

ORIGINAL

Decision No. 64015

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AVALON NAVIGATION
COMPANY, a California corporation,
and of ISLAND TRANSPORTATION
COMPANY, a California corporation,
to sell certain utility property
and to lease back line equipment
to replace the same.

Application No. 44545
Filed June 12, 1962

O P I N I O N

This application has been filed by Avalon Navigation Company, a corporation hereinafter referred to as Avalon, and Island Transportation Company, a corporation hereinafter referred to as Island, for an order authorizing the sale to Hydro-Capital, a corporation, of two vessels named the Magic Isle and Catalina Island Lady.

The application shows that Avalon for a period of four years and Island for a period of eight years have been engaged in business as common carriers, primarily of passengers and baggage, between Santa Catalina Island and the mainland, that each corporation owns but one vessel, the two which constitute the subject of this application, and that each during certain periods has been compelled to charter other operating units. From a review of the results of operations, it appears

that both carriers have encountered losses since commencing operations resulting, as of May 31, 1961, in an accumulated deficit of \$35,845 for Avalon and of \$26,664 for Island, that both have depleted their working capital, and that both have found themselves in an adverse financial position with current liabilities far in excess of their cash resources.

It appears that in an endeavor to resolve these financial difficulties Hydro-Capital was organized as a California corporation on May 25, 1961. According to the application, arrangements have been made, or are being made, whereby the two operating carriers will become wholly-owned subsidiaries of Hydro-Capital and, subject to the approval of the Commission, will sell their two vessels, at net book values, to Hydro-Capital. As a part of these transactions, Avalon will charter the Magic Isle from Hydro-Capital and Island will charter a vessel named the Catalina Aloha to replace the Catalina Island Lady which is said to have an inadequate passenger capacity. The charter agreements provide that Avalon and Island, each, will pay as rent annual sums equal to 35 percent of the gross revenues resulting from the use and hire of the equipment, or \$10,000, whichever is greater, and further provide that Hydro-Capital will make other equipment available to Avalon and Island in the event the leased vessels should become inoperative.

The reported sale price of the Magic Island is \$69,582 and of the Catalina Island Lady, \$19,427. Assertedly, as a result of the proposed transactions, the two carriers will be relieved of certain liabilities, will have working capital restored to them to meet operational cash requirements, and will be in a position to effect economies in operations. Moreover, it appears that Hydro-Capital is the owner of four vessels, in addition to the two to be acquired by the proposed sale and purchase, and is in a position to make other equipment available to the two carriers when needed and that Hydro-Capital has developed and tested and is ready to make hydrofoil equipment available to the two carriers.

From a review and analysis of this application and the financial statements, it clearly appears that the proposed plans should improve the financial position and operations of the carriers and will not impair their ability to perform their services as public utilities. We therefore find and conclude that the sales and charters, as proposed, are not adverse to the public interest and that the application should be granted.

In making our order we place applicants on notice that the authorization herein granted is for the purpose of this proceeding only and is not to be construed as a finding of the value of the equipment to be sold nor of the reasonableness of the terms of the charter agreements nor as indicative of amounts to be included in rate base or operating expenses

for the determination of just and reasonable rates should the Commission be called upon in the future to fix applicants' rates for service.

O R D E R

The Commission has considered the above-entitled matter and has determined that a public hearing is not necessary, therefore,

IT IS ORDERED that -

1. On or before December 31, 1962, Avalon Navigation Company may sell the Magic Isle and Island Transportation Company may sell the Catalina Island Lady to Hydro-Capital at the prices and under the terms set forth in this proceeding and Avalon Navigation Company and Island Transportation Company may enter into charter agreements in the same form, or substantially in the same form, as the agreements filed in this proceeding as Exhibit A and Exhibit C, provided, however,

That the authority herein granted is subject to the condition that the revenue equipment to be transferred shall not be relieved of its devotion to public use and that its status as public utility revenue equipment shall remain the same as though the transfers herein authorized had not taken place.

2. Within thirty days after the consummation of the transfers herein authorized, Avalon Navigation Company and Island Transportation Company shall notify the Commission, in writing, of that fact and within said period shall file with the Commission true copies of any bills of sale or other instruments of transfer which may be executed to effect said transfer.

3. The authority herein granted shall become effective twenty days after the date hereof.

Dated at San Francisco, California,
this 31st day of JULY, 1962.

George T. Hoover
President

[Signature]

[Signature]

[Signature]

Frederick B. Hallock
Commissioners