

Decision No. 56410

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of FRIEDKIN AERONAUTICS, INC.,)	
doing business as PACIFIC SOUTHWEST )	Application No. 39172
AIRLINES, for authority to increase )	
intrastate passenger fares. )	

John W. McInnis, for Friedkin Aeronautics, Inc.,  
 applicant.  
Martin J. Porter, for the Commission's staff.

O P I N I O N

Friedkin Aeronautics, Inc., doing business as Pacific Southwest Airlines, conducts an air coach passenger transportation service between San Diego, Burbank and San Francisco. Its present adult fare between San Diego and Burbank is \$5.45; between Burbank and San Francisco, \$9.99; and between San Diego and San Francisco, \$15.44. Children's fares are one-half of the adult fares.

By application filed June 22, 1957, authority is sought to increase the adult fare between Burbank and San Francisco to \$11.81 and between San Diego and San Francisco to \$17.26. Applicant does not propose herein to increase the fare between San Diego and Burbank.

Public hearing was held December 27, 1957 before Commissioner Ray E. Untereiner and Examiner Jack E. Thompson at San Diego. The application was taken under submission on January 21, 1958 upon the receipt by the Commission of a letter dated January 17, 1958, signed by the secretary-treasurer of applicant, correcting

certain figures appearing on Exhibit No. 4 and Exhibit No. 2. The aforesaid letter is received in evidence as Exhibit No. 4-A.

Applicant commenced air coach service in 1949 with one DC-3 airplane. During the next four years, the operation was increased by adding one DC-3 airplane each year. From September 1952 to October 1955, applicant conducted the operation with the four DC-3 airplanes, each with a seating capacity of 31 passengers. In November 1955, applicant obtained two DC-4 airplanes and in August 1956 acquired another DC-4. From August 1956 to June 30, 1957, operations were conducted with three DC-4 airplanes, each with a seating capacity of 70 passengers. In July 1957, an additional DC-4 airplane was purchased by applicant and placed into service. Its present normal schedule has approximately 82 round trips per week. Schedules are determined by availability of aircraft, which means those not undergoing maintenance, and patterns of passenger travel. They are reduced during the period January to April because of a diminishing demand for service during those months. Applicant presently has a contract to purchase three turbo-prop jet aircraft. The dates of deliveries are in November and December 1959. Applicant intends to place the three turbo-prop jets, each with a seating capacity of 98 passengers, in service in January 1960. The DC-4s are to be withdrawn from service and sold.

Other carriers offer coach service between San Francisco, Los Angeles (Burbank) and San Diego. The following is a comparison of the fare structures of various classes of carriers performing coach service between the points, as shown in applicant's Exhibit No. 2.

Coach Fares

<u>Carrier</u>	<u>SF/LA</u>	<u>SF/SD</u>	<u>LA/SD</u>
PSA (Proposed)	\$11.81	\$17.26	\$5.45
PSA (present)	9.99	15.44	5.45
United Airlines <sup>1/</sup>	13.50	19.05	5.55
Western Airlines <sup>1/</sup>	13.50	19.05	5.55
Trans-World Airways <sup>1/</sup>	13.50	-	-
Southwest Airways <sup>1/</sup>	13.50	-	-
American Airlines <sup>1/</sup>	-	-	6.10
California Central Airlines <sup>2/</sup>	11.70	15.39	5.55
Greyhound (Bus)	6.80	8.46	2.67
Railroads (SP and ATSF)	10.50	11.17	3.32

<sup>1/</sup> We take official notice of the fact that, as of the date of this decision, applications are on file with the Commission to increase air coach fares as follows:

<u>Airline</u>	<u>Application No.</u>	<u>SF/LA</u>	<u>SF/SD</u>	<u>LA/SD</u>
United	39775	\$15.05	\$20.85	\$6.50
Western	39776	15.05	20.85	6.80 ✓
TWA	39809	15.05	-	- ✓
Southwest	39807	15.05	-	- ✓
American	39795	-	-	\$7.35

<sup>2/</sup> According to the evidence, California Central Airlines has ceased operations.

