

T/jc

Decision 83 02 032 FEB 2 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
H. TOURIST, INC. dba CATALINA ISLAND
CRUISES, AND dba LONG BEACH CATALINA
CRUISES, a corporation, for an order
authorizing it to increase rates for
the transportation of passengers by
vessel between the Port of Los Angeles
(San Pedro) or the Port of Long Beach
on the one hand, and on the other,
authorized points on Santa Catalina
Island.

Application 82-05-41
(Filed May 14, 1982;
amended October 29, 1982)

O P I N I O N:

By this application, H. Tourist, Inc. VCC-46 (Tourist), dba Catalina Island Cruises and dba Long Beach Catalina Island Cruises, seeks authority to increase its rates for transporting passengers by vessel between the Port of Los Angeles (San Pedro) or the Port of Long Beach on the one hand, and authorized points on Santa Catalina Island on the other hand.

Tourist is a California corporation which is a wholly-owned subsidiary of Crowley Maritime Corporation (Crowley). Its principal office is in Long Beach.

In Decision (D.) 92809 dated March 17, 1981, the Commission found the methods for expense allocations between Crowley and its subsidiary set forth in Exhibits 13 and 14 to be reasonable. This methodology is applied by the staff in this proceeding.

The last general rate increase authorized Tourist was an average of 11% by D. 93508 dated September 1, 1981. In 1981 Tourist earned a return of 12.8% on a rate base of \$3,777,000.

Now Tourist is applying for a fare increase of 10% to 11% to offset increased expenses. It estimates a rise in expenses of 12.56% between the base year 1981 and its forecast year October 1, 1982 through September 30, 1983. This estimate is based on the change in the Consumer Price Index between December 31, 1981 and September 30, 1983 forecast by Crocker Bank.

Table 1 shows the present and proposed passenger fares, while Table 2 shows the present and proposed charter rates.

TABLE 1

Present and Proposed One-Way and Round-Trip Fares
Between San Pedro or Long Beach and Points on Santa Catalina Island

	<u>Avalon</u>		<u>Other Points</u>	
	<u>Present Fare</u>	<u>Proposed Fare</u>	<u>Present Fare</u>	<u>Proposed Fare</u>
One-Way Fares Only				
Adult	\$7.90	\$8.75	\$8.40	\$9.25
Commuter	4.60	5.10	Not Applicable	
Child 2 and over	3.95	4.10	4.45	4.90
Child, Under 2	Free	Free	0.50	0.50
Round-Trip Fares Only				
Regular Group	\$14.00	\$15.50	\$15.00	\$16.50
Special Group	12.50	13.90	13.50	14.90
Adult Group, Four Trips	Not Applicable		8.25	9.15

In addition to these fares, passengers destined to Avalon must pay a \$1.00 per-person landing fee collected by Avalon.

TABLE 2

Present and Proposed Charter Rates for Catalina Island Tours

<u>Passenger Capacity of Vessel Used</u>	<u>Charge Per Hour</u>	
	<u>Present</u>	<u>Proposed</u>
1 - 110	\$210	\$235
111 - 149	290	325
150 - 500	630	700
501 - 700	790	880

Tourist is becoming a stronger subsidiary of its parent, Crowley Maritime Corporation. On December 31, 1978 its balance sheet showed current assets at \$131 and current liabilities at \$39,277, or a ratio of current assets to liabilities of 1:300. On December 31, 1981 its current assets were \$3,133,917 and its current liabilities \$157,557 for a reversal of ratio of current assets to liabilities to 20:1. During the same period, its net worth increased from \$616,350 to \$3,688,992, and its long term debt changed from \$299,030 to zero. In its correspondence with the staff, Tourist's representatives claim that Tourist's financial condition was enhanced by the transfer of Harbor Carriers' Long Beach-Catalina authority to Tourist; by additional capital contributed to Tourist by its parent, the Harbor Tug and Barge Co.; and by a consolidation of accounts and other changes in accounting methods.

Table 3 shows Tourist's results of operations for the periods covered in its previous two rate increase applications and in this one and its forecast for 1982-83 assuming the granting of the rate increase it requests.

TABLE 3

Historical and Estimated Results of Operations of H. Tourist, Inc.

Data From H. Tourist Applications
For Year Ended (a)

CPUC Staff Estimate (b) T/c
For Year Ended 9-30-83

Line	(c) Application No.	Dollar Amounts are Thousands				Present Fares	Proposed Fares
		9-30-79	12-31-80	12-31-81	(d) 9-30-83		
	59394		60455	82-05-41	82-05-41	-	-
1	Revenue	\$5,485	\$6,439	\$7,163	\$8,318	\$7,163	\$8,318
	vessel	2,922	2,984	3,414	3,843	3,902	3,902
	non-vessel	1,692	2,362	2,780	3,092	3,282	3,282
2	Expense, total	\$4,614	\$5,346	\$6,194	\$6,935	\$7,184	\$7,184
3	Operating Ratio L2 ÷ L1	84.1%	83.0%	86.5%	83.4%	100%	86%
4	Income Tax	\$435	\$546	\$484	\$691	0	\$567
5	Net Profit L1 - L2 - L4	\$435	\$546	\$484	\$691	(21)	\$567
6	Rate Base	\$4,210	\$3,904	\$3,777	\$3,380	\$3,401	\$3,401
7	Rate of Return L5 ÷ L6	10.4%	14.0%	12.8%	20.4%	(1%)	17%

(Loss)

(a) Data from Application number noted
 (b) Based on applicant's records for ten months ended October 31, 1982.
 (c) Refer to Separation and Allocation Procedures for Harbor Carriers, Exhibit 14 in A.59773, Figure 2, for description of expense items in this column.
 (d) With rate increase requested.

The staff reviewed Tourist's records of expenses at its headquarters. These records provided later expenses than the application had provided; they included expenses for the first ten months of 1982. The staff used these later data to perform an engineering-economic study to produce a forecast for test year 1982-83. The results of operations from this forecast are shown in Table 3.

The increase in revenue is estimated to be \$1,155,000. Much of Tourist's patronage is tourist and discretionary. In its First Amendment to Application, Tourist claims that 96% of its patronage since the beginning of 1980 has been provided by tourists and only 4% has been provided by commuters, who find the service necessary and will continue to be charged only 58% of the regular fare. The staff is of the opinion that the increased fares are justifiable.

Notice of the filing of this application appeared on the Commission's Daily Calendar of May 18, 1982. Copies of the application have been sent to the clerks of Los Angeles County and the Cities of Avalon and Long Beach and to the City Manager of Avalon. No protests have been received.

Findings of Fact

1. Tourist seeks authority to increase its passenger fares to offset continuing increases in operating expenses.

2. Tourist's present fares were authorized by D. 93508, dated September 1, 1981.

3. The staff's study of Tourist's books shows that its operations in the test year will be conducted at a loss of 1% on a rate base of \$3,401,000, or an operating ratio of 100% without a rate increase. Its operations will net a 17% rate of return after taxes, or an operating ratio of 86%, with the rate increase sought.

4. Tourist's patrons are largely tourists; commuters who depend upon the service have comprised only 4% of the total patronage in 1981 and 1982.

5. The requested fare increase is justified.

6. The requested fare increase will result in additional gross revenue of \$1,155,000.

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

Conclusion of Law

1. The increased fares are reasonable and justified.

2. Since applicant's operations in the test year will be conducted at a loss at present fares, this order should be effective on the date it is signed.

O R D E R

IT IS ORDERED that:

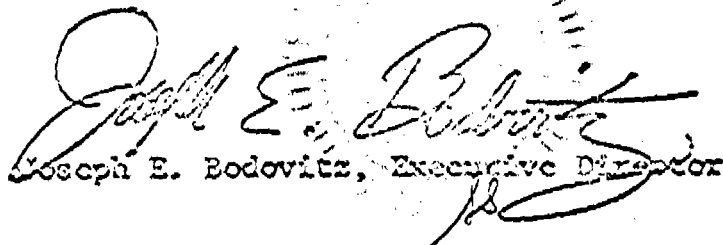
1. H. Tourist, Inc. is authorized to establish the increased fares proposed in A.82-05-41. Tariffs shall be filed not earlier than the effective date of this order. They may go into effect 5 days or more after the effective date of this order on not less than 5 days' notice to the Commission and to the public.
2. The authority shall expire unless exercised within 90 days after the effective date of this order.
3. In addition to posting and filing tariffs, H. Tourist, Inc. shall post a printed explanation of its fares in its vessels and terminals. The notice shall be posted at least 5 days before the effective date of the fare change and shall remain posted for at least 30 days.

This order is effective today.

Dated FEB 2 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

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


Joseph E. Bodovitz, Executive Director

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