

Decision No. 70818

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of:)

C & W AVIATION, a corporation, doing
business as C-AIR, INC., for author-
ity to increase passenger fare
pursuant to Sections 454, 491, and
2751 of the Public Utilities Code.

Application No. 48444
(Filed April 29, 1966)

Russell & Schureman, by R. Y. Schureman,
for applicant.
Roy E. Bayless, for the City of Riverside;
Robert J. Melsh, for the Regional Economic
Development Council; Stephen J. Slade, for
Los Angeles Airways; John H. Wagner, for the
City of Redlands and Lockheed Propulsion Co.;
and R. W. Russell, by K. D. Walpert, for the
City of Los Angeles; interested parties.
Glenn E. Newton and Raymond E. Heytens, for
the Commission staff.

O P I N I O N

Applicant^{1/} operates as a passenger air carrier between
Los Angeles International Airport, Riverside Airport, and Redlands
Airport, pursuant to a temporary certificate of public convenience
and necessity issued by this Commission. (Decision No. 69717, dated
September 21, 1965, in Application No. 47884). Applicant also
operates as a charter and contract carrier of passengers by air.

Applicant now seeks authority to increase its fares for
the transportation of passengers between its certificated points
from its present one-way adult fare of \$6.50 plus tax to \$10.50 plus
tax, and from its present one-way military personnel fare of \$6 plus
tax to \$9.50 plus tax. Children between the ages of 2 years and

^{1/} Applicant's legal name is C & W AVIATION CORPORATION, a
corporation, doing business as C-AIR, INC.

12 years, inclusive, will be carried at one-half the adult fare.

A public hearing was held before Examiner Robert Barnett at Los Angeles, on May 23, 1966, on which date the matter was submitted. Copies of the application and the notice of hearing were served in accordance with the Commission's procedural rules. There were no protests.

Applicant presented one witness, its president, and introduced 7 exhibits setting forth, among other information, its income, expenses, profit and loss, and passenger traffic resulting from its certificated air transportation service between Los Angeles, Riverside, and Redlands. Pertinent excerpts follow:

PROFIT OR LOSS STATEMENT
(Temporary Certificate Operation)
(September, 1965 - March, 1966)

<u>Month</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Loss</u>
September	\$ 4,820.57	\$14,581.05	\$ (9,760.48)
October	4,619.79	15,442.08	(10,822.29)
November	4,022.78	14,170.16	(10,147.38)
December	4,077.74	12,489.46	(8,411.72)
January	3,567.42	11,859.53	(8,292.11)
February	2,929.94	10,595.31	(7,665.37)
March	3,440.73	10,960.55	(7,519.82)
Total	\$ 27,478.97	\$90,098.14	\$(62,619.17)

PASSENGERS CARRIED
(Including Non-Revenue Passengers)
(Originating Airport)

<u>Month</u>	<u>Los Angeles</u>	<u>Redlands</u>	<u>Riverside</u>	<u>Total</u>
September	317	340	43	700
October	337	389	78	804
November	296	395	53	744
December	287	316	6	609
January	259	284	-	543
February	186	284	-	470
March	233	320	-	553
Total	1,915	2,328	180	4,423

An associate transportation engineer of the Commission's Transportation Division - Engineering Economics Branch, presented

a report (Exhibit 9) covering his analysis of applicant's certificated operations under present and proposed fares.

ESTIMATED RESULTS OF OPERATION
FOR RATE YEAR ENDING MAY 31, 1967

:Line : : No. :	: Reference : (1)	Item (2)	: Present : : Fares : (3)	: Proposed : : Fares : (4)
1		<u>Revenue</u>	\$ 48,600	\$ 78,200
		<u>Expense</u>		
2		Flight	\$ 49,500	\$ 49,500
3		Maintenance	42,000	42,000
4		Station	14,200	14,200
5		Administration	10,600	10,600
6	L2 thru 5	Total Expense	<u>\$ 116,300</u>	<u>\$ 116,300</u>
7	L1 less L6	Net Before Income Taxes	\$ (67,700)	\$ (38,100)
8		Income Taxes	100	100
9	L7 Less L8	Net Income	<u>\$ (67,800)</u>	<u>\$ (38,200)</u>
10	L6,8 ÷ L1	Operating Ratio %	239.5	148.8

Operating Statistics

11	Flight Hours Per Year	1,200
12	Passengers Per Year	7,600
13	Flights Per Week (Round Trip)	20
14	Capacity of DeHavilland 104 Aircraft	10*
15	Aircraft Required	1
16	Average Passengers Per Flight	3.7

(Red Figure)

* Actual capacity is 11 passengers but in practice pay load is usually limited to 10 passengers.

A financial examiner of the Commission staff presented a report (Exhibit 8) covering his analysis of applicant's operations. His analysis included the following table:

OPERATING RESULTS PER FLYING HOUR

Operating revenues, proposed fares	\$ 61.36
Operating expenses, excluding Administrative and General expenses	<u>111.38</u>
Operating loss	\$ 50.02

Based on their respective reports, both the associate transportation engineer and the financial examiner concluded that applicant's present fares are not adequate and that the proposed increase probably would not bring its operations to a break-even point until 11,300 passengers per year are carried.

The financial examiner testified that applicant's accounting records do not segregate operations according to the types of service it performs; nor is the quality of maintenance of applicant's accounting records acceptable. The records do not afford a functional breakdown of flight operations, maintenance, or general and administrative expenses. Even though a Uniform System of Accounts has not been prescribed by the Commission for intrastate passenger air carriers these carriers should comply with accepted general accounting standards. A minimum standard is set forth in the ensuing order.

Statements of position were received in support of the application by representatives of the City of Redlands, the City of Riverside, and the Regional Economic Development Council. No opposition to the granting of the application was voiced.

All parties recognize that the proposed rates may not cause the certificated operation to become profitable. Applicant proposes to test the rates for a reasonable time, at least until September or October, 1966. Applicant is aware of the 30-day notice of discontinuance required by Public Utilities Code Section 2763,^{2/}

^{2/} "No passenger air carrier shall discontinue operations between any two or more terminals without authority of the commission, unless such operations are unprofitable. Unprofitable operations may be discontinued upon 30 days' notice to the commission, and to such other persons as the commission may require, unless within such 30-day period the commission, after hearing, makes a finding that such operation is not unprofitable and orders its continuance."

prior to discontinuing unprofitable operations. Applicant has agreed that if it should deem discontinuance of operation necessary it will not rely on its notice of discontinuance received by the Commission April 8, 1966, but will give further notice.

Findings of Fact

1. Applicant is in urgent need of additional revenue to meet costs of operation.
2. The fare increases proposed in this application are justified and reasonable and should be made effective on one day's notice to the Commission and to the public.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Applicant is authorized to establish the increased fares proposed in Application No. 48444. Tariff publications authorized to be made as a result of this order may be made effective not earlier than one day after the effective date hereof on not less than one day's notice to the Commission and to the public. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the construction and filing of tariffs set forth in Commission General Order No. 105.
2. Applicant shall modify its accounting records to the extent necessary to provide operating data and results for each of the various activities in which it is engaged, including, but not limited to, aircraft construction, outside aircraft repair, aircraft lease, contract

carrier operations, charter carrier operations, and intrastate passenger air carrier operations.

3. The authority herein granted shall expire unless exercised within 90 days after the effective date of this order.

4. In addition to the required posting and filing of its tariffs, applicant shall give notice to the public by posting in its terminals a printed explanation of its fares. Such notice shall be posted not less than one day before the effective date of the fare changes and shall remain posted for a period of not less than 30 days.

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

Dated at San Francisco, California, this 8th day of JUNE, 1966.

Frederick B. Hallock
President

D. E. Mitchell

George E. Grover

W. J. ...

Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.