

ORIGINAL

Decision No. 76648

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
INTERNATIONAL HYDROLINES, INC., a New  
York corporation, for a certificate of  
public convenience and necessity to  
carry passengers by vessel between San  
Pedro, Los Angeles, California, and  
Avalon, Santa Catalina Island.

Application No. 51131  
(Filed May 27, 1969)

James H. Lyons, for applicant.  
Vaughan, Paul, and Lyons by John G. Lyons,  
for Harbor Carriers, Inc., protestant.  
Louis Possner, for City of Long Beach;  
and Maynard W. Asper, for City of Los  
Angeles, Board of Harbor Commissioners,  
interested parties.  
Gary L. Hall, for the Commission staff.

O P I N I O N

International Hydrolines, Inc., (Hydrolines) seeks authority to operate as a passenger carrier by vessel between San Pedro, Los Angeles, California, and Avalon, Santa Catalina Island, California. Protestant is a carrier seeking authority to operate between Long Beach and Santa Catalina Island.

Public hearings were held before Examiner Robert Barnett at Avalon on August 4, 5 and 6, 1969, and at Los Angeles on August 19, 1969. The matter was submitted on the latter date.

Applicant is a New York corporation which has complied with the laws of the State of California governing the qualification of foreign corporations, and on June 24, 1969 was granted a Certificate of Qualification by the Secretary of State of the State of California authorizing said corporation to transact intrastate

business in the State of California. Hydrolines does not operate presently in California. However, through a wholly owned subsidiary, it is operating common carrier passenger service by vessel between the islands of Trinidad, Tobago, Grenada, St. Lucia and St. Vincent located in the British West Indies, and between the islands of St. Thomas and St. Croix in the Virgin Islands, a possession of the United States of America.

Hydrolines proposes to use the facilities of the Catalina Terminal which is located in the Port of Los Angeles. This terminal was built in 1965 by the City of Los Angeles and is especially designed for transportation between the mainland and Santa Catalina Island. Proposed fares are:

	<u>One Way</u>	<u>Round Trip</u>
Adult	\$6.25	\$12.50
Children (5 through 11)	3.15	6.25

Children under 5 will be charged a 25¢ service charge each way for debarking and embarking at Avalon. Hydrolines proposes to use a 75 passenger hydrofoil which will make the crossing between San Pedro and Avalon in approximately one hour. This vessel was built in 1966 at a cost of \$1,800,000. After trial runs it was put in limited service in 1968 between Seattle, Washington, and Vancouver, British Columbia. At the present time, the vessel is owned by Northwest Hydrofoils, a Washington corporation, is mortgaged to the Federal Maritime Administration, and is chartered to Hydrolines. The vessel has been operated between San Pedro and Santa Catalina Island by Catalina Motor Cruisers, Inc., a certificated carrier operating under this Commission's jurisdiction.

The vice president of Hydrolines testified that travel by hydrofoil is an innovation in the cross channel between the mainland and Santa Catalina Island, that this hydrofoil will make the crossing in approximately one half the time of any conventional boat now used in operations to Catalina, that there is a need for swift transportation between the mainland and Catalina which at the present time is only partially being met by air travel, and that there is no existing service that can be said to be comparable to the service herein sought to be rendered by Hydrolines.

An accountant employed by Hydrolines testified that during the brief period that the hydrofoil has been in operation, and with no advertising expense paid by any private companies, the hydrofoil has been operating at a 54 percent load factor. In the witness's opinion, after a certificate is granted and extensive advertising is carried out the hydrofoil should operate at approximately 80 percent load factor. This witness did not testify as to the financial ability of Hydrolines to perform the proposed service.

Hydrolines is a publicly held company whose stock is actively traded over-the-counter. Those holding greater than five percent interest in the company are: Charles Flohn and Company (underwriters) 9.85 percent; Mr. Dowd 7 percent; Mr. Rennerts 7 percent; and Mr. Cerny 7 percent; the balance of the stock is in the hands of some 700 stockholders around the country.

Mr. Charley Stilwell and others in a group which now operates Catalina Transportation Company, M.G.R.S., Avalon Transportation Co., Catalina Terminals, and Catalina Channel Airlines, proposes to transfer 26 percent of those five companies to Hydrolines in exchange for two percent of Hydrolines stock.

Five public witnesses testified in support of Hydrolines's application. The City of Avalon supports the application. The City of Los Angeles supports the application. Protestants do not oppose the use of a hydrofoil on mainland to Catalina service, but they do oppose the operation of Hydrolines on the grounds (1) the hydrofoil is now operating under Catalina Motor Cruisers certificate; (2) granting a certificate to Hydrolines would create another certificate within the same group of persons now controlling travel to Santa Catalina Island. This could lead to trafficking in certificates; and (3) Public Utilities Code Section 704 prohibits issuing a certificate to a foreign corporation. These objections need not be considered.

At the hearing at Avalon on August 6, 1969 the principal financial witness for Hydrolines (its vice president) testified in some detail that his company is adequately financed. Cross-examination of this witness was deferred to August 19. On August 19 the witness failed to appear. The attorney for Hydrolines contacted the witness by telephone and reported to the Commission that the witness said that "he is otherwise engaged today and he cannot be here". Without cross-examination we cannot give any weight to Hydrolines's financial testimony and exhibits.

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There is no other adequate financial evidence in the record.  
In the absence of competent evidence to show that Hydrolines is adequately financed to perform the sought service we must deny its application. No other points need be discussed.

Finding of Fact

International Hydrolines, Inc., has not shown that it is adequately financed to perform the sought service.

Conclusion of Law

The application should be denied.

O R D E R

IT IS ORDERED that Application No. 51131 is denied.

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

Dated at San Francisco, California, this 6th  
day of JANUARY, 1970.

William Lyons, Jr.  
President  
Augustin  
J. P. Duker  
Thomas L. Sturgeon  
Commissioners