

APR 23 1997

Decision 97-04-072 April 23, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CATALINA CRUISES, INC. a California corporation, to increase or otherwise adjust its fare levels for the transportation of passengers in vessel common carrier service between the Port of Los Angeles (San Pedro) or the Port of Long Beach, on the one hand, and, on the other, authorized service points on Santa Catalina Island, and between authorized points on Santa Catalina Island.

ORIGINAL

Application 96-12-020
(Filed December 6, 1996)

OPINION

Catalina Cruises, Inc. (Catalina Cruises or applicant) is a passenger common carrier by vessel between Long Beach or San Pedro, on the one hand, and, on the other hand, points on Santa Catalina Island, as well as for service between authorized points on Santa Catalina Island. Its current fares were authorized by Decision 95-03-028, dated March 22, 1995, in Application 94-12-041. These fares were published on April 1, 1995.

By this application, pursuant to Public Utilities (PU) Code §§ 454 and 491, Catalina Cruises seeks to increase some of its current fare levels for passengers transported between Long Beach or San Pedro and points on Santa Catalina Island by varying amounts from 5.3% to 9.5%. It also seeks to maintain at current levels, or decrease, its existing fare levels for transportation between points on Santa Catalina Island. All of these fare adjustments would be applicable to vessels currently operated by Catalina Cruises; i.e., vessels of 20 knots or less speed.

In addition, by this application, Catalina Cruises seeks to publish in its tariff new passenger fares between Long Beach or San Pedro and points on Santa Catalina Island which will be applicable to passengers transported in vessels of 21 knots or more in speed. Catalina Cruises does not currently own or operate any vessels which cruise at 21 knots or more in speed but believes such vessels will be required in the near future to remain competitive. It presently requires these fare levels for the faster vessels which

are in the planning stage to be acquired by lease or purchase. The level of rates sought for these faster vessels is slightly less than the fares authorized and assessed by competitive carriers operating fast vessels in Santa Catalina Island service.

Finally, by this application, Catalina Cruises seeks to adjust its nonscheduled service charges for varying numbers of passengers transported in what is generally referred to as vessel charter service. These charges have historically been assessed and will continue to be assessed on a per-hour basis with the hourly charge dependent upon the number of passengers carried. The new per-hour charges are to be published for both vessels of 20 knots or less and 21 knots or more in speed.

The application appeared in the Commission's Daily Calendar of December 12, 1996 and no protests have been received. The Rail Safety/Carriers Division prepared the analysis of application appearing in this decision and recommends its approval.

Analysis of Application

The latest unaudited Balance Sheet and Income Statement for the period ended September 30, 1996, are attached to the application. A pro forma income statement is included in the application and identified as Appendix 4.

The present and proposed fares are shown in Table 1.

TABLE 1

FARES (In dollars per person)
Present Proposed

<u>Between Los Angeles and Long Beach and;</u>			<u>Proposed</u>
<u>Avalon</u>			<u>Vessels of 21 knots</u>
<u>For vessels of 20 knots or less in speed</u>			<u>or more</u>
Adult one-way (OW)	\$10.50	\$11.50	\$ 16.50
Adult round-trip (RT)	21.00	23.00	33.00
Child OW	8.50	9.00	11.50
Child RT	17.00	18.00	23.00
Commuter OW	64.50	70.00	110.00
 <u>Gallagher's Island, Toyon Bay, White's Landing, Camp Fox, Two Harbors, and Howland Landing, Santa Catalina</u>			
<u>For vessels of 20 knots or less in speed</u>			
Adult OW	\$11.50	\$12.50	\$17.50
Adult RT	23.00	23.00	35.00
Child OW	9.50	10.00	12.50
Child RT	19.00	20.00	25.00
Adult Group RT	23.00	23.00	30.00
4 trip Adult Group RT	19.00	20.00	25.00
 <u>Between Avalon and other points on Santa Catalina</u>			
Adult OW	\$11.50	\$11.50	
Adult RT	23.00	23.00	
Child OW	9.50	10.00	
Child RT	19.00	18.00	

The present and proposed charter rates for vessels of 20 knots or less and the proposed 21 knots or more are shown as follows:

<u>Passenger Carried</u> <u>Present charges</u>	<u>Charge Per Hour</u> <u>vessels 20 knots</u> <u>or less</u>
1 - 110	\$ 297.20
111 - 149	403
150 - 500	869.50
501 - 700	1,093

Proposed charges

	<u>Under 21 knots</u>	<u>21 knots or over</u>
1 - 100	\$295	
100 - 120	400	\$ 900
121 - 399	885	1,300
400 - 599	1,200	1,450

The applicant proposes to increase commuter, child, and all adult one-way, round-trip, and adult group fares between points on the mainland and Santa Catalina Island. The adult fares between points on the Island will remain the same and children's fare will decrease.

Table 2 sets forth the estimated results of operations under present and proposed passenger fares for the test year ending September 30, 1996.

TABLE 2

Test Period Ending September 30, 1996

INCOME STATEMENT

	Historical Year ended September 30, 1996	Test Year ending December 31, 1997	
	<u>Present Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$4,490,434	4,490,434	4,592,000
Operating Expenses	4,797,854	5,184,060	5,184,060
Operating Loss	(\$307,420)	(693,626)	(592,060)
Operating Ratio	106.85%	115.45%	112.89%

In Table 2, the applicant's operations in the year ended September 30, 1996, under its present fares resulted in a loss of \$307,420 and an operating ratio of 106.85% before income taxes. In 1994, the ridership count totaled 488,200 before decreasing to 464,000 and 461,400 for 1995 and 1996, respectively. Applicant projects a total ridership of 455,000 passengers in 1997. If present fares are not changed and the projected costs are realized, applicant anticipates that its operating loss will increase for 1997, and the operating ratio will rise to 115.45%. Applicant projects direct operating costs of wages to crew, repairs, and fuel to increase by 6.5%, 74.34%, and 30.45%, respectively. The applicant also projects a 260.11% increase in "damages" to be paid for accidents or customer claims. Non-vessel operating costs of operating supplies and facilities are projected to increase by 57% and 12%, respectively.

The proposed fare increases are expected to generate annual operating revenue of \$4,592,000 which will reduce its operating loss to \$592,060, and lower its operating ratio to 112.89%.

Findings of Fact

1. Catalina Cruises seeks to change and restructure its fare levels by:
 - a. Increasing some of its current fare levels for passengers transported between Long Beach or San Pedro and points on Santa Catalina Island by varying amounts from 5.3% to 9.5%;
 - b. Maintaining or decreasing current fare levels for transportation between points to Santa Catalina Island;
 - c. Publishing new fares between Long Beach or San Pedro and points on Santa Catalina Island which will be applicable to passengers transported in vessels of 21 knots or more, which vessels are now in the planning stage; and
 - d. Increasing its vessel charter service fare levels.
2. Applicant's competitors were served with a copy of the application and it was duly published in the Commission's Daily Calendar.
3. No protests have been received and the Rail Safety/Carriers Division recommends that the application be approved.
4. The proposed fare restructuring is projected to reduce applicant's operating loss for 1997 to \$592,060.

5. A public hearing on this application is not required.

Conclusions of Law

1. The application should be granted.

2. As the authorized rates are to commence at an early date, the order should be effective immediately, short notice authority being granted pursuant to PU Code § 491.

O R D E R

IT IS ORDERED that:

1. Catalina Cruises, Inc. is authorized to establish the fares proposed in this application.

2. Short notice authority is granted pursuant to Public Utilities Code § 491.

3. Tariffs shall be filed on or after the effective date of this order. They may go into effect five days or more after the effective date of this order on not less than five days' notice to the Commission and to the public.

4. The authority granted herein shall expire unless exercised within 30 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 applicant's terminal and vessels a printed explanation of the fares. Such notice shall be posted 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.

6. The application is granted as set forth above, and this docket is closed.

This order is effective today.

Dated April 23, 1997, at San Francisco, California.

P. GREGORY CONLON
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners