

ORIGINALDecision No. 72781

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of
LOS ANGELES AIRWAYS, INC., }
for an increase in intra- }
state air passenger fares. }

Application No. 49393
Filed May 22, 1967;
amended June 23, 1967;
amended June 27, 1967.

Verner, Liipfert and Bernhard, by
James M. Verner, for applicant.
R. W. Russell, Department of Public
Utilities and Transportation, by
K. D. Walpert, interested party.
Edward C. Crawford and Paul B.
Clover, for the Commission staff.

O P I N I O N

This application was heard and submitted June 27, 1967, before Examiner Thompson, at Los Angeles. Notice of hearing was served and published in accordance with the Commission's procedural rules. There are no protests.

Los Angeles Airways, Inc., hereinafter referred to as applicant, is a transportation company engaged in transporting passengers, property, mail and express as a common carrier by direct lift aircraft (helicopter) between various points within a 50-mile radius of the Los Angeles downtown Post Office Terminal Annex, including the City of San Bernardino outside of the 50-mile radius. It is certificated as a common carrier by air for Route AM 84 by the Civil Aeronautics Board under Section 401 of the Federal Aviation Act of 1958, as amended.

Applicant transports passengers in both intrastate and interstate service between the Los Angeles International Airport and various California cities within the area described above.

By its application it seeks authority to increase all of its California intrastate passenger fares. The application set forth the proposed adult one-way fares, the amendment filed June 23, 1967 sets forth the proposed round-trip excursion fares and the amendment made at the hearing incorporates Exhibit 9 which sets forth the proposed joint fares.

Applicant's tariffs provide point-to-point fares. The present fares and the proposed fares, however, are based upon mileage zones. A comparison of the proposed fares with the present fares may be conveniently set forth using those mileage zones.

TABLE I

Comparison of Proposed Fares with Present Fares

<u>Mileage</u>	<u>Basic Fares and Excursion Fares</u>		<u>Joint Fares (1)</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
0-10 ⁽²⁾	\$ 5.00	\$ 6.24	\$ -	\$ -
11-20	6.00	7.19	5.00	5.69
21-30	7.00	8.14	6.00	6.64
31-40	8.00	9.05	7.00	7.55
41-50	9.00	9.76	8.00	8.26
51-65	10.00	10.52	9.00	9.02

(1) Arbitrariness to be applied when the fixed wing base fare is \$25 or less in connection with joint through route via applicant and American, Continental, TWA, United and P.A.A. Applicant has different present and proposed arbitrariness and proportional fares with Delta Airlines, National Airlines and Western Airlines and also when the fixed wing base fare exceeds \$25.

(2) At present applicant does not maintain service from LAX to points 10 miles or less distant.

The proposed basic and excursion fares represent increases ranging between 5 percent for the longer distances and 25 percent for the shorter distances. The application states that the variation in the amount of the proposed increases is intended to equalize

more realistically the zone fare structure taking into consideration other available and competitive transportation rates and the applicant's fare increase of 1964 wherein the fares to the closer points received a 10 percent increase while the fares to the more distant points were increased up to 37-1/2 percent.

Applicant has filed a schedule of the proposed increased fares with the Civil Aeronautics Board to become effective for interstate transportation on August 1, 1967.

Applicant showed that it incurred an operating loss of \$823,592 for the calendar year 1966. It has also shown that under the present fares and under the proposed fares it will have an operating loss for the next two years. Those operating losses had been foreseen by applicant.

In 1964 it prepared studies and analyses to be used in future planning. Those studies revealed to it that operations would probably reach the "break-even point" in 1969 provided the trend in traffic is not disrupted and provided applicant has at least seven helicopters in operation. The studies were presented to the Civil Aeronautics Board (CAB) for the purpose of obtaining federal subsidy. Subsidy was awarded by CAB for the year 1965, however, the appropriation by Congress for the fiscal year ended June 30, 1965 was not sufficient to pay a portion of the subsidy claimed by applicant. That portion amounting to \$346,140 was just recently paid to applicant following a judgment in its favor rendered by the United States Court of Claims. On August 26, 1965, the CAB ordered termination of applicant's subsidy with respect to operations subsequent to December 31, 1965.

In planning its operations applicant had given consideration to federal subsidy sustaining it until the break-even point was reached. Applicant initiated discussions with the major U. S. scheduled airlines for the purpose of securing loans and assistance so that its operations would be continued. On March 8, 1966, two loans of \$1,600,000 each were consummated with American Airlines, Inc., and United Air Lines, Inc. The basic purpose of these loans was to tide applicant over the period following the abrupt withdrawal of subsidy and to enable it to purchase a fifth helicopter. Within the past few weeks applicant has negotiated further loans from American and United totaling one million dollars, which money will be used to acquire two additional helicopters, one to be delivered in July 1967 and the other in December 1967.

Applicant's forecasts of revenues and expenses are predicated upon the operation of six helicopters during the last six months of 1967 and seven helicopters thereafter. It contemplates that the number of passengers it will transport during the 12 months ending June 30, 1968 will be almost double that transported during the calendar year 1966 (600,000 as compared to 317,000). Even so, the operations would be conducted at a loss amounting to \$560,207 under the proposed fares. Applicant estimates that for the 12 months ending June 30, 1969, it will have a profit on operations under the proposed fare of \$77,265, but if the present fares remain in effect it will have an operating loss of \$679,148. Those estimates are based upon substantial increases in applicant's patronage.

Applied to the operations conducted by applicant during the year ended December 31, 1966, the proposed fares represent

an increase in gross passenger revenues of \$294,703, or 13.22 percent.

We find that the proposed increases are justified and conclude that the application, as amended, should be granted. Applicant has requested authority to make the increased fares effective the same date as its proposed increased interstate fares, which is August 1, 1967. There were no protests and the establishment of the increased fares simultaneously is desirable. We conclude that applicant should be authorized to establish the proposed fares to be made effective on not less than five days' notice and that the order herein should be made effective this date.

O R D E R

IT IS ORDERED that:

1. Los Angeles Airways, Inc., is authorized to establish the increased passenger fares proposed in Application No. 49393, as amended June 23, 1967 and June 27, 1967. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five 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 15th day of JULY, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners