

Decision No. 92085 JUL 29 1980

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 author-)
ization to increase rates of fare for)
the transportation of passengers by)
vessel between Newport Beach and)
Avalon, Santa Catalina Island,)
California.)

ORIGINALApplication No. 59567
(Filed April 2, 1980)O P I N I O N

Catalina Passenger Service, Inc. is a common carrier engaged in the transportation of persons and hand-baggage by vessel between Balboa Pavilion at Newport Beach, Orange County; and Avalon, Santa Catalina Island, under the authority granted in Decision No. 86252 dated August 17, 1976.

In this application Catalina Passenger Service, Inc. requests authorization to increase its fares by 23 percent. It has served notice of its application to Los Angeles County, Orange County, the City of Avalon, and the City of Newport Beach as required by Rule 24 of the California Public Utilities Commission's Rules of Practice and Procedure. There have been no objections filed with the Commission. The following table indicates its previous, present, and proposed fares:

<u>One-Way Fare</u>	<u>Date Established or Proposed</u>		
	June 1976 D. 85937	August 1979 D. 90691	April 1980 A. 59567
Adult	\$5.50	\$6.50	\$8.00
Child	2.75	3.25	4.00

Catalina Passenger Service, Inc. operates the 115-foot vessel "Catalina Holiday", which it had built in 1978. This ship has a Coast Guard licensed capacity of 425 passengers. The ship is used on scheduled passenger service, on chartered service, and for sightseeing excursions.

The passenger service to Avalon is highly seasonal in demand. For example, in 1979 the "Catalina Holiday" carried scheduled or chartered passengers only between April and October. It carried 2,300 passengers in April with counts rising to a maximum of 11,900 in August and then dropping to 3,200 in October. The total passenger count for 1979 was 49,300.

The California Public Utilities Commission regulates Catalina Passenger Service, Inc.'s passenger and chartered service, but does not regulate its sightseeing service; accordingly, all the operations items presented by the applicant have been allocated to describe only the revenue and expenses of its regulated activities.

Table A shows these amounts for 1978, 1979 and 1980. The sources of these data are the Exhibit C's of this proceeding and the previous application of Catalina Passenger Service, Inc. as noted. The projections for 1980 are based upon the same passenger count as existed in 1979 because Catalina Passenger Service, Inc. does not expect any change in passenger demand. Of particular interest is the comparison between forecasted and actual data for 1979. In making its projections, Catalina Passenger Service, Inc. underestimated both its revenue and its expenses for 1979, apparently not anticipating the amount of inflation that would occur. Its net profit was much less than it had expected with the fare increase. Projecting this data into the future suggests that Catalina Passenger Service, Inc. will soon be operating at a loss unless it receives relief through increased rates.

As there have been no protests, the order enabling the applicant to increase its rates shall be made ex parte. The fare increase shall be authorized at the time that the following order is signed in order to give the applicant as much relief from pending losses as possible during the short time remaining in its operating season.

TABLE A
Catalina Passenger Service, Inc.
Operations; Passenger and Charter Service

	<u>Year</u>			
	<u>1978</u> (a)	<u>1979</u>	<u>1980</u> (b)	
Revenue	-	\$359,639 (a)	\$562,000	Forecast, without fare sought
	-	428,306 (a)	690,000	Forecast, with fare sought
	\$359,639	502,577 (b)	-	Actual
Expenses	-	\$378,656 (a)	\$612,647	Forecast, without fare sought
	-	392,654 (a)	640,647	Forecast, with fare sought
	\$307,779	500,267 (b)	-	Actual
Profit	-	\$-19,017 (a)	\$-50,647	Forecast, without fare sought
	-	35,651 (a)	49,353	Forecast, with fare sought
	\$ 51,860	2,310 (b)	-	Actual
Operating Ratio	-	1.05 (a)	1.090	Forecast, without fare sought
	-	0.92 (a)	0.928	Forecast, with fare sought
	0.86	0.995 (b)	-	Actual

Notes: a. Exhibit "C", A. 58776
b. Exhibit "C", A. 59567

In Decision 90691 (August 14, 1979), in which Catalina Passenger Service, Inc.'s previous rate application (A. 58776) was granted, Administrative Law Judge John Weiss considered in detail Catalina Passenger Service, Inc.'s operating statements for 1978 and projections for 1979. He expressed concern over the magnitude of some of the expense increases projected by the applicant. He noted especially the fact that terminal expense was set by contract with Davey's Locker, a sister corporation, and increased as a percentage of the gross income each year. He stated, "While we have no information or basis to challenge the method or level of this expense at this time, applicant is placed on notice that in any subsequent proceeding this contract will be in issue and applicant will be called upon to present evidence to justify the method and amount involved." (D. 90691, p. 6).

Catalina Passenger Service, Inc. has not presented evidence to justify the method or the amount for terminal expense in this application. It has submitted data regarding revenues and expenses for each month during 1979 as a result of a request by the Commission staff after its application was filed. When time allows, this data will be examined in greater detail and the trends of the various items will be studied. The applicant will be asked to justify the contract and the amount for terminal expense which causes it to have to pay an increasing percentage of the gross income each year to its sister corporation.

F I N D I N G S

1. The totals for Catalina Passenger Service, Inc.'s revenue and expenses show that its profits are rapidly deteriorating and a loss is forecast for 1980 if its rates are not increased.
2. Although the Commission staff has not made a detailed examination of the applicant's terminal expense, this will be done in the near future.
3. The shortness of the Catalina Island tourist season and the fact that it has already begun require that there be as little further delay as possible in putting its proposed fare increase into effect.

4. A public hearing is not required.

O R D E R

IT IS ORDERED that:

1. Catalina Passenger Service, Inc. be authorized to establish the increased fares proposed in Application No. 59567. The tariff publications authorized to be made as a result of this order may be made effective not earlier than five days after the effective date of this order and on not less than five days' notice to the Commission and to the public.

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

3. In addition to the required posting and filing of tariffs, the applicant shall post a printed explanation for its fare increase in its vessel and terminals. The notices shall be posted at least five days before the effective date of the fare increase and shall remain posted for thirty days thereafter.

The effective date of this order is the date hereof.

Dated JUL 29 1980, at San Francisco, California.

John E. Bryan
President
Vernon L. Sturgeon
Robert D. Gravelly
Edward J. Quinn
Clare J. Doolish
Commissioners