

Decision No. 49732

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of AIRDROME TRANSPORT, INC. for ) Application No. 28622  
authority to increase its fares. )

Arlo D. Poe, for applicant.

Oscar A. Trippet, for all certificated air line carriers serving  
Los Angeles Municipal Airport and Lockheed Air  
Terminal, protestants.

Woodruff De Silva and W. P. Mealey, for Department of Airports,  
City of Los Angeles, interested party.

O P I N I O N

Airdrome Transport, Inc. is a passenger stage corporation engaged in the transportation of air line passengers and their baggage between air line ticket offices and hotels located at various points in Los Angeles and Hollywood, and Lockheed Air Terminal in Burbank and Los Angeles Municipal Airport in Los Angeles. By this application, it seeks authority to increase its basic fare from \$1.00 to \$1.22.

Public hearings were held before Examiner Bryant at Los Angeles on August 27 and September 2, 1947. The matter is ready for decision.

Applicant alleges that within the past year it has experienced a substantial and unavoidable increase in operating expenses, due largely to a major revision in the nature of its operations. Prior to December, 1946, the major landing field of the certificated common carrier air lines serving the Los Angeles area was the Lockheed Air Terminal, at Burbank. On December 9, 1946, terminal facilities of the air lines were moved to the Los Angeles Municipal Airport.

The lines continued to serve the Lockheed terminal, however, as a co-terminal. Thereupon it became necessary that applicant provide service from and to both airports, meeting all flights. This two-terminal service, applicant declares, requires the use of more equipment and personnel to provide the same kind of transportation service to approximately the same number of passengers, and entails greater expenses for taxes and licenses. The company further alleges that recent increases in various expenses, including the wages of drivers and other employees, have added materially to its operating costs. Applicant states that as a result of all of these factors it is currently operating at a loss, that it has been so operating for the past six months, and that its operations cannot be continued unless fares are increased as herein proposed.

Evidence in support of the application was offered by applicant's president and by its secretary-treasurer. According to financial exhibits introduced by these witnesses, the company was able to earn a profit of \$43,592 in the fiscal year ending with September, 1946. For the first six months of 1947, however, the statements show an operating loss of \$81,930, some \$53,000 of which was incurred during the period January through March. Excessive losses during these months were attributed in part to the higher expenses heretofore mentioned, and in part to a reduction in air travel resulting from unfavorable flying conditions. The witnesses said that every possible effort to effect operating economies has been made during 1947, and that expenses cannot be further reduced without curtailing necessary services to the public. On the contrary they anticipate somewhat higher operating expenses for the future because of increasing wages and other cost factors. The witnesses were hopeful, nevertheless, that the fare increase herein sought would enable the company to meet expenses and earn a small profit.

Representatives of the certificated air lines and of the City of Los Angeles participated in the examination of applicant's witnesses, and the air lines also offered testimony of their own. The City did not indicate a definite position, but the air lines unanimously opposed the granting of the application. They stated that it is essential to air transportation that ground transit service to and from the airports be provided at the lowest possible cost to the passengers. A witness testified that ground services similar to those herein involved are performed in other metropolitan areas throughout the country at fares no higher than those now charged by applicant. Air line representatives were of the opinion that the proposed higher fare would be relatively excessive, that it would meet resistance from the passengers, and that it might force the air lines to find some other mode of transportation for their patrons. They stated that the proposed fare exceeds those charged for taxicab service in many instances where two or more passengers were involved. They agreed that applicant's financial condition was not sound, but believed that the net revenue position could be improved by developing additional business through advertising and solicitation, by establishing common carrier service and fares for air line and airport personnel now carried without charge, and by consolidating loads for more efficient use of equipment.

The service rendered by Airdrome Transport, Inc., as disclosed by this record, is a particularly costly one to perform. Vehicles are dispatched to meet each arriving and departing plane. Only in rare instances are passengers for different planes loaded into the same motor vehicle. Applicant believes that consolidation of loads is incompatible with rendition of the expedited service which it understands to be required by the air lines and their passengers. It

operates more than 200 separate trips daily, using 32 motor vehicles and involving a daily average of nearly 4,000 vehicle miles. The buses are seldom operated to capacity, and the average load factor is quite low. Service is available during the 24 hours of the day. Although applicant's fares are paid directly by the passengers, applicant views its service as an extension of that performed by the air lines. The record indicates that applicant endeavors to work closely with the air lines in the formulation of service policies and similar matters.

We believe there can be no question on this record that the continued operation of Airdrome Transport, Inc. requires a substantial improvement in the relationship between its revenues and expenses. The evidence shows that applicant, before seeking a fare increase, decreased the numbers of its personnel, reduced the compensation of officers and directors, and made many other retrenchments. The record is convincing that any further operating economies of importance would necessarily involve some curtailment of service. Whether all of the services now rendered are justified in view of their cost is a question which cannot be answered on this record.

Despite its retrenchments, applicant has incurred substantial losses in each month of this year. The operating deficit for the first six months of the year amounted to some \$82,000. Recognizing that conditions during the first three months of the year were abnormal, applicant rests its showing in this application largely upon the more favorable results experienced in June and July. Witnesses testified that operating results for these two months were fairly representative of those anticipated for the future. Revenues and expenses under the present and proposed fares, based upon applicant's figures, may be

stated as follows:<sup>1</sup>

	June, 1947		July, 1947	
	Present Fares	Proposed Fares	Present Fares	Proposed Fares
Passenger Revenues	\$31,312	\$37,574	\$32,366	\$38,839
Other Revenues	<u>2,850</u>	<u>2,850</u>	<u>6,217</u>	<u>6,217</u>
Total Revenues	\$34,162	\$40,424	\$38,583	\$45,056
Expenses	<u>43,006</u>	<u>43,006</u>	<u>43,766</u>	<u>43,766</u>
Net Operating Revenues	<u>(\$8,844)</u>	<u>(\$2,582)</u>	<u>(\$5,183)</u>	\$ 1,290
Operating Ratio	125.88%	106.38%	113.43%	97.13%

( ) - Loss

From the figures set forth in the foregoing table it is evident that operating results which may be anticipated under the proposed fare will not provide excessive net revenues. Indeed, it cannot be concluded with any degree of assurance that revenues under the sought fare will be sufficient to restore applicant to a profitable operating condition.

Upon careful consideration of all of the facts and circumstances of record we are of the opinion and find as a fact that the increased fare proposed in this proceeding is justified and necessary to the maintenance of applicant's service. The application will be granted.

<sup>1</sup>

Explanation of table: Revenues - Applicant did not submit a detailed estimate of anticipated revenues under the proposed fares. The fare herein involved, which accounts for substantially all of applicant's revenues, would be increased from \$1.00 to \$1.22. For purposes of the above table it is estimated that gross revenues under the proposed fare would exceed those under the present fare by about 20 per cent. Expenses - \$500 has been added to each month's figures to allow for estimated increases in municipal fees; also \$750 has been added to June expense to reflect, for comparative purposes, increased wages to drivers and dispatchers which became effective July 1, 1947. Expenses under proposed fares would be somewhat higher than those shown, due to expansion of taxes and licenses related to gross revenues, but the evidence does not afford a basis for estimating the exact amounts involved in such expansion.

O R D E R

Public hearings having been had in the above entitled application, and based upon the evidence received at the hearings and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Airdrome Transport, Inc. be and it is hereby authorized to establish, on not less than ten (10) days' notice to the Commission and to the public, a one-way adult fare of \$1.22 for transportation between authorized locations in Los Angeles on the one hand and the Lockheed Air Terminal and Los Angeles Municipal Airport on the other hand.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within ninety (90) days from the effective date hereof.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 23<sup>rd</sup> day of September, 1947.

Harold P. Kule

Justice J. G. ...

Justice ...

R. J. ...

Commissioners