

ORIGINAL

Decision No. 72535

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of VENABLE AIRCRAFT CO., INC.,)
a corporation, doing business as)
VALLEY AIRWAYS, for a Certificate)
of Public Convenience and Neces-)
sity to establish, maintain, and)
operate a passenger airline serv-)
ice.)

Application No. 49163
(Filed February 23, 1967)

Best, Best & Krieger, by
Glen E. Stephens, for applicant.
Stephen J. Slade, for Los Angeles
Airways, Inc.; John W. Sessums,
for Lockheed Propulsion Company;
John H. Wagner, for City of
Redlands in behalf of Valley
Airways; Richard D. McHenry, for
Redlands Chamber of Commerce;
Fred J. Reinhardt, for Riverside
County Department of Development;
Joseph R. Clair, Jr., for Los
Angeles Department of Airports;
and Paul E. Wilcox, for City of
Hemet; interested parties.
Edward C. Crawford and George L. Hunt,
for the Commission staff.

O P I N I O N

By this application, Venable Aircraft Co., Inc.
(applicant) seeks a certificate of public convenience and necessity
as a passenger air carrier between Hemet-Ryan Field (Hemet) and
Redlands Municipal Airport (Redlands) and between Hemet and/or
Redlands on the one hand and the Los Angeles International Airport
(Los Angeles airport) on the other hand.

After notice to interested parties public hearings were
held before Examiner Rogers in Riverside on April 11 and 12, 1967.

Applicant's articles of incorporation were filed with the California Secretary of State on July 2, 1962. It was formed primarily to provide flying services to the general public. Its articles authorize it to issue 750 shares of stock of one class with an aggregate par value of \$75,000. All of the authorized stock has been issued and one-third is held by James A. Venable, president, ^{1/} one-third is held by Lloyd Venable, vice president, and one-third is held by the estate of Robert Venable.

The Hemet Valley Flying Service Co. (Hemet Valley), a nonpublic utility, is closely affiliated with the applicant. ^{2/} Each company has the same principal stockholders. The two companies are jointly managed by applicant's officers and directors. The resources of Hemet Valley, to the extent necessary, will be available to applicant.

Exhibit 10 herein prepared by a Commission financial examiner shows that on December 31, 1966, the overall net worth of the two companies was \$97,636.

1/ James Venable testified that he is president of applicant and vice president of Hemet Valley. On Schedule 5 of Exhibit 1 he is listed as vice president of applicant and Lloyd Venable as president.

2/ The Venable Aircraft Co., Inc. was formed on July 2, 1962 as a part of a "Spinn-off Reorganization" of Hemet Valley under the provisions of Section 368 (a) (1) (d) of the Internal Revenue Code. All the assets of Hemet Valley related to the general airport operation were transferred to applicant in exchange for the issuance of the capital stock of the latter company.

Applicant and Hemet Valley are currently engaged in charter passenger flight operations, flying instructions, crop-dusting, and air fire-fighting operations. They regularly employ a total of 19 persons exclusive of officers, plus extras during certain seasons.

Hemet Valley commenced operations in 1957. In 1961, it commenced carrying passengers on a charter basis with no scheduled flights. In 1962, the applicant commenced passenger-carrying and student flying instruction work.

Applicant owns, operates and has available six single-engine and one twin-engine aircraft for use in connection with its proposed service. It will ordinarily use the twin-engine plane. This plane will carry eight passengers and a crew of two, both of whom will be licensed pilots authorized to operate passenger planes in intrastate service. Applicant regularly employs five fully licensed pilots. In addition, applicant has six mechanics, including an inspector licensed by the F.A.A. and facilities for complete major engine and aircraft overhaul services.

Applicant's proposed daily flight schedule is as follows:

	<u>A. M.</u>	<u>P. M.</u>
Depart: Hemet	730	430
Depart: Redlands	800	500
Arrive: Los Angeles airport	845	545
Depart: Los Angeles airport	915	615
Arrive: Redlands	1000	700
Arrive: Hemet	1030	730

Fares, exclusive of tax, are to be \$12.50 one way between either Hemet or Redlands and the Los Angeles airport, and \$3.00 between Hemet and Redlands.

The applicant estimates the cost of its proposed passenger operations at \$54.90 per hour or \$66,127 per year exclusive of taxes. It estimates it will carry 700 passengers per month resulting in \$105,000 in annual revenues and net revenues before taxes of approximately \$38,873.^{3/} Applicant estimates it will be required to carry 460 passengers per month to meet its projected costs of service.

Applicant has insurance coverage as required by General Order No. 120-A (Exhibit 5).

A witness for applicant testified that it received from ten to fifteen telephone calls per day from persons inquiring about airplane service between Hemet and the Los Angeles airport and that it receives calls from travel agencies, industries, and businesses in and around Redlands concerning service between Redlands and the Los Angeles airport.

The City of Redlands, the City of Hemet, The Board of Supervisors of Riverside County, and the Board of Supervisors of San Bernardino County each filed a document in support of the application (Exhibit 8).

^{3/} After allowances of travel agency commissions.

A representative of Lockheed Propulsion Company, located near the Redlands airport, testified that many of its employees travel regularly by planes arriving at and departing from the Los Angeles airport and that the proposed service would be helpful to the company.

The manager of the Redlands Chamber of Commerce testified that many executives and employees of various companies in the area need the proposed service.

A Commission financial examiner recommended that if the application is granted, applicant be required to provide a segregation of air-carrier property, revenues and expenses in its accounting records suitable to reflect its utility air-carrier activities. He concluded that applicant has the financial ability to maintain and operate the proposed service on the basis of two round trips per day.

Los Angeles Airways, Inc. provides service between San Bernardino, Riverside, and the Los Angeles airport, using helicopters. Its fares between the Los Angeles airport and San Bernardino or Riverside are \$10.00 one way for local service and \$5.00 when part of an interstate trip (Exhibit 9). The parties stipulated that it provides no service to or from Redlands or Hemet.

The Commission finds that:

1. Applicant possesses the business experience in the field of air operations, the financial stability, and the requisite insurance coverage to receive a certificate of public convenience and necessity as a passenger air carrier.

2. Applicant can economically serve the points of Hemet, Redlands, and the Los Angeles airport as a passenger air carrier using its existing equipment.

3. There is no existing passenger air carrier with which applicant will compete.

4. Public convenience and necessity require the passenger air carrier service proposed by the applicant.

The Commission concludes that the application should be granted.

Venable Aircraft Co., Inc. is hereby placed on notice that operative rights, as such, do not constitute a class of property which may be capitalized or used as an element of value in rate fixing for any amount of money in excess of that originally paid to the State as the consideration for the grant of such rights. Aside from their purely permissive aspect, such rights extend to the holder a full or partial monopoly of a class of business over a particular route. This monopoly feature may be modified or canceled at any time by the State, which is not in any respect limited as to the number of rights which may be given.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Venable Aircraft Co., Inc., authorizing it to operate as a passenger air carrier as defined in Section 2741 of the Public Utilities Code, between the points and over the routes particularly set forth in Appendix A attached hereto and hereby made a part hereof.

2. In providing service pursuant to the certificate herein granted, applicant shall comply with and observe the following service regulations:

- (a) Within thirty days after the effective date hereof, applicant shall file a written acceptance of the certificate herein granted. By accepting the certificate of public convenience and necessity herein granted, applicant is placed on notice it will be required, among other things, to file annual reports of its operations and to comply with and observe the insurance requirements of the Commission's General Order No. 120-A. Failure to file such reports in such form and at such time as the Commission may direct, or to comply with and observe the provisions of General Order No. 120-A, may result in a cancellation of the operating authority granted by this decision.
- (b) Applicant shall issue tariffs naming rates and rules governing the common carrier operations herein authorized. The tariff filings shall be made effective not earlier than ten days after the effective date of this order on not less than ten days' notice to the Commission and the public.
- (c) 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 the Commission's General Order No. 105-A.

3. Venable Aircraft Co., Inc. shall maintain its accounting records in such a fashion that this Commission will be able to determine the number of passengers, the expenses and the aircraft utilized in its certificated service, its training service, its charter service and any or all other air service, respectively.

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

Dated at San Francisco, California, this 6th day of JUNE, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

MO

Appendix A

VENABLE AIRCRAFT CO., INC.

Original Page 1

Venable Aircraft Co., Inc., by the certificate of public convenience and necessity granted in the decision noted in the margin, is authorized to transport passengers by air in either direction, flying a minimum of two schedules per day in each direction daily:

Between Hemet-Ryan Field,
Redlands Municipal Airport and
Los Angeles International Airport.

Issued by California Public Utilities Commission.

Decision No. 72535, Application No. 49163.