

ORIGINALDecision No. 66127

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN FRANCISCO &
OAKLAND HELICOPTER AIRLINES, INC.,
for authority to make certain changes
in its passenger fares, resulting in
an increase.

Application No. 45652
(Filed August 7, 1963)

(As Amended August 30, 1963)

Pillsbury and Dunlap, by Kenneth C. Nagel, for
applicants.

Mervin M. Bagan, for San Francisco & Oakland
Helicopter Airlines, Inc.

Charles J. Astrue, for the Commission staff.

O P I N I O N

This application seeks increases in certain local passenger fares of San Francisco & Oakland Helicopter Airlines, Inc., and in certain other California intrastate passenger fares published jointly by that air transportation company and Pacific Southwest Airlines, Inc., Trans World Airlines, Inc., and West Coast Airlines, Inc.^{1/}

The following increases are sought in SFO Helicopter's local passenger fares:

<u>Between San Francisco International Airport and:</u>	<u>Amount of Increase</u>
Oakland International Airport	\$ 1.00
Oakland downtown Heliport	1.00
San Francisco downtown Heliport	1.00
Berkeley downtown Heliport	.50
 <u>Between San Francisco Downtown Heliport and:</u>	
Oakland International Airport	\$ 1.00
Oakland downtown Heliport	1.00

^{1/} The original application was filed by San Francisco & Oakland Helicopter Airlines, Inc., (SFO Helicopter). In the amendment, Pacific Southwest Airlines, Inc., Trans World Airlines, Inc., and West Coast Airlines, Inc., joined in the application.

Increases are requested in the joint fares corresponding generally to the amounts sought in the local fares to and from the San Francisco International Airport. The amount of these increases would apply to SFO Helicopter's portion of the joint passenger fares in question.

A public hearing was held on September 30, 1963 before Examiner Lane in San Francisco. The application was served in accordance with Rule 4.3 of the Commission's General Order No. 105-A. Notice of the hearing was sent to all parties on whom the application was served and to other parties believed to be interested. No one appeared in opposition to the granting of the application.

Evidence in support of the application was presented by the president of SFO Helicopter. The Commission's staff participated extensively in the development of the record. A senior transportation engineer of the Commission staff presented evidence relating to the nature and effect of the proposed increases.

At the hearing, applicants amended the application to request that (1) any increases which may be authorized herein be made effective immediately, and (2) joint fares from and to Fresno and from and to Sunnyvale via Trans World Airlines be authorized to be canceled.

SFO Helicopter is a common carrier of passengers and property. It operates a helicopter air service between San Francisco International Airport, Oakland International Airport, and heliports in downtown San Francisco, Oakland, Berkeley and Sunnyvale.^{2/} Between these points it maintains a schedule of local fares and also participates in joint fare arrangements with fixed-wing air transportation

^{2/} SFO Helicopter commenced service between San Francisco and Oakland airports and heliports on June 1, 1961; it extended service to Berkeley on or about June 15, 1961 and to Sunnyvale on April 11, 1962. No increases are sought in fares to and from Sunnyvale; in fares between Oakland International Airport, Oakland and Berkeley; nor in fares between the Berkeley and San Francisco heliports.

companies. Allegedly, it is the nation's second largest scheduled helicopter carrier and the only such carrier operating helicopters of 10-passenger or greater capacity without the aid of federal subsidy.

According to the record, SFO Helicopter's passenger traffic has continued to grow from month to month. In the first months of operation it averaged about 2,000 passengers per month. Currently, this passenger traffic is averaging between 11,000 and 12,000 passengers per month. About 98 percent of this traffic moves to or from the San Francisco International Airport.

SFO Helicopter's president testified that there is a major traffic peak westbound to the San Francisco International Airport during the early morning hours, and a major eastbound peak during the evening hours from that airport. Because of these conditions it was asserted that SFO Helicopter is forced to operate many of its return flights during the morning and evening peak periods with low load factors to maintain the current quality and frequency of service. The witness said that the carrier is now operating near the maximum passenger load factor it is able to obtain from its current equipment.

SFO Helicopter avers that its fare structure was established prior to the inauguration of service in June 1961 without the benefit of previous operating experience over the system. It asserts that while growth in passenger traffic is encouraging, it has been unable to operate at a profit during any month of its operation to date. The company's president said that for the month of July 1963 the company had sustained a loss of \$16,600. Statements attached to the application show the following

results of operation for SFO Helicopter for the six-months' period ending June 30, 1963:

Operating Income	\$449,828
Operating Expenses	527,880
Net Operating Income	(78,052)

() = Loss

SFO Helicopter's balance sheet as of June 30, 1963, attached to the application, shows a recorded deficit of \$670,488.

SFO Helicopter's president stated that this carrier is in urgent need of additional revenue and will not be able to continue to operate much longer without an immediate increase in fares as proposed in the application. While he estimated that intrastate traffic amounted to only about 12 to 15 percent of the total, he said that increases in rates on interstate traffic were dependent on adjustments in the local intrastate fares. In this connection he testified that interstate carriers had advised him that they will seek reductions in recently increased joint interstate fares if increases in local fares herein involved are not authorized.^{3/}

Without increased revenue, he said, the whole operation is jeopardized. Moreover, as there is little chance to increase load factors, increased revenues must depend on increased fares. The witness asserted that the proposed increase would do little more than allow SFO Helicopter to break even from its operations.

The Senior Transportation Engineer submitted the results of a study he had made of the effect of the proposed fare increases on SFO Helicopter's per passenger and monthly revenues. On a per

^{3/} According to the evidence, the most recent increases in joint interstate fares between SFO Helicopter and other airlines were made effective as follows:

Trans World and West Coast airlines	September 15, 1963
Delta and National airlines	September 19, 1963
American and United airlines	September 23, 1963.

passenger basis, the study showed that the intrastate fares would be increased by 97 cents on the average, while the interstate fares would be increased \$1.57. On a monthly basis, the staff witness estimated the increase from both interstate and intrastate traffic would be \$15,720.

The record shows that the proposed fare increases will do little more than offset SFO Helicopter's operating deficit. Upon consideration of all the facts and circumstances of record, the Commission finds that the sought increases in fares are justified.

In view of SFO Helicopter's financial position, the fact that it has not operated at a profit during any month since its operations were commenced on June 1, 1961 and the indicated urgent need for additional revenues, the increased fares will be authorized to be established on less than statutory notice.

The Commission concludes that the application should be granted as set forth in the ensuing order.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to establish the increased fares as proposed in Application No. 45652, as amended. Tariff publications authorized to be made as a result of the order herein may be made effective on not less than three days' notice to the Commission and to the public.

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

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 4th day of OCTOBER, 1963.

William A. Donald
President

John E. Mitchell

Walter H. ...

George H. ...

Frederick B. Hallock
Commissioners