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ORIGINAL

Decision No. 73613

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
GOLDEN WEST AIRLINES, INC. for a
certificate of public convenience
and necessity to establish, maintain,
and operate a passenger and freight
airline service.

Application No. 49532
(Filed July 11, 1967)

Gerald R. Knudson, Jr., for applicant;
Russell & Schureman, by R. Y. Schureman, for
Ambassador Airlines; Stephen J. Slade, for
Los Angeles Airways, Inc.; C. Curtis Smith,
for Valley Airways; and William E. Myers,
for Cable Commuter Airlines, protestants.
Robert R. Denison, for Los Angeles County,
Aviation Division; R. W. Russell, by
K. D. Walpert, for City of Los Angeles;
and Robert J. Bresnahan, for Riverside
County Airports Department; interested
parties.
Edward C. Crawford, Robert W. Hannam, and
Raymond E. Heytens, for the Commission staff.

O P I N I O N

Golden West Airlines (GWA) seeks authority to operate as
an air carrier of passengers and freight* between Palomar Airport,
at Carlsbad in San Diego County Orange County Airport (SNA), and
Los Angeles International Airport (LAX), and between Redlands
Airport, Brackett Field, near Pomona, and LAX.

Protestants are airline companies presently serving
in the general area sought to be served by GWA.

* Under Chapter 4, Articles 1 and 2, of the Public Utilities Code,
added by Stats, 1965, c. 736, p. 2145, sec. 1, the Commission's
authority does not include the regulation of transportation of
freight by air. Any mention herein of revenue derived by
applicant from the air transportation of freight will be con-
sidered only as going to its financial stability.

Public hearings were held before Examiner Robert Barnett at La Verne on August 23, 24, and 25, 1967, and at Los Angeles on August 30, 1967, September 7, 1967, and October 2 and 3, 1967. The matter was submitted on the latter date.

Golden West Airlines' Evidence

GWA proposes to initiate service with six round trip flights daily on each of its two routes. These flights will be throughout the day and are scheduled to arrive and depart LAX at the optimum time to connect with trunkline carriers. Scheduled flight time for Palomar-LAX and Redlands-LAX, the furthest points on the routes, is expected to be 45 minutes. Proposed fares are:

Palomar-LAX	\$12.00
Palomar-SNA	7.00
SNA-LAX	9.00
Redlands-LAX	11.00
Redlands-Brackett Field	9.00
Brackett Field-LAX	9.00

GWA proposed to commence service with three 1967 Cessna Model 402 airplanes. They have taken delivery on one and expect delivery shortly on the other two. This airplane has a nine-seat configuration which can be modified to ten seats. GWA will also operate a De Havilland "OTTER" over its routes after the start-up period. The "OTTER" is a 22-seat airplane that can be operated more profitably than the Cessna. All airplanes will be equipped to fly under Instrument Flight Rule conditions, and will be flown by a two-man crew, pilot and copilot.

GWA's initial financing is being accomplished by sale of stock and a bank loan. Pre-incorporation subscription agreements totaled \$410,000, of which \$340,000 had been collected by August 17, 1967. In addition, the Crocker-Citizens National Bank has agreed to loan GWA approximately \$300,000 toward the purchase of airplanes.

GWA's balance sheet, as of August 17, 1967, is as follows:

ASSETS

Cash in Bank		\$205,427.30
Deposits on Equipment:		
Two Cessna 402s scheduled for delivery prior to August 31, 1967 and September 30, 1967, respectively, with \$243,821 total purchase price		5,000.00
Flight Equipment, at cost:		
One Cessna 402 purchased on August 15, 1967		128,675.62
Pre-operating Charges:		
(To be amortized over five years.)		
Legal Fees	\$7,137.26	
Independent Market Survey	897.08	
Printing of P.U.C. Petition	452.97	
Pre-operating Expense	<u>2,763.18</u>	
		<u>11,250.49</u>
		<u>\$350,353.41</u>

LIABILITIES AND STOCKHOLDERS EQUITY

Accounts Payable		\$ 10,353.41
Commitments:		
The purchase of two Cessna 402s, final commitment contingent upon Federal Aeronautics Administration approval for Air Taxi Certificate		-
Capital Stock and Stockholders' Equity:		
Capital stock, \$10 par value; 430,000 shares authorized; 34,000 shares issued and outstanding (Note*)	\$340,000.00	
Retained earnings; company in pre-operating phase	<u>-</u>	<u>340,000.00</u>
		<u>\$350,353.41</u>

*Note: T. S. Hoffman, president, is to receive one share of Golden West Airlines, Inc., for each four shares issued for cash, not exceeding in the aggregate more than 10,000 shares, and such shares are restricted as to dividends and other matter as set forth in the permit of the Commissioner of Corporations dated July 21, 1967.

GWA's insurance coverage includes a limit of liability of \$3,000,000 for each occurrence for bodily injury and property damage; passenger liability is limited to \$100,000 per person; baggage insurance is full tariff coverage less \$50 deductible. GWA proposes a \$500 baggage tariff liability limit.

The two persons primarily responsible for GWA's day-to-day operations are Theodore S. Hoffman, president, and Lt. Gen. Archie J. Old, Jr., vice-president. Mr. Hoffman has been employed by Hoffman Electronics Corporation for 16 years as a vice-president, director, and general manager of the Military Products, the Semiconductor, and the Industrial Products Division, group vice-president of the Military and Semiconductor Divisions, and most recently as president of Hoffman Information Systems, Inc., a wholly owned subsidiary. Mr. Hoffman has had ten years of general management in operations doing in excess of \$20,000,000 in sales per year. In addition, Mr. Hoffman has some 20 years of experience in the field of general aviation and has been a licensed pilot since 1947. He has worked for the Civil Aeronautics Administration (now the FAA) and completed a study on general administration and airway facilities in the eleven western states. He has actively participated in the aviation field with private and business flying, and with general management responsibilities in research, development, and manufacture of airplane equipment.

Lt. General Old has recently retired from the Air Force after ten years as Commander of the 15th Air Force. Other service included Director of Operations for the Strategic Air Command, Commander of the Military Air Transport Service, Commander of the

Air Transport Command, Commander of the 8th Air Force, and Commander of the 7th Air Division in England. General Old has flying experience in excess of 20,000 hours and experience in operating one of the largest airline and air cargo operations in the world.

GWA's estimated revenues and expenses, projected for two years, are as follows:^{1/}

	Year Ending	
	July 31, 1968	July 31, 1969
Operating Revenues (net of commissions)		
Scheduled passenger service	\$443,394	\$623,028
Charter and Special	52,500	86,400
Cargo	27,250	36,000
Total Operating Revenues	\$523,144	\$745,428
Operating Expenses		
Flying operations	\$166,984	\$200,565
Maintenance	83,338	101,052
Aircraft passenger and traffic servicing	60,225	74,124
Promotion and sales	79,126	89,916
General and administrative	100,075	114,372
Depreciation and amortization	71,110	79,632
Total Operating Expense	\$560,858	\$659,661
Income (loss) from operations	\$(37,714)	\$ 85,767
Nonoperating Expense - Interest	13,552	14,784
Net Income (loss) before provision for Federal Income Taxes	\$(51,266)	\$ 70,983
Provision for Federal Income Taxes	-	4,400
Net Income (loss)	\$(51,266)	\$ 66,583

^{1/} These estimates were based on GWA's commencing operations in September 1967. GWA's financial witness testified that these figures would still be accurate for a later start-up time.

Total operating costs were estimated at \$103.73 per flying hour and direct operating costs were estimated at \$68.70 per flying hour. A 62 percent load factor is required to break even based upon these operating costs. The break-even point is not expected to be reached for at least six months.

Continental Airlines has entered into an agreement with GWA whereby Continental will permit GWA to operate into and from Continental's facilities at LAX. Continental will provide through ticketing service, passenger handling, baggage handling and transfer, and other services for GWA. It is expected that passengers anywhere on Continental's system will be able to purchase a through ticket from Continental which will include interlining with GWA and will provide for through baggage handling. It is also expected that GWA's passenