

**ORIGINAL**

Decision No. 75743

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
HARBOR CARRIERS, INC., a corporation  
for a certificate of public conven-  
ience and necessity, authorizing it  
to operate vessels as a common car-  
rier of passengers between Long Beach  
and Avalon, Santa Catalina Island.

Application No. 50710  
(Filed November 27, 1963)

Vaughan, Paul and Lyons, by John C. Lyons,  
for applicant.  
James H. Lyons, for Catalina Motor Cruisers,  
Inc., M.G.R.S., Catalina Terminals, Inc.,  
and Avalon Navigation Company; Edward  
C. Farrell and Maynard Asper, for Los  
Angeles Harbor Department (Port of  
Los Angeles); Captain Frank C. Seehorn  
and George M. Stephenson, for H-10 Water  
Taxi, Ltd., Phillo R. Tozer, for Davey's  
Locker, Inc., protestants.  
Leslie E. Still, Jr., and Louis Possner, for  
City of Long Beach (Bureau of Franchises  
and Public Utilities); and James H. Radcliffe,  
for City of Avalon, interested parties.  
Lloyd C. Young, for the Commission staff.

O P I N I O N

Applicant is a California corporation engaged in business as a common carrier by vessel in the transportation of persons and property for compensation between points on San Francisco, San Pablo and Suisun Bays, under prescriptive operative rights and certificates of public convenience and necessity granted by the Commission and acquired by applicant pursuant to Decision No. 65450, dated May 25, 1963, in Application No. 45275. Applicant also

transports passengers pursuant to Decision No. 60037, dated May 3, 1960, in Application No. 40241; Decision No. 63974, dated July 17, 1962, in Application No. 44268; and Decision No. 73811, dated March 5, 1968, in Application No. 49712.

Applicant seeks a certificate of public convenience and necessity authorizing it to extend its service to transport passengers as a common carrier by vessel between Long Beach on the one hand, and Avalon, Santa Catalina Island, on the other hand.

Public hearings were held before Examiner Rogers in Long Beach on January 22, 23 and 24, 1969, and in Los Angeles on February 18 and 19 and March 3, 1969. Subsequent to the last day of hearing briefs were filed and the matter was submitted.

Applicant proposes to operate between the Port of Long Beach on the one hand, and Avalon, Santa Catalina Island, on the other. During the period from May 1 to September 30, inclusive, it would operate six schedules in each direction, the first leaving Long Beach at 7:30 A.M. and arriving at Avalon at 9:15 A.M., and the last leaving Avalon 9:30 P.M. and arriving at Long Beach at 11:15 P.M. During the remainder of the year applicant would operate two schedules each day, the first leaving Long Beach at 9 A.M. and arriving at Avalon at 10:45 A.M., and the last leaving Avalon at 4 P.M. and arriving at Long Beach at 5:45 P.M. (Exhibit No. 2).

Applicant would charge an adult one-way passenger fare of \$3.50 plus a landing or boarding fee imposed by the City of Avalon of 25 cents. The round trip adult fare would be \$7.00 plus

50 cents for the landing and boarding fee. Children between 5 and 12 would pay a one-way fare at \$1.75 plus the 25 cents boarding or landing fee, or \$3.50 plus the 50 cents for boarding and landing fees for a round trip. Children under 5 years of age would pay only the boarding and/or landing fee.<sup>1/</sup>

The vessels to be used are the Eagle (Exhibit No. 4) and the Condor (Exhibit No. 5).

The Eagle is a 102 foot long, 24 foot beam aluminum hulled twin screw vessel, powered by four diesel engines developing a total of 1800 horsepower. It would carry 149 passengers under cover plus the crew. Its speed is 18 miles per hour.

The Condor is a 90 foot long, 18 foot beam aluminum hulled twin screw vessel, powered by two diesel engines developing a total of 900 horsepower. It would carry 105 passengers under cover plus the crew. Its speed is 18 miles per hour.

Both vessels are owned by affiliated corporations and would be leased to applicant. These vessels were built for oil exploration in Alaska. Protestants complain that this kind of vessel has not been proven for Catalina channel service.

Applicant's financial statement (Exhibit No. 7) shows that on October 31, 1968, its total assets were valued at \$305,433 and its total current liabilities were \$109,952. For the period from January 1, 1968 to October 31, 1968, applicant had total operating revenues of \$677,534, and a net income before income taxes of \$69,312.

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<sup>1/</sup> The applicant stated that the City of Avalon charges 25 cents for each person arriving at the island by public vessel and an additional 25 cents for each person leaving the island by public vessel.

Applicant estimated that for one year it would have the following operating results (Exhibit No. 8):

Revenues

58,050 adults	at	\$6.25 *	\$ 362,812.50
6,450 children	at	3.15 *	20,317.50

Parking revenues			37,192.50
Total Revenues			<u>\$ 420,322.50</u>

Expenses

Charter of vessels		\$ 80,000.00
Hull and machinery insurance		18,153.00
Public Liability insurance		5,000.00
Long Beach shore facilities		38,322.00
Avalon operating costs		9,325.00
Long Beach operating costs		102,962.00
Vessel operating labor		61,896.00
Vessel operating costs		21,000.00
General overhead cost		5,000.00
Advertising and promotion		18,000.00
Total Expenses		<u>\$ 401,526.00</u>

Net Operating Revenue	\$ 420,322.50	
	<u>- 401,526.00</u>	<u>\$ 18,796.50</u>

Operating Ratio 95.52%

\* Net after deducting agents fees.

Applicant's president estimated the passenger traffic as follows:

<u>Month</u>	<u>Per Day</u>
January	50
February	50
March	75
April	100
May	150
June	400
July	400
August	400
September	300
October	100
November	75
December	50

An economic research consultant of applicant testified that out-of-state visitors to California are increasing each year and that in 1970 there will be 21,300,000 such visitors. He said that most of these out-of-state visitors came to Los Angeles - Orange Counties; that in his opinion in 1970, 11,000,000 of such out-of-state visitors will come to Los Angeles - Orange Counties.

This witness further stated that the number of visitors to Avalon increased from 320,600 in 1964 to 337,900 in 1967. In 1968, the steamship Catalina was not in operation and the number of visitors to Catalina declined to 288,000. The witness stated that, assuming adequate facilities in Avalon to accommodate visitors and adequate economical methods of transporting people to Avalon, there will be 375,000 visitors in 1970 and 575,000 in 1975.

Five individuals appeared in support of the application. They were a travel agent from Long Beach, a real estate man from Avalon, a restaurant owner from Avalon, a travel agent from Los Angeles, and a hotel owner from Long Beach. Each supported the application. The reasons given were that the public needs a frequency of service it can rely on from more than one point; that the S.S. Catalina being out of service, the existing transportation is inadequate; that the schedules of the existing carriers

are not satisfactory; that a great portion of the public does not accept the smaller boats; that there are many requests for service between Long Beach and Avalon; that a regular service out of Long Beach would help ticket agents' businesses; and any additional cross-channel service will help business.

The Bureau of Franchises and Public Utilities of the City of Long Beach appeared in support of the application. Its chief engineer testified that the City is engaged in a large shoreline development program including the construction of extensive convention and hotel facilities; that these developments will attract a large number of tourists; that proposed developments in the Port of Long Beach will contribute patronage to applicant; and that because of the community of interest between the City of Long Beach and Avalon, service from Long Beach will be more convenient than service from San Pedro (Los Angeles harbor) for a large number of commuters.

Protestants

Davey's Locker, Inc., a protestant, operates sport fishing boats and one scheduled 83 foot, 144 passenger boat between Newport Beach, approximately 20 miles by water south of Long Beach, and Avalon. If there is a discontinuance of service by the S.S. Catalina, it will acquire a 400 passenger boat in lieu of the 144 passenger boat. It was the opinion of the president of Davey's Locker, Inc. that additional vessels as proposed by applicant are not needed and discourage the improvement of existing services.

The Los Angeles Harbor Department (harbor department) protested the application on the basis that it has constructed special facilities for Catalina Terminals, Inc. at Berths Nos. 95 and 96 in the Los Angeles Harbor (San Pedro), (Exhibit No. 25), and will lose substantial net revenues if the applicant operates out of Long Beach. Catalina Terminals, Inc. is the party leasing the space as the representative of Catalina Transportation Company, Avalon Navigation Company, Catalina Motor Cruisers, Inc., M.G.R.S., Inc., and Catalina Channel Airlines, all operating companies (Exhibits Nos. 23 and 24). The harbor department had invested \$2,390,687 in the two berths as of April 30, 1967 and spends approximately \$4,270 per year for their maintenance (Exhibit No. 21). During the year 1966 the harbor department received gross revenues from the rented facilities of \$70,614, in 1967 \$89,337, and in 1968, while the S.S. Catalina was not operating, \$55,210 (Exhibit No. 22). A large portion of this revenue, which includes a portion of the parking lot fees paid by boat passengers, will allegedly be lost if the applicant is given its requested authority.

Catalina Motor Cruisers, Inc. and M.G.R.S., Inc., protestants, presented details of a 500 passenger, 160 foot, 5000 horsepower twin screw vessel being constructed to replace the S.S. Catalina (Exhibit No. 26). However, the president of M.G.R.S., Inc., which operates the S.S. Catalina, testified that the steamship will be operated in 1969 and that the new ship will only be a standby vessel.

The president of M.G.R.S., Inc., a protestant, testified that that company operates the S.S. Catalina; that the S.S. Catalina had been operating prior to 1960; that it is now berthed at Berth No. 194 in San Pedro; that on October 1, 1967, the steamship went out of service; and that it is 98 percent certain to operate during the 1969 season (June 15 - September 15). The witness further testified that the Avalon Navigation Company, a protestant, operated the Magic Isle, a 250 passenger boat, between the City of Long Beach and Avalon in 1960, 1961 and 1962; that this operation picked up 70 - 120 passengers a day, mostly as a result of M.G.R.S., Inc.'s \$25,000 per year advertising; that most of these passengers thought they would be going to Avalon on the S.S. Catalina; that in the reverse direction, passengers would debark at Wilmington while their baggage would be at Long Beach; and that in those days there was no public transportation between the two ports. The witness further testified that the Magic Isle ceased operations out of Long Beach in the 1963 season and that the Ports of Long Beach and San Pedro are really one harbor operated by two political subdivisions.

The president of Catalina Motor Cruisers, Inc., a protestant, testified that the company and its predecessors have been in operation since about 1947; that it operates out of the Catalina terminal in San Pedro; that Avalon Navigation Company, a protestant, and the Catalina seaplanes operate out of the same berth; that it has four motor cruisers; that in the winter the motor cruisers are the only daily scheduled operations from any place on the mainland; that



during the period the S.S. Catalina operates, the motor cruisers are only supplementary; and that during the years 1961 through 1967 when the S.S. Catalina operated, the motor cruisers had sufficient equipment to carry all persons desiring to go to Catalina 99.9 percent of the time. Exhibit No. 27 shows the daily average number of passengers carried by months for the years 1961 through 1968 (in 1968 the S.S. Catalina did not operate), and the daily average number of passengers carried compared with applicant's estimates of passengers it will carry. The exhibit shows that the average number carried is 40 percent lower than the number of passengers applicant estimates it will secure if given a certificate.

Exhibit No. 28 shows the average number of passengers carried per month for the years 1961 through 1967 compared with applicant's projections of passengers. For the years 1965 - 1967, inclusive, Catalina Motor Cruisers, Inc., carried an average annual total of 38,248 passengers. Applicant estimates it will carry 64,500 passengers per year.

Exhibit No. 29 shows that for the three years 1966 through 1968 the motor cruisers made a total net profit from the operations of \$4,059. Exhibit No. 30 shows that if, in the listed three years, the motor cruisers had had a reduction of 10 percent in passengers the carrier would have lost money in its operations.

Exhibit No. 32 is a map showing the proposed location of the applicant's Long Beach base, and the locations of the berths of the S.S. Catalina, Catalina Motor Cruisers, Inc., and

Davey's Locker, Inc. The applicant's proposed Long Beach terminal is less than five miles by boat from the S.S. Catalina berth. It was the opinion of the Catalina Motor Cruisers Inc.'s president that the applicant's proposed operation would adversely affect the operations of the motor cruisers and the S.S. Catalina.

Exhibit No. 34 is the schedule of the motor cruisers.

Exhibit No. 35 shows the actual number of passengers carried to Avalon only by the motor cruisers during June, July, August and September, 1968, while the S.S. Catalina was not in operation. The exhibit shows that during the named months the cruisers carried a total of 66,450 passengers and had a total of 47,335 empty seats.

The mayor of the City of Avalon, speaking for himself only, testified that the Avalon Navigation Company, which operated the Magic Isle between Long Beach and Avalon, discontinued service and that Catalina Motor Cruisers, Inc. operates the only year-round service between San Pedro and Avalon. He opposes the application.

The operator of a real estate business and of a sporting goods store in Avalon stated he did not support the application with the type of equipment proposed to be used.

The City of Avalon presented a letter opposing the application.

Protestants' case against the application included these arguments:

1. An additional carrier between Avalon and the mainland is not needed.
2. Clearly there is no need for additional transportation off-season.

3. Long Beach is part of the present market.
4. S.S. Catalina will operate during the 1969 season.
5. Present operators are constructing a new 500 passenger vessel for this service.
6. The proposed service would have a disastrous, adverse effect upon existing service which would be detrimental to the public.
7. Applicant has failed to acquire a knowledge of the market:
  - (a) Its estimates of present and prospective passengers are wholly unrealistic.
  - (b) It ignores the fact that there has never been a successful operation from Long Beach.
  - (c) City of Avalon opposes the application.
  - (d) Los Angeles Harbor Department opposes the application.
  - (e) Proposed fares do not include commuter fares.

Findings

The Commission finds that:

1. Applicant is a California corporation engaged in business as a common carrier by vessel in the transportation of persons and property for compensation between points in northern California under both prescriptive and certificated rights granted by this Commission.
2. Applicant proposes to provide service as a common carrier by vessel for compensation between the Port of Long Beach and the harbor at Avalon, both in the County of Los Angeles, State of California.
3. Applicant has the experience, personnel and finances, and would undertake to secure adequate equipment, parking space and docking facilities with which to render the proposed service.

4. Applicant proposes to operate all year if granted the requested authority.

5. The City of Long Beach, travel agents and some residents of Long Beach and some residents of Avalon, desire that the application be granted.

6. The number of visitors to Avalon was 320,600 in 1964.

7. Service between the Port of Long Beach and Avalon will be more convenient for some people than service between San Pedro and Avalon or Newport Beach to Avalon.

8. Davey's Locker, Inc., a protestant, in the summer operates a scheduled 144 passenger boat pursuant to authority from this Commission between Newport Beach, approximately 20 miles by water south of Long Beach, and Avalon. The applicant's operations would compete with this carrier's operations, which have been satisfactory.

9. The Los Angeles Harbor Department has special facilities in the Los Angeles harbor for Catalina Terminals, Inc., Catalina Motor Cruisers, Inc., the Catalina airplanes and the S.S. Catalina. Said companies use these facilities under lease. The Los Angeles Harbor Department will lose substantial net revenues if the application is granted.

10. Protestant M.G.R.S., Inc. is having constructed a 500 passenger vessel to replace the S.S. Catalina if it does not operate, and for use as a standby vessel if the S.S. Catalina operates in 1969. The S.S. Catalina, which carries over 1600 passengers, will be placed in operation on June 15 through September 15, 1969. These vessels will operate as passenger vessels under jurisdiction of this Commission between San Pedro and Avalon during the year 1969.

11. Prior operations of a scheduled passenger vessel carrying 250 passengers under the jurisdiction of this Commission between the Port of Long Beach and Avalon failed for lack of sufficient patronage.

12. The City of Avalon is opposed to a common carrier passenger vessel operating between the Port of Long Beach and Avalon.

13. Catalina Motor Cruisers, Inc., a protestant, operates out of the Catalina terminal in the Los Angeles harbor. In the winter, the motor cruisers are the only scheduled service between Avalon and the mainland. When the S.S. Catalina operates, the motor cruisers are only supplementary to the steamer service. From 1961 through 1967, while the S.S. Catalina was being operated, Catalina Motor Cruisers, Inc. had sufficient equipment to carry all persons desiring to go to Catalina in the off season 99.9 percent of the time. It has rendered satisfactory service.

14. Between 1961 and 1967 the motor cruisers carried, on an average, 40 percent fewer passengers to Catalina than applicant estimated it would carry if given a certificate.

15. Applicant estimates it would carry 64,500 passengers per year if given a certificate. For the years 1965 through 1967, Catalina Motor Cruisers, Inc. carried an average annual total of 38,248 passengers. If Catalina Motor Cruisers, Inc. loses 10 percent of its passengers it will operate at a loss.

16. During the months June, July, August and September, 1968, while the S.S. Catalina was not in operation, Catalina Motor Cruisers, Inc. carried a total of 66,450 passengers and had available approximately 47,335 empty seats in its four ships.

17. The existing carriers have the ability and equipment with which to provide all required year-round passenger service between the Los Angeles - Long Beach Harbors, on the one hand, and Avalon, on the other hand. Their service has been satisfactory.

18. Applicant has not convinced this Commission that public convenience and necessity presently require its proposed service.

We conclude that the application should be denied.

O R D E R

IT IS ORDERED that the application of Harbor Carriers, Inc., be and it hereby is denied.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 3rd day of JUNE, 1969.

William Francis J.  
President

David P. Morrison

[Signature]  
Commissioners

[Signature]  
[Signature]

COMMISSIONER J. P. VUKASIN, JR., DISSENTING:

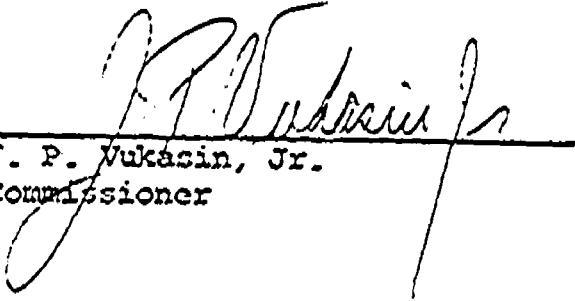
The record and the findings of the decision indicate that there may be a need for such service.

There were three days of hearing held in Long Beach and three days in Los Angeles but none in Avalon, which is, obviously, the city most affected by this decision.

In order for this Commission to make an intelligent decision, it should be fully informed, and in order to be fully informed, it should afford the citizens most directly concerned a reasonable opportunity to express themselves.

Without passing on its merits, this Commission should note receipt of a telegram signed by seventy-eight parties representing the community of Avalon.

I urge this matter be reopened for the purpose of conducting hearings in Avalon.

  
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J. P. Vukasin, Jr.  
Commissioner

June 3, 1969