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Decision No. 89275 AUG 22 1978

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )	
of HARBOR CARRIERS, INC., a )	Application No. 57772
corporation, for authorization )	(Filed December 29, 1977)
to increase rates between Long )	(Amended February 16, 1978)
Beach and Santa Catalina Island )	

In the Matter of the Application )	
of H. TOURIST, INC., a corporation) )	Application No. 57773
for authorization to increase )	(Filed December 29, 1977)
rates between San Pedro and Santa )	(Amended February 16, 1978)
Catalina Island )	

O P I N I O N

In Application 57772, as amended, Harbor Carriers, Inc. (VCC-13), a California Corporation and subsidiary of The Harbor Tug and Barge Company (itself a subsidiary of the Crowley Maritime Corporation), seeks authority to increase its passenger fares between Long Beach and points on Santa Catalina Island. In Application 57773, as amended, H. Tourist, Inc. (VCC-46), a California Corporation and also a subsidiary of The Harbor Tug and Barge Company, seeks authority to increase its passenger fares between San Pedro and points on Santa Catalina Island. The present fares for both carriers were authorized by Decision 87533, dated June 28, 1977 in Applications 56459 and 57172. The present and proposed fares of both applicants are as follows:

PRESENT AND PROPOSED ONE-WAY AND ROUND-TRIP FARES BETWEEN  
SAN PEDRO OR LONG BEACH AND POINTS IN SANTA CATALINA ISLAND

	<u>Present</u>	<u>Proposed</u>
Adult one way	\$ 5.00	\$ 6.00
Adult round trip	10.00	12.00
Child, five years and over, one way	2.50	3.00
Child, five years and over, round trip	5.00	6.00
Child, under five years, one way	0.40	0.40
Child, under five years, round trip	0.80	0.80
Commuter Book (ten rides)	33.00	40.00
Group (Round Trip),		
Regular	9.00	10.50
Special	7.65	9.50
Camp Fox	5.00	6.00
Isthmus	5.00	6.00

The distances between Long Beach and Santa Catalina Island and San Pedro and Santa Catalina Island are the same, but the respective mainland termini of applicants are six miles apart.

Copies of Applications 57772 and 57773 and amendments were served on the interested parties. The applications and amendments were listed on the Commission's Daily Calendar of December 30, 1977 and February 20, 1978, respectively. No protests have been received.

The Transportation Division of the Commission staff has made an engineering economics study of the operations for which fare increases are sought, and prepared a report. This report will be adopted as Exhibit 1.

Exhibit 1 was prepared from applicants' "function statements" and other data provided by the applicants. The report contains separate results for the year 1977 Adjusted and for the year 1978 Estimated at both present and proposed rates. The estimated Operating Ratios and Rates of Return for the year 1978 are summarized below:

<u>AT PRESENT FARES</u>	<u>Regulated</u>	<u>Non-Regulated</u>	<u>Total</u>
<u>Operating Ratios</u>	<u>%</u>	<u>%</u>	<u>%</u>
Harbor Carriers Inc. (Long Beach)	94.3	92.7	94.2
H. Tourist Inc. (San Pedro)	103.7	98.2	103.6
Combined Operations	97.9	94.0	97.8
<u>Rates of Return</u>			
Harbor Carriers Inc. (Long Beach)	10.4	14.6	10.6
H. Tourist Inc. (San Pedro)	-	-	-
Combined Operations	2.2	8.7	2.3
<u>AT PROPOSED FARES</u>			
<u>Operating Ratios</u>			
Harbor Carrier Inc. (Long Beach)	88.5	92.7	88.7
H. Tourist Inc. (San Pedro)	95.3	98.2	95.3
Combined Operations	91.2	94.0	91.2
<u>Rates of Return</u>			
Harbor Carriers Inc. (Long Beach)	24.4	14.6	24.0
H. Tourist Inc. (San Pedro)	3.5	1.3	3.5
Combined Operations	10.9	8.7	10.8

The carriers indicate that since these operations have common ownership and management the fares should be based on the results of the combined operations.

The operating results show that earnings for the combined operations at the proposed fares would not be excessive. The applicants do not keep records by the Uniform System of Accounts as is required by the Commission (see, for example, Decisions 76496 and 86184 concerning these carriers), but instead use a private accounting system of the Crowley Maritime Corporation. The records are further complicated by intercorporate charges to accommodate the complex intertwining of operations. The corporations also maintain and utilize "function statements" for each separate operation. In these "function statements", intercorporate charges are eliminated, and the property used in the various operations is treated as though it were owned by that operation. Where a property is utilized by more than one operation, the expenses are allocated to the operations based on the use of that operation. Some of the expenses shown in these "function statements" are recorded data while others are not actual costs at all but are only estimated or approximated values. As tools for the use of management these statements may fulfill their purpose, but they lack sufficient accuracy and detail for proper ratemaking purposes.

The staff found that the "administrative expenses" contain items which are properly considered operating expenses, operating taxes, operating rents, and depreciation. The staff also found inconsistencies where items are charged. For example, the carriers make payments to both the City of Avalon and the County of Los Angeles for the use of facilities and the right to do business at the respective port facilities. The payment to the City of Avalon is charged as an operating expense to the appropriate function whereas the payment to the County of Los Angeles is charged to Administrative Expenses and allocated to the functions. Both of these items constitute wharfage expenses and should be charged directly to the applicable function.

A. 57772, A. 57773 RR\*

Finally, the data submitted in support of these applications was incomplete in that results of overall operations from which certain cost elements were assigned to these services, were not shown. Whether these data pertain to the specific applicant corporations or to a parent, subsidiary, or related controlled entity was not clear.

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Because the staff has managed to prepare a study of these applications, and because we have not specifically placed these carriers on notice that noncompliance with our Orders would result in denial of fare increase requests (indeed, certain portions of Decisions 85723 and 85938 may have led applicants to believe otherwise), we will authorize these fare increases. However, the Order that follows will place these applicants on notice that no further fare increase applications will be considered without a proper and complete expense showing as discussed herein.

### F I N D I N G S

After due consideration, the Commission finds:

1. The operations of Harbor Carriers, Inc. and H. Tourist, Inc. may properly be considered on a combined basis for purposes of this proceeding.
2. The carriers and their affiliates do not maintain records by the Uniform System of Accounts as ordered by the Commission.
3. The "function statements" prepared by the carriers may be useful management tools but are not adequate and should not be substituted for proper accounting and operating records for rate-making purposes.
4. The Commission should not in the future consider applications from these carriers unless the data accompanying the application follows the appropriate Uniform System of Accounts and the results of entire operations are shown as discussed above.
5. The fare increases requested by Harbor Carriers, Inc. and H. Tourist, Inc. would result in additional annual revenues of \$670,500.
6. The fare increases requested by Harbor Carriers and H. Tourist are justified and should be granted.

On the basis of the foregoing findings, we conclude that the applications should be granted as set forth in the following order:

### O R D E R

IT IS ORDERED that:

1. Harbor Carriers, Inc. is authorized to establish the increased fares proposed in Application 57772.

2. H. Tourist, Inc. is authorized to establish the increased fares proposed in Application 57773.

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

4. The authority shall expire unless exercised within ninety days after the effective date of this Order.

5. Harbor Carriers, Inc. and H. Tourist, Inc. are placed on notice that any future fare increase applications will not be considered unless they are in conformance with the Uniform System of Accounts as required by the Commission and the results of the entire operations are shown with respect to any claim of expense involving related, parent, subsidiary, or other controlled entities. Any previous Commission orders or statements in decisions (including but not limited to Decisions 85723 and 85938), whether express or by implication, that these carriers' "function statements" are adequate records for ratemaking purposes is hereby reversed in this respect only for future fare increase applications by these applicants.

The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 22nd day of AUGUST, 1978.

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

Commissioner Claire T. Dodrick, being necessarily absent, did not participate in the disposition of this proceeding.

Robert B. Johnson  
President  
William J. ...  
Vernon L. ...  
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Commissioners

CALIFORNIA PUBLIC UTILITIES COMMISSION  
TRANSPORTATION DIVISION

PASSENGER OPERATIONS BRANCH  
SURFACE PASSENGER ENGINEERING SECTION

ENGINEERING-ECONOMIC REPORT ON

APPLICATION 57772  
REQUEST OF HARBOR CARRIERS, INC.  
LONG BEACH DIVISION

AND

APPLICATION 57773  
REQUEST OF H. TOURIST, INC.

TO INCREASE FARES FOR SERVICE  
TO SANTA CATALINA ISLAND

San Francisco, California  
August 1978

R. E. Douglas  
Associate Transportation Engineer

ENGINEERING-ECONOMIC REPORT ON  
APPLICATION 57772  
REQUEST OF HARBOR CARRIERS, INC.  
LONG BEACH DIVISION  
AND  
APPLICATION 57773  
REQUEST OF H. TOURIST, INC.  
TO INCREASE FARES FOR SERVICE  
TO SANTA CATALINA ISLAND

Purpose and Scope

This report presents the results of the staff's engineering economic study of the operations of H. Tourist, Inc. and Harbor Carriers, Inc.'s Long Beach Division. This investigation was made in connection with Application 57772 of Harbor Carriers, Inc. to increase fares for vessel passenger service between Long Beach and Santa Catalina Island and Application 57773 of H. Tourist, Inc. to increase fares for passenger service between San Pedro and Santa Catalina Island. Both applicants are subsidiaries of the Harbor Tug and Barge Company, itself a subsidiary of the Crowley Maritime Corporation.

The report includes revenues and expenses for the year 1977 as developed from the function statements for the parent organizations. Also included are estimates for the year 1978 at present and proposed fares.

History of Operations

Prior to Harbor Carriers, Inc. providing service, almost all service to Avalon was provided by small motor vessels of under 150 passenger capacity operating from San Pedro, with the addition of the 2,200 passenger steamship S. S. Catalina during the summer months. This latter vessel made one round trip per day. The S. S. Catalina has not operated since the summer of 1975. Often during the winter months, trips on the smaller vessels were cancelled because of weather and/or ocean conditions.



Harbor Carriers was granted a Certificate of Public Convenience and Necessity (VCC-13) to provide scheduled passenger service between Long Beach and the City of Avalon by Decision 76496, dated December 2, 1969 (Application 50710).

By Decisions 81850, 82560 and 83013, Harbor Carriers' operating authority was expanded to provide service between Long Beach and other points on Santa Catalina Island in addition to the City of Avalon.

From October 1, 1971 to June 13, 1975, Harbor Carriers operated two round trips with extra trips on Friday through Monday. Effective June 14, 1975, the carrier operated five round trips per day from mid-June to mid-September and two round trips per day the remainder of the year, with additional scheduled trips on Monday through Friday as traffic indicates.

By Decisions 85938 and 85972, dated June 8, 1976 and June 15, 1976, respectively, Harbor Carriers, Inc. was granted authority to provide passenger service between San Pedro and Santa Catalina Island. Operations commenced in July 1976 with three round trips daily. This authority was transferred to H. Tourist, Inc. (VCC-46) an affiliated company, by Decision 86184 dated August 21, 1976.

On October 12, 1976, service was decreased to one round trip per day from each mainland location (Long Beach and San Pedro). Three round trips per day utilizing two vessels were resumed June 10, 1977 until September 19, 1977 when the winter schedule of one round trip per day was resumed. In June of 1978, H. Tourist, Inc. expanded the scheduled services to five round trips per day utilizing three vessels.

Harbor Carriers' facility at the Port of Long Beach was blocked by silt as a result of a storm in mid-March 1978 and remained in that condition until mid-May. During that period, Harbor Carriers transferred its operations to the facilities of H. Tourist in San Pedro and provided the scheduled service from there.

#### Present Operations

Tourism is the major factor in the economy of the City of Avalon. The carriers are cooperating with the City Council and the Chamber of Commerce by providing more frequent service to the island with the hope that this will attract additional tourists. Avalon anticipates that the added traffic will attract the financing for additional hotel accommodations in Avalon.

At the present time, two round trips per day are provided during the winter months from Long Beach (Harbor Carriers) and one round trip per day from San Pedro (H. Tourist). During the summer of 1977, five round trips per day were scheduled from Long Beach and three round trips per day were scheduled from San Pedro with additional trips scheduled from both locations on weekends. Extra trips are provided when traffic requires the added service.

The carriers plan to operate five round trips per day from each location with additional trips scheduled on weekends during the summer of 1978.

#### Carrier Data

The results of operation contained in this report have been prepared by the staff based on these carriers' "Function Statements" and related data in lieu of audited actual recorded data which was not available.

The staff found, as it has in past investigations, that the accounts of these carriers are not maintained according to the Uniform System of Accounts prescribed by the Commission. Instead, these carriers use a Crowley Maritime Corporation System of accounts. These records are complicated further by intercorporate charges to accommodate the intertwining of the various operations.

The corporations also maintain and utilize "function statements" for each separate operation. In these "function statements", intercorporate charges are eliminated, and the property used in the various operations is treated as though it were owned by that operation. Where a property is utilized by more than one corporation, the expenses are allocated to the operations based on the use of that operation. Some of the expenses shown in these "function statements" are recorded data but others are not actual costs at all but are only estimated or approximated values. As tools for the use of management these statements may fulfill their purpose, but they lack sufficient accuracy and detail for proper rate-making purposes.

Further, the data submitted in support of these applications was incomplete in that results of overall operations, from which certain cost elements were assigned to these services, were not shown. Whether these data pertain to the specific applicant corporations or to a parent, subsidiary, or related controlled entity, full and complete disclosure is needed in order to properly test applicant assignments of such expenses to regulated operations in seeking authority to increase rates.

## The Staff Study

The carriers are not consistent as to which account items are charged. For example, the payment to the City of Avalon for the use of harbor facilities and the privilege of doing business is properly charged to Wharfage and Dockage of the appropriate operations. A similar payment to the County of Los Angeles is included as an Administrative Expense to Southern California Passenger Administration which is then allocated to the various operations. Some of the salaries of ticket sellers and reservations clerks are charged directly to Harbor Carriers' Administration whereas the remainder are charged to Southern California Passenger Administration and allocated to the two carriers.

Harbor Carriers operates a parking lot near its Long Beach Terminal on land leased from the City of Long Beach. The carrier's study of the lot shows that at the present rates charged, it sustains a loss on this activity before any allocation of Administrative or Accounting expenses. The carrier includes the revenue from this operation in the "Non-Regulated" function. The expenses of this operation are scattered throughout applicant's records, with portions included in the following "functions": Long Beach Regulated, Long Beach Non-Regulated, Southern California Passenger Administration (for allocation), and even in the San Pedro operations. The lot is available to and used by patrons of both the regulated and non-regulated passengers. Adjustments have been included to show all of the expenses of the Long Beach parking lot together and then to allocate the revenues and expenses to the two functions (Long Beach Regulated and Non-Regulated) based on the use of the lot.

The revenue received from the firm which provides the catering service aboard the vessels of both carriers for the period August 1, 1976 through December 31, 1977 was included in the function statement for Long Beach, non-regulated passenger service. It was determined that this revenue was applicable to both San Pedro and Long Beach and to both regulated and non-regulated service.

Adjustment has been made to show only the 1977 revenue and to allocate this amount to the four different services involved.

In their "function statements", the carriers do not make any allocations of "Administrative Expense" to the Non-Regulated activities.

The carriers have six sources of "Administrative Expenses".

These are:

1. Direct to San Pedro or Long Beach operations.
2. Southern California Passenger Administration which expenses are common to these four operations.
3. Southern California Accounting Group which provides the accounting services for these four operations and other Crowley-owned operations in Southern California.
4. California Division Management which provides managerial services for all of the Crowley-owned operations based in California.
5. California Division Accounting Services which provide the accounting and related services for all of the California based Crowley-owned operations.
6. An allocation of Crowley Maritime Corporation's undistributed overhead expenses.

Investigation was not made as to the need for all of the various levels of administration and accounting, due to staff manpower and time constraints. However, the staff investigation revealed that many of the expenses included in "Administrative Expense" are more properly termed operating expenses. For example, included in the "Salaries and Associated Costs" for San Pedro Passenger Administration, Long Beach Passenger Administration and Southern California Passenger Administration is the total of \$448,174. Of this amount, approximately \$44,000 is associated with attendants at the parking lot and approximately \$227,200 is associated with reservations and ticket sales, mentioned earlier. The expenses relating to the facilities used by these persons are also included in the administration expenses.

In this study, the staff has utilized the transfer of the Catalina King from San Francisco Bay Area operations to the San Pedro operations about April 15, 1977 and the Long Beach Countess about June 10, 1978. Barring unanticipated events, the Long Beach Countess will be transferred back to the San Francisco Bay Area operations about the end of October 1978.

The above time spans have been utilized to determine vessel depreciation expense and rate base.

#### Results of Operations

Table 1 shows the year 1977 as developed from the company function statements; the following adjustments are the major items that have been made:

1. Vessel repairs have been adjusted to the actual amounts to replace the estimates included in the function statements.
2. The Long Beach Parking Lot Revenues and Expenses have been assembled and assigned to both regulated and non-regulated operations in proportion to their use.
3. Revenue from the catering service has been adjusted to show only the 1977 revenue and assigned to the four operations.
4. Adjustment has been made to include the "Possessory Interest Tax" assessed by the County of Los Angeles.
5. Depreciation expense for the Catalina King has been computed based on the time period that the vessel was assigned to this operation.

Table 2 shows the staff estimates for the year 1978 at the present fares and Table 3 shows the estimate for year 1978 if the proposed fares were in effect for the entire period. These estimates reflect the vessel use as described above, the percentage increases for expenses discussed in the applications and the adjustments utilized for the year 1977.

The following tabulation shows the Operating Ratios and Rates of Return developed for the Year 1978 estimated:

	<u>Operating Ratios</u>			<u>Rates of Return</u>		
	<u>Reg.</u> %	<u>Non-Reg.</u> %	<u>Total</u> %	<u>Reg.</u> %	<u>Non-Reg.</u> %	<u>Total</u> %
<u>PRESENT FARES</u>						
Harbor Carriers (Long Beach)	94.3	92.7	94.2	10.4	14.6	10.6
H. Tourist (San Pedro)	103.7	98.2	103.6	-2.3	1.3	-2.2
Combined Operations	97.9	94.0	97.8	2.2	8.7	2.3
<u>PROPOSED FARES</u>						
Harbor Carriers (Long Beach)	88.5	92.7	88.7	24.4	14.6	24.0
H. Tourist (San Pedro)	95.3	98.2	95.3	3.5	1.3	3.5
Combined Operations	91.2	94.0	91.2	10.9	8.7	10.8

Both carriers provide essentially similar services to Santa Catalina Island; their mainland termini are only six miles apart. Both carriers utilize the same market, operate in conjunction with each other, and have the same general manager, and many facilities are common. They request that their rates should be the same.



## Conclusions

From the above, it can be concluded that:

1. The "function statements" maintained by the carriers utilize estimates and approximations in addition to recorded data and, therefore, should not be substituted for factual data in rate-making proceedings.
2. The carriers are inconsistent in their handling of certain expenses.
3. The parking lot operated by Harbor Carriers for the use of its Long Beach patrons serves both the patrons of regulated operations and non-regulated operations and, as such, the revenues and expenses should be prorated between the two operations.
4. Harbor Carriers, Inc. shows more favorable operating ratios and rates of return than H. Tourist, Inc.
5. Crowley Maritime Corp., through its subsidiaries, provides passenger service from both San Pedro and Long Beach to Santa Catalina Island. Since the service provided from each location is essentially the same and the mainland termini are only about six miles apart, the services are complimentary and the fares should be identical.
6. The fare increases requested by the carriers will result in an increase in gross revenue of \$670,500.
7. The combined operating results for the year 1978 estimated at the proposed rates are not excessive and the fare increases should be granted.

Recommendations

The Commission's staff recommends that the fares requested by Harbor Carriers, Inc. and H. Tourist, Inc. be granted.

The Commission staff further recommends that these carriers be placed on notice that in the future any fare increase application will not be considered unless the operating results are in conformance with the Uniform System of Accounts as required by the Commission and the results of the entire operations are shown with respect to any claim of expenses involving related parent, subsidiary or affiliated entities.

HARBOR CARRIERS INC. - H. TOURIST INC.  
RESULTS OF OPERATION  
YEAR 1977 ADJUSTED

TABLE I

Items	Harbor Carriers, Inc.			H. Tourist, Inc.			Combined Operations		
	Long Beach Operations			San Pedro Operations			Total	Total Non-	Total
	Regulated	Non-Regulated	Total	Regulated	Non-Regulated	Total	Regulated	Regulated	Total
<b>Operating Statistics</b>									
Passengers	487,698	N.A.	N.A.	310,056	N.A.	N.A.	797,754	N.A.	N.A.
Vessel Hours	4,701	206	4,907	3,082	74	3,156	7,783	280	8,063
Crew Hours	24,275	1,190	25,465	15,998	428	16,426	40,273	1,618	41,891
<b>Operating Revenues</b>									
Passenger Revenue	\$2,153,741	\$ -	\$2,153,741	\$1,191,241	\$ -	\$1,191,241	\$3,344,982	\$ -	\$3,344,982
Parking Lot Revenue	169,527	7,451	176,978	-	-	-	169,527	7,451	176,978
Catering Service Revenue	12,498	549	13,047	8,194	197	8,391	20,692	746	21,438
Other Revenue	-	104,742	104,742	-	32,846	32,846	-	137,588	137,588
Total Revenue	\$2,335,766	\$ 112,742	\$2,448,508	\$1,199,435	\$ 33,043	\$1,232,478	\$3,535,201	\$145,785	\$3,680,986
<b>Operating Expense</b>									
Vessel Operating Expenses	\$ 749,518	\$ 33,731	\$ 783,249	\$ 616,511	\$ 17,464	\$ 633,975	\$1,366,029	\$ 51,195	\$1,417,224
Non Vessel Oper. Expenses	419,924	17,040	436,964	118,274	323	118,597	538,198	17,363	555,561
Direct Adm'n. Expenses	314,705	14,439	329,144	163,997	4,013	168,010	478,702	18,452	497,154
Alloc. So. Cal. Adm'n. Expenses	294,580	12,771	307,351	185,106	4,472	189,578	479,686	17,243	496,929
Alloc. So. Cal. Acctg. Expenses	17,039	735	17,774	10,707	267	10,974	27,746	1,002	28,748
Alloc. Cal. Adm'n. Expenses	26,785	1,160	27,945	16,825	387	17,212	43,610	1,547	45,157
Alloc. Cal. Acctg. Expenses	35,182	1,524	36,706	22,100	508	22,608	57,282	2,032	59,314
Alloc. Crowley Maritime Corp. Exp.	79,511	6,833	86,344	53,118	1,261	54,379	132,629	8,094	140,723
Subtotal Adm'n. Expenses	\$ 767,802	\$ 37,462	\$ 805,264	\$ 451,853	\$ 10,908	\$ 462,761	\$1,129,655	\$ 48,370	\$1,268,025
Total Expense	\$ 1,937,244	\$ 88,233	\$ 2,025,477	\$ 1,186,638	\$ 28,695	\$1,215,333	\$3,123,892	\$116,928	\$3,240,810
Vessel Depreciation	108,361	4,665	113,026	114,981	2,701	117,682	223,342	7,366	230,708
Non-Vessel Depreciation	45,291	1,995	47,286	1,345	71	1,416	46,636	2,066	48,702
Total Depreciation Expense	\$ 153,652	\$ 6,660	\$ 160,312	\$ 116,326	\$ 2,772	\$ 119,098	\$ 269,978	\$ 9,432	\$ 279,410
Total Expense Before Tax on Income	\$ 2,090,896	\$ 94,893	\$ 2,185,789	\$ 1,302,964	\$ 31,467	\$ 1,334,431	\$3,393,860	\$126,360	\$3,520,220
Net Revenue Before Tax on Income	244,870	17,849	262,719	-103,529	1,576	-101,953	141,341	19,425	160,766
Interest	83,513	5,987	89,500	68,251	2,939	71,190	151,764	8,926	160,690
Taxable Income	161,357	11,862	173,219	-171,780	-1,363	-173,143	-10,423	10,499	76
Taxes @ 50%	80,679	5,931	86,610	-85,890	-682	-86,572	-5,211	5,249	38
Net Revenue After Income Taxes	164,191	11,918	176,109	-17,639	2,258	-15,381	146,552	14,176	160,728
Operating Ratio - %	93.0	89.4	92.8	101.5	93.2	101.2	95.9	90.3	95.6
Rate Base	1,417,976	62,475	1,480,451	1,600,307	70,336	1,670,641	3,018,283	132,809	3,151,092
Rate of Return - %	11.6	19.1	11.9	-1.1	3.2	-0.9	4.9	10.7	5.1

N.A. - Not Available.

HARBOR CARRIERS INC. - H. TOURIST INC.  
RESULTS OF OPERATION  
YEAR 1978 ESTIMATED

TABLE 2

Items	Harbor Carriers Inc.			H. Tourist Inc.			Combined Operations		
	Long Beach Operations		Total	San Pedro Operations		Total	Total		Total Non-Regulated
	Regulated	Non-Regulated		Regulated	Non-Regulated		Regulated	Non-Regulated	
<b>Operating Statistics</b>									
Passengers	487,700	N.A.	N.A.	352,300	N.A.	N.A.	840,000	N.A.	N.A.
Vessel Hours	4,701	206	4,907	3,852	74	3,926	8,553	280	8,833
Crew Hours	24,275	1,190	25,465	20,477	428	20,905	44,752	1,618	46,370
<b>Operating Revenues</b>									
Passenger Revenue	\$2,140,500	\$ -	\$2,140,500	\$1,446,200	\$ -	\$1,446,200	\$3,586,700	\$ -	\$3,586,700
Parking Lot Revenue	167,700	7,400	175,100	-	-	-	167,700	7,400	175,100
Catering Revenue	12,500	500	13,000	8,800	200	9,000	21,300	700	22,000
Other Revenue	-	104,700	104,700	-	32,800	32,800	-	132,500	132,500
<b>Total Revenue</b>	<b>\$2,320,700</b>	<b>\$112,600</b>	<b>\$2,433,300</b>	<b>\$1,455,000</b>	<b>\$33,000</b>	<b>\$1,488,000</b>	<b>\$3,775,700</b>	<b>\$145,600</b>	<b>\$3,921,300</b>
<b>Operating Expenses</b>									
Vessel Operating Expenses	\$ 801,000	\$ 36,100	\$ 837,100	\$ 834,000	\$ 19,800	\$ 853,800	\$1,635,000	\$ 55,900	\$1,690,900
Non Vessel Oper. Expenses	333,200	18,200	351,400	161,200	400	161,600	494,400	18,600	513,000
Direct Admin. Expenses	343,900	16,500	360,400	182,700	3,700	186,400	526,600	20,200	546,800
Alloc. So. Cal. Admin. Expenses	322,600	15,500	338,100	204,400	4,200	208,600	527,000	19,700	546,700
Alloc. So. Cal. Acctg. Expenses	18,700	900	19,600	11,800	200	12,000	30,500	1,100	31,600
Alloc. Ca. Div. Admin. Expenses	29,300	1,400	30,700	18,500	400	18,900	47,800	1,800	49,600
Alloc. Ca. Div. Acct. Expenses	38,500	1,900	40,400	24,400	500	24,900	62,900	2,400	65,300
Alloc. Crowley Maritime Corp Exp.	90,600	4,400	95,000	58,600	1,200	59,800	149,200	5,600	154,800
Subtotal Admin. Expenses	\$ 843,600	\$ 40,600	\$ 884,200	\$ 500,400	\$ 10,200	\$ 510,600	\$1,344,000	\$ 50,800	\$1,394,800
Subtotal Expenses	\$1,977,800	\$ 94,900	\$2,072,700	1,495,600	\$ 30,400	\$1,526,000	\$3,473,400	\$125,300	\$3,598,700
Deprn. Exp. - Vessel	108,400	4,700	113,100	164,900	3,200	168,100	273,300	7,900	281,200
Deprn. Exp. - Non-Vessel	45,300	2,000	47,300	1,600	100	1,700	46,900	2,100	49,000
<b>Total Depreciation Expense</b>	<b>153,700</b>	<b>6,700</b>	<b>160,400</b>	<b>166,500</b>	<b>3,300</b>	<b>169,800</b>	<b>320,200</b>	<b>10,000</b>	<b>330,200</b>
<b>Total Expense before Income Tax</b>	<b>\$2,131,500</b>	<b>\$101,600</b>	<b>\$2,233,100</b>	<b>\$1,662,100</b>	<b>\$ 33,700</b>	<b>\$1,695,800</b>	<b>\$3,793,600</b>	<b>\$135,300</b>	<b>\$3,928,900</b>
Net Revenue before Income Tax	189,200	11,000	200,200	-207,100	-700	-207,800	-17,900	10,300	-7,600
Interest	74,900	5,500	80,400	100,000	1,900	101,900	174,900	7,400	182,300
Taxable Income	114,300	5,500	119,800	-307,100	-2,600	-309,700	-192,800	2,900	-189,900
Taxes on Inc. @ 50%	57,100	2,800	59,900	-153,500	-1,300	-154,800	-96,400	1,500	-94,900
Net Rev. after Inc. Tax	132,100	8,200	140,300	-53,600	600	-53,000	78,500	8,800	87,300
Oper. Ratio after Inc. Tax - %	94.3	92.7	94.2	103.7	98.2	103.6	97.9	94.0	97.8
Rate Base	1,271,100	\$6,000	1,327,100	2,347,200	45,000	2,392,200	3,618,300	101,000	3,719,300
Rate of Return - %	10.4	14.6	10.6	-2.3	1.3	-2.2	2.2	8.7	2.3

N.A. - Not Available.

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**HARBOR CARRIERS, INC. - H. TOURIST, INC.**  
**RESULTS OF OPERATION**  
**YEAR 1978 ESTIMATED**  
**PROPOSED FARES**

TABLE 3

Item	Harbor Carriers, Inc.			H. Tourist, Inc.			Combined Operations		
	Long Beach Operations			San Pedro Operations			Total	Total	
	Regulated	Non-Reg.	Total	Regulated	Non-Reg.	Total	Regulated	Non-Reg.	Total
<b>Operating Statistics</b>									
Passengers	487,700	NA	NA	352,300	NA	NA	\$ 840,000	NA	NA
Vessel Hours	4,701	206	4,907	3,852	74	3,926	8,553	280	8,833
Crew Hours	24,275	1,190	25,465	20,477	428	20,905	44,752	1,618	46,370
<b>Operating Revenues</b>									
Passenger Revenue	\$2,521,400	-	\$2,521,400	\$1,735,800	-	\$1,735,800	\$4,257,200	-	\$4,257,200
Parking Lot Revenue	167,700	\$ 7,400	175,100	-	-	-	167,700	\$ 7,400	175,100
Catering Service Revenue	12,500	500	13,000	8,800	200	9,000	21,300	700	22,000
Other Revenue	-	104,700	104,700	-	32,800	32,800	-	137,500	137,500
<b>Total Revenue</b>	<b>\$2,701,600</b>	<b>\$112,600</b>	<b>\$2,814,200</b>	<b>\$1,744,600</b>	<b>\$33,000</b>	<b>\$1,777,600</b>	<b>\$4,446,200</b>	<b>\$145,600</b>	<b>\$4,591,800</b>
<b>Operating Expenses</b>									
Vessel Operating Expenses	\$ 801,000	\$ 36,100	\$ 837,100	\$ 834,000	\$19,800	\$ 853,800	\$1,635,000	\$ 55,900	\$1,690,900
Non-Vessel Operating Expenses	333,200	18,200	351,400	161,200	400	161,600	494,400	18,600	513,000
Direct Admin. Expense	367,500	16,500	384,000	200,700	3,700	204,400	568,200	20,200	588,400
Alloc. So. Cal. Admin Expense	322,600	15,500	338,100	204,400	4,200	208,600	527,000	19,700	546,700
Alloc. So. Cal. Acctg. Expense	18,700	900	19,600	11,800	200	12,000	30,500	1,100	31,600
Alloc. Calif. Admin. Expense	29,300	1,400	30,700	18,500	400	18,900	47,800	1,800	49,600
Alloc. Calif. Acctg. Expense	38,500	1,900	40,400	24,400	500	24,900	62,900	2,400	65,300
Alloc. Crowley Maritime Corp. Exp.	90,600	4,400	95,000	58,600	1,200	59,800	149,200	5,600	154,800
Subtotal Admin. Expense	\$ 867,200	\$ 40,600	\$ 907,800	\$ 518,400	\$10,200	\$ 528,600	\$1,335,600	\$ 50,800	\$1,436,400
<b>Total Expense</b>	<b>\$2,001,400</b>	<b>\$ 94,900</b>	<b>\$2,096,300</b>	<b>\$1,513,600</b>	<b>\$30,400</b>	<b>\$1,544,000</b>	<b>\$3,515,000</b>	<b>\$125,300</b>	<b>\$3,640,300</b>
Vessel Depreciation Expense	\$ 108,400	\$ 4,700	\$ 113,100	\$ 164,900	\$ 3,200	\$ 168,100	\$ 273,300	\$ 7,900	\$ 281,200
Non-Vessel Depreciation Expense	45,300	2,000	47,300	1,600	100	1,700	46,900	2,100	49,000
<b>Total Depreciation Expense</b>	<b>\$ 153,700</b>	<b>\$ 6,700</b>	<b>\$ 160,400</b>	<b>\$ 166,500</b>	<b>\$ 3,300</b>	<b>\$ 169,800</b>	<b>\$ 320,200</b>	<b>\$ 10,000</b>	<b>\$ 330,200</b>
<b>Total Expense before Tax on Income</b>	<b>\$2,155,100</b>	<b>\$101,600</b>	<b>\$2,256,700</b>	<b>\$1,680,100</b>	<b>\$33,700</b>	<b>\$1,713,800</b>	<b>\$3,835,200</b>	<b>\$135,300</b>	<b>\$3,970,500</b>
Net Revenue before Tax on Income	\$ 546,500	\$ 11,000	\$ 557,500	\$ 64,500	-700	\$ 63,800	\$ 611,000	\$ 10,300	\$ 621,300
Interest	\$ 74,900	\$ 5,500	\$ 80,400	\$ 100,000	\$ 1,900	\$ 101,900	\$ 174,900	\$ 7,400	\$ 182,300
Taxable Income	\$ 471,600	\$ 5,500	\$ 477,100	\$ -35,500	\$ -2,600	\$ -38,100	\$ 436,100	\$ 2,900	\$ 439,000
Taxes at 50 percent	\$ 235,800	\$ 2,800	\$ 238,600	\$ -17,800	\$ -1,300	\$ -19,100	\$ 218,000	\$ 1,500	\$ 219,500
<b>Net Revenue after Income Taxes</b>	<b>\$ 310,700</b>	<b>\$ 8,200</b>	<b>\$ 318,900</b>	<b>\$ 82,300</b>	<b>\$ 600</b>	<b>\$ 82,900</b>	<b>\$ 393,000</b>	<b>\$ 8,800</b>	<b>\$ 401,800</b>
Operating Ratio - %	85.5	92.7	85.7	95.3	98.2	95.3	91.2	94.0	91.2
Rate Base	\$1,271,100	\$ 56,000	\$1,327,100	\$2,347,200	\$45,000	\$2,392,200	\$3,618,300	\$101,000	\$3,719,300
Rate of Return - %	24.4	14.6	24.0	3.5	1.3	3.5	10.9	8.7	10.8

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NA - Not Available.

