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Decision 97-06-042 June 11, 1997

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

Application 97-03-043
(Filed March 25, 1997)

ORIGINAL

O P I N I O N

Catalina Passenger Service, Inc. (Catalina) requests authority pursuant to Sections 454 and 491 of the Public Utilities Code to increase its fares between Newport Beach and Avalon, Santa Catalina Island. The Commission has received no protests in response to the application. We will grant the authority sought by Catalina.

Catalina is a common carrier by vessel engaged in the transportation of persons and hand-baggage between Newport Beach and Avalon. Authority to conduct this service was granted by Decision 86252, which also authorized the applicant to adopt the tariffs and timetables of Davey's Locker, Inc. Applicant most recently amended its tariff on November 1, 1994.

Since 1988, Catalina has operated its service with a 500-passenger catamaran vessel, the *Catalina Flyer*. Its ridership is highly seasonal, as 79% of its passengers travel between June 1 and September 30. Catalina states that its experience and research indicate virtually all of its passengers are tourists and sightseers who travel to Santa Catalina Island for a day, a weekend, or a summer vacation.

Currently, Catalina's basic adult round trip fare is \$30.50. Catalina seeks to increase this fare to \$33.50, and to raise its other fares (except commuter fares) by an amount commensurate with this level of increase. In support of its request Catalina explains that several expense items, including fuel, payroll and boat insurance, are expected to increase in 1997. In addition, during 1996 the *Catalina Flyer* experienced major mechanical problems which resulted in extraordinarily high maintenance and

repair expenses. Although Catalina does not expect these extraordinary expenses to recur, it does project higher repair and maintenance costs in the future, due to the vessel's age.

In support of its request Catalina has furnished a current income and expense statement. This demonstrates that Catalina lost \$125,052 in 1996 on revenues of \$2,205,000. With the fare increase Catalina projects a net profit of \$174,900 on revenues of 2,457,000 (assuming level ridership) for 1997; without the fare increase it projects a loss of \$32,055. The proposed fare increase will increase gross revenue by 11.43%. Without the fare increase, the applicant's operating ratio is 1.0145. After the fare increase, the operating ratio (after tax) is projected to be 0.9513.

We find that Catalina's request is justified. We will grant the application, effective immediately.

Findings of Fact

1. Applicant Catalina Passenger Service, Inc. experienced a loss of \$125,052 from its common carrier vessel service between Newport Beach and Avalon in 1996.
2. Applicant's loss in 1996 was the result of increased operating expenses and extraordinary repair and maintenance expenses for its vessel.
3. Unless applicant increases its fares, it will continue to experience a loss from the operation of its common carrier vessel service.
4. The increases in rates and charges authorized by this decision are justified, and are just and reasonable.

Conclusions of Law

1. Applicant's request for authority to increase its fares should be granted.
2. The order should be made effective immediately in order to permit the applicant to charge consistent fares throughout most of the peak ridership period.

O R D E R

IT IS ORDERED that:

1. Catalina Passenger Service, Inc. is authorized to establish the increased fares proposed in Application (A.) 97-03-043. 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 the public.

2. The authority shall expire unless exercised within 90 days after the effective date of this order.

3. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in applicant's operating 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.

4. A.97-03-043 is closed.

This order is effective immediately.

Dated June 11, 1997, at San Francisco, California.

P. GREGORY CONLON
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners