a \$10 increase for a book of 20 one-way rides. Harbor's uncontested estimate is that, given present passenger ridership and the new fares, it will experience operating losses for this year in the \$400,000 range.

Town of Tiburon (Town) originally protested the application but withdrew the protest at the hearing in San Francisco on July 22, 1982 before Administrative Law Judge Meaney. Town had been critical of Harbor's efforts to market the service but prior to the hearing an arrangement between Harbor, Town, and a group of citizens was developed to promote the ferry service more aggressively, as will be described below.

Harbor claims (and Town does not contest) that it is experiencing an operating loss for the service. Former differences of opinion over methodology for apportioning certain costs among Crowley Maritime Corporation's various divisions were put to rest in the detailed investigation of separations and allocations in Application 59773, which resulted in Harbor's last rate increase (Decision (D.) 92809, March 17, 1981). Staff's analysis (Exh. 8) concludes that Harbor's requested rate increase is justified because of continued operating loss.

Harbor's present fares for the service^{1/} are \$2.50 one way and \$5.00 round trip, with a commute book containing 20 one-way rides costing \$39.00. Proposed fares are: one way \$3.00, round trip \$6.00, and the 20-ride booklet \$49.00. Harbor estimates an annual gross revenue increase of \$117,000 from the proposed fares.

Harbor points out that its last fare increase was requested for the purpose of minimizing the operating deficit and holding it at an estimated level of \$200,000-\$250,000 for 1981. However, because of increased costs and declining ridership, the actual 1981 loss was \$424,000.

Harbor states in this present application that it is again merely trying to stem losses. Harbor receives no government subsidies for the service.

^{1/} Harbor runs an entirely different tourist-oriented service from Fisherman's Wharf to Tiburon via Angel Island, on weekends and holidays. The commuter service terminates at the San Francisco Ferry Building. This application concerns the commuter service only.

Assuming the proposed increased fares were effective for the entire 1982 calendar year, Harbor projects an estimated loss of \$399,000. This of course will not now occur; therefore the loss will exceed that estimate barring a large upswing in ridership.

Of vessel operating expense totaling \$548,000, crew wages amount to \$360,000. The wages are subject to a collective bargaining agreement covering Harbor's San Francisco Bay operations, and crew requirements are regulated by such agreement and U.S. Coast Guard regulations. At present, Harbor can see no way of reducing this cost.

Passenger ridership has declined from an annual total of tickets sold in 1979 of 248,449 to 200,075 in 1981. The 1982 figures for January through June, when compared to the same months of 1981, show only a 1% decrease, but in January of 1982 the service experienced almost twice its usual patronage due to mudslides and floods on approachways to the Golden Gate Bridge. If the January counts for both years are excluded, the decrease in ridership from 1981 to 1982 is 10%.

Town had originally protested (among other grounds) because Harbor had in Town's opinion failed to implement a marketing plan for the service. Between the time of filing the protest and the hearing, Town had succeeded in forming a committee of Tiburon ferry riders with marketing or advertising expertise to investigate passenger ridership potential. Essentially, Harbor, Town, and the committee have committed themselves to the following:

1. Harbor will fund the committee's marketing research and advertising efforts in the amount of \$20,000 over the next 12 months.
2. Town will improve a 100-car parking lot near the Tiburon terminal and will charge low daily rates for its use.

3. Committee will begin its efforts with a "community outreach" program, with ferry riders acting as volunteers to contact others in the community.
4. Committee will also investigate the potential for attracting ridership from other communities besides Tiburon and Belvedere.
5. For the present, Harbor will not seek any service reductions except possibly in connection with the 7:10 p.m. departure from San Francisco during winter.

We consider the \$20,000 to be a reasonable expense by Harbor under these circumstances. It is obvious that only a substantial increase in ridership can erase these continuing losses. Even if the proposed fares had been in effect for the entire 1982 calendar year, Harbor would have had an operating ratio for the service of 165%. This is clearly unacceptable as a permanent situation since in the long run it will unduly burden Harbor's other operations.

The fare increases are clearly justified and should be placed in effect at once. This decision will be effective the day it is signed.

We are aware, as are Harbor and Town, that fare increases can contribute to further decreases in ridership. Given the financial situation described previously, we believe we have no choice but to grant the higher fares and rely upon marketing efforts to produce increased ridership. We are particularly gratified that both Harbor and Town are willing to commit funds in an effort to save the service.

We note that in D.92809, supra, Town was going to (1) appoint a citizens' committee (2) pursue federal subsidy

applications, and (3) investigate a possible San Francisco Muni connection.^{2/} Items 2 and 3 were apparently unsuccessful, while the citizens' committee referred to apparently was unable to generate more ridership. We hope the present efforts to market the service succeed and urge Town to continue to explore possible government assistance.

Findings of Fact

1. Harbor is in need of additional revenue to reduce its operating losses on its Tiburon-San Francisco commuter ferry service.

2. Harbor's proposed fare structure of \$3.00 one way, \$6.00 round trip, and \$49.00 for a 20-ride ticket booklet is reasonable, and these fares are estimated to produce additional revenue of \$117,000 annually. The fare increases are justified.

3. In order for the service to reach the break-even point financially, a substantial generation of new ridership is necessary, and Harbor's expenditure of \$20,000 over the next 12 months to finance marketing and advertising efforts of a citizens' committee is reasonable.

4. The fare increases should be made effective as soon as possible in order to minimize operating losses.

Conclusion of Law

The requested rate relief should be granted, effective immediately, on five days' notice to the public.

O R D E R

IT IS ORDERED that:

1. Harbor Carriers, Inc. is authorized to increase its fares for its San Francisco-Tiburon commuter service to those set forth as proposed fares as described in this decision.

^{2/} Harbor, on its part, had recently raised fares on certain nonregulated excursion services to reduce overall losses.

2. Tariff publications authorized to be made as a result of this order may take effect on not less than five days' notice to the Commission and to the public. Such notice to the public shall be given by posting the new fare schedules conspicuously on vessels used in the service and at the terminals not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than 30 days.

3. The proceedings are terminated.

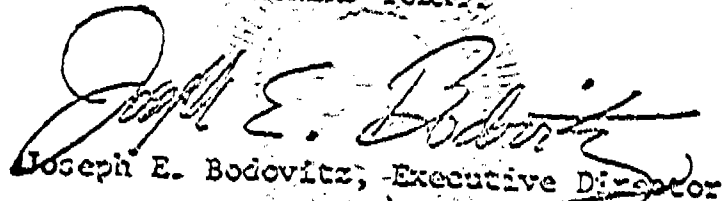
This order is effective today.

Dated AUG 18 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
Commissioners

Commissioner Priscilla C. Grew,
being necessarily absent, did
not participate.

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


Joseph E. Bodovitz, Executive Director