

Decision No. 40304

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Appli-) Application No. 27797
cation of H. F. ALEXANDER.)AppearancesH. F. Alexander, applicant in propria persona.Wallace L. Ware, James MacPherson, J. H. Lofland,
and Grant McMicken, for applicant.C. E. Jacobson, for Los Angeles Chamber of Commerce;
Irving M. Smith and Joseph B. Lamb, for the City
of Long Beach and the Long Beach Harbor Commission;
John J. O'Toole, Dion R. Holm and Paul L. Beck, for
the City and County of San Francisco; F. Bert Fern-
hoff and J. Kerwin Rooney, for the City of Oakland;
M. C. Hermann, for Veterans of Foreign Wars;
Wm. Margolin, for Veterans Non Partisan League;
Mario Grossetti, for Bay Cities Metal Trades Council;
and Robert T. Anderson, for City of Berkeley, in
support of the application.Fred N. Bigelow and W. Wallace Wilhite for Pacific
Southwest Railroad Association; Wm. F. Brooks for
The Atchison, Topeka and Santa Fe Railway Company,
Santa Fe Transportation Company and The Santa Fe
Trail Transportation Company; and E.L.H. Bissinger
for Southern Pacific Company, protestants.W. A. Stieger and H. J. Bischoff, for Southern Cali-
fornia Freight Lines and Southern California Freight
Forwarders; Lloyd R. Guerra and Bill Jacobson, for
Western Truck Lines, Ltd., interested parties.O P I N I O N

H. F. Alexander, an experienced steamship operator, seeks a certificate of public convenience and necessity to operate vessels between the ports of San Francisco and Long Beach as a common carrier of passengers, automobiles and motor freight carriers including tractors, trucks and trailers.

Public hearings were had at Los Angeles and San Francisco before Commissioner Huls and Examiner Freas. The matter was submitted upon concurrent briefs.

Applicant proposes to acquire two identical vessels. They are to be 563 feet in length, 90 feet in breadth at main deck, of 18,000 tons gross register and built and powered with twin-screw 36,000 horsepower steam turbines capable of maintaining a speed of 25 knots.¹ Each vessel is to be equipped with stateroom accommodations with connecting baths for approximately 348 passengers. There will be 30 deluxe suites. Additional sleeping accommodations are to be provided for 64 truck drivers and for the officers and crew. Each vessel will have a dining salon with seating capacity of 220 persons and a night club with seating capacity of 154 persons. Two decks of each vessel are to resemble large garages with a capacity of approximately 186 30-foot trucks or trailers and 46 passenger automobiles. The cost of each vessel is said to be approximately \$8,500,000. Their construction will take about 1½ years.

Tentative arrangements have been made with the Long Beach Harbor Commission and the Board of State Harbor Commissioners for the Port of San Francisco for the use of terminal facilities, including 3 elevators having a capacity of 70 tons each, at each terminal.

¹ Sailings from each port will be at 6:00 p.m. daily with arrivals at destination no later than 9:00 a.m. the following morning. There is no provision for standby equipment. Applicant anticipates that neither vessel will be out of service more than 15 days per year.

The charges to be assessed for the proposed service are as follows:

<u>Passengers</u>	<u>One Way</u>	<u>Round Trip</u>
Adults	\$11.00	\$19.80
Children - over 5, under 12 yrs.	5.50	9.90
Infants - over 2, under 5 yrs.	2.50	5.00
Infants - under 2 yrs.	Free	Free

Freight

Autcmobiles	14.00	28.00
* Freight Vehicles - per linear ft.	2.50	

* Includes transportation and sleeping accommodations for truck drivers accompanying vehicles.

<u>#Staterooms</u>	<u>Upper Berth</u>	<u>Lower Berth</u>
Standard		
With Bath	\$ 3.00	\$ 3.50
Without Bath	2.00	2.50
DeLuxe, \$5.00 per person		

One person occupancy $1\frac{1}{2}$ times regular fare.

Applicant represents that there is a great demand for the type of service he proposes to render. He testified that such passenger vessels as the Yale, Harvard and the Emma, Ruth, Dorothy and H. F. Alexander which he formerly operated between San Francisco and Los Angeles were well patronized and financially successful; and that although public demand for vessel service is now greater, no comparable service exists today. He also stated that passenger automobile transportation by vessel would fill a growing need of the traveling public for use of private automobiles at destination. Much of the tonnage moving in excess of 400 miles over the highways between the areas here involved is transported between late afternoon and early morning. It is applicant's contention that wherever a similar method of carrying truck and trailer traffic had been offered to the public it had proven of great benefit to shippers.

and carriers alike. By the procurement of experienced, competent executives applicant believes that successful operation of the service he expects to provide has been assured.

A witness for applicant, for the past 15 years a partner in the largest travel agency in California, testified that based on his personal experience there is a great demand for passenger and automobile transportation by vessel between the Los Angeles and San Francisco metropolitan areas and that other large passenger carrying vessels including those heretofore operated by petitioner were very popular when they were operating between the areas involved. His testimony with respect to the demand for passenger service by vessel was corroborated by the traffic manager for the Port of Long Beach.

A consulting engineer having intimate knowledge of California truck operating costs and traffic volume was retained by applicant. The engineer testified that during 1946 an estimated 1,104,000 tons of freight was transported by truck between the San Francisco and Los Angeles metropolitan areas. This traffic volume, he said, represents an enormous potential for vessel service. The witness stated that the proposed rates should prove most attractive for single trucks and semi-trailer units. Such units, he pointed out, transported 71.4 per cent of the total traffic handled by truck between the areas involved during the period studied.

The engineer testified that for truck units of from 20 to 30 feet in length an average saving in truck variable costs of 3 cents per mile would be realized. Use of applicant's service would permit carriers to use less expensive lighter weight equipment more suitable to direct delivery operations at destination, thus reducing investment and capital expenses and terminal platform

costs. In addition, he pointed out that insurance premiums on trucks engaged in hauls of more than 400 miles are 10 times higher for collision insurance and $1\frac{1}{2}$ times higher for public liability and property damage insurance than are premiums for trucks engaged in local service. The movement of freight vehicles by vessel, he said, would substantially reduce over-all insurance costs. The witness also said that line-haul driver layover and subsistence costs would be eliminated.

Applicant estimates that the over-all year around load factor of the vessels will be about 70 per cent. In arriving at this estimate, consideration was given to the experience of vessel operations conducted in the past and to the phenomenal growth of the State in terms of population, per-capita income, motor vehicle registration and industrialization. It was pointed out that industries located within the areas in question are to a large extent noncompetitive, thereby assuring a large flow of traffic between the two centers. Based upon estimated revenue and expense figures of record and an estimated 70 per cent load factor, the proposed rates would produce a rate of return of approximately 11 per cent. With a load factor of 50 per cent the rate of return would approximate 4 per cent.

The record shows that applicant expects to obtain from the United States Maritime Commission \$14,875,000 of the total estimated capital required, provided a certificate of public convenience and necessity is received from this Commission.² It further shows that the Army and Navy Departments favor the project. It was stated that procurement of the balance, approximating

² The federal agency is authorized by the Merchant Marine Act, 1936 (U.S.Code, Title 46, Sec. 1159) to loan 87.5 per cent of the total construction cost of vessels of the type to be built..

\$4,000,000, is assured from other sources upon incorporation of the company, and receipt of the aforesaid certificate.

Applicant requests that a certificate of public convenience and necessity be granted contingent upon incorporation of the enterprise, and a full and satisfactory showing of said corporation's financial structure.

A number of witnesses representing chambers of commerce, boards of county supervisors, city councils, civic groups and other interested parties located in the metropolitan areas proposed to be served by applicant urged that the sought certificate be granted.

Competing rail lines opposed the granting of the application. They participated in the cross-examination of witnesses but offered no evidence on their own behalf. On brief, they contend that as to the carriage of motor vehicles, no direct testimony has been offered by either for-hire carriers or private individuals purporting to show that they would use the facilities in question; that no affirmative showing has, therefore, been made of either the need for the proposed vessel service or the inadequacy of other existing means of transportation; that applicant would experience an average load factor of but 33 per cent, even though he should carry all the trucks moving between the Los Angeles and San Francisco metropolitan areas according to Table IX of an exhibit introduced by applicant's consulting engineer; that for-hire highway carriers cannot legally use applicant's service as proposed; and that there is no provision of law authorizing the proposed transportation of freight-laden vehicles for highway common, radial common, or contract carriers. Protestants believe the sanction of the Commission must be obtained, either by the establishment of through routes and joint rates, or upon a showing of public convenience and necessity.

If there is a need for the service in question, it is not negated by applicant's failure to show by direct commitments that truck operators would use it at a future date. Table IX of the engineer's study was apparently introduced to show the ratio between the numbers of single and double truck units moving between the areas here involved and does not, as we understand it, purport to show the total volume of such traffic. Concerning protestants' statement that there are no statutory provisions under which truck operators could legally use applicant's proposed service, it is sufficient to say that it has not been shown that the statutes prohibit such an operation; and that applicant does not propose to enter into through routes or joint rates for the transportation of individual shipments but offers only to provide a service similar to that ordinarily provided by vehicular ferries for the transportation of freight-laden or empty freight motor vehicles.

The record is convincing that there is a need for service by vessel between the San Francisco and Los Angeles areas. The resumption of a passenger service which, in the past, was well patronized and successfully operated will be in the public interest. The over-night carriage of motor freight vehicles by vessel would make available to truck operators, both for-hire and proprietary, a new and frequently more economical method of serving the two areas in question and would offer opportunities for alleviating present congested highway conditions.

Accordingly, upon careful consideration of all the facts and circumstances of record, the Commission finds as a fact that

public convenience and necessity require the vessel operation proposed in this proceeding.

O R D E R

Application having been made, public hearings having been held, the record having been fully considered, and the Commission being of the opinion and hereby finding that public convenience and necessity so require,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to H. F. Alexander, authorizing the establishment and operation of service as a common carrier by vessel for the transportation of passengers, automobiles transported incidental to the transportation of passengers, and motor vehicle equipment constructed for transporting freight over the public highways, both empty and freight laden, between San Francisco and Long Beach.

IT IS HEREBY FURTHER ORDERED that this certificate will not become effective until:

- (a) Applicant files with this Commission a certified copy of the articles of incorporation of the corporation organized for the purpose of taking over the herein proposed operation, said articles of corporation being then lawfully on file in the office of the Secretary of State of this State; and,
- (b) Applicant files with this Commission a written notice that suitable vessels are being acquired and makes a full and satisfactory showing of its financial structure.

IT IS HEREBY FURTHER ORDERED that in providing service pursuant to the foregoing certificate the following service conditions shall be observed and complied with:

1. Applicant shall file a written acceptance of the certificate herein granted within a period not to exceed thirty (30) days from the date that the certificate herein granted becomes effective.

2. Applicant shall file in triplicate and concurrently make effective appropriate tariffs and time schedules thirty (30) days prior to the commencement of the contemplated service, on not less than ten (10) days' notice to the Commission and to the public. Said tariffs shall contain rates, fares and charges identical with those filed in the instant application, as amended.

The effective date shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 20th day of May, 1947.

James P. Huls

Justice J. Cravens

Walter Powell

R. T. Johnson

Kenneth Potter

Commissioners