Exhibit No. 1 is an advertising brochure announcing that, commencing January 7, 1958, Transocean Airlines will provide a scheduled airline service with Super Constellation aircraft between Oakland and Burbank. The announced fare is \$13.50.

Applicant's present fares are approximately the same as the fares which were in effect at the time operations were commenced in 1949. The following are the fares assessed by applicant since 1949:

Pacific Southwest Airlines

<u>Effective Date</u>	<u>Fares, 1949-1957</u>		
	<u>SF/LA</u>	<u>SF/SD</u>	<u>LA/SD</u>
May 1949 <sup>(1)</sup>	\$ 9.95	\$15.60	\$5.65
April 1951 <sup>(1)</sup>	11.70	17.25	5.55
February 1954	13.50	19.05	5.55
April 1954	9.99	15.44	5.45

- (1) From May 1949 to July 1951, applicant's Bay Area terminus was Oakland Airport. From July 1951 to March 1954, applicant had terminals at Oakland Airport and San Francisco Airport. In March 1954, applicant discontinued its terminal at Oakland.

Attached to the application are statements of the financial condition of the applicant. At the hearing an engineering consultant engaged by the applicant and an engineer from the Commission's staff presented estimates of the operating results of applicant for the calendar year 1958 under present and proposed fares. These studies were received as Exhibits 2 and 3, respectively. The staff engineer's exhibit also included a statement of revenues and expenses of applicant for the 12 months ended June 30, 1957, as reflected on the books and records maintained by the carrier.

We have carefully considered the evidence relating to the financial results of the applicant for the past and the estimates for the future. Applicant has enjoyed good earnings in the past, and while there is a wide difference between the two estimates for the immediate future, we must conclude that the estimated earnings for 1958, under present fares, might be adequate to fully sustain the present operation.

There are other factors, however, to be considered. Applicant's present fares are 26 percent below the comparable fares of

the other air carriers. The proposed fares would still be 12½ percent below the comparable fares of the other air carriers and, as pointed out above, some of the other airlines are presently seeking higher air coach fares. Applicant has been competing with five other airlines, and a sixth established airline has recently started air coach service between Oakland and Burbank. Under the present state and federal statutes, no authority is required from any regulatory agency before starting the operation of an airline service within California except for the licensing of the planes for safety requirements by the Civil Aeronautics Authority. Applicant's president contends that the contemplated changeover to turbo-prop jet aircraft will be required in order to provide a service which will be comparable to the service that his competitors plan to institute in the near future. He further contends that improvement of his financial results is prerequisite to the acquisition of the outside funds that will be required for this changeover to the new type equipment. It appears that, to a considerable extent, applicant's past growth and success have been due to careful organization and planning which has resulted in a high quality service at low rates for the public. Applicant's volume of business is of substantial size, estimated at more than \$3,000,000 for 1958 and carrying approximately one fourth of the total air coach traffic between San Francisco and Los Angeles. The public must not be deprived of this service, nor should applicant be deprived of a reasonable opportunity to keep it up to date and fully competitive. On the other hand, the operation is quite small compared to the overall

operations of most of the competing airlines. The public interest will be served by the maintenance of the healthy competition provided by this applicant. In view of these facts and circumstances, it appears to be in the public interest to grant this application. ✓  
✓  
✓  
✓

No one appeared in protest to the granting of this application.

Upon consideration of all the facts and circumstances of record, the Commission is of the opinion and finds that the proposed rates are justified.

Applicant has requested that it be granted authority to publish the increased fares on less than 30 days' notice. The request will be granted.

O R D E R

Based on the evidence of record and on the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED:

1. That Friedkin Aeronautics, Inc., doing business as Pacific Southwest Airlines, is authorized to establish, on or after the effective date hereof, on not less than five days' notice to the Commission and to the public, the increased fares set forth in its application filed in this proceeding.

2. That the authority granted herein shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 25<sup>th</sup> day of March, 1958.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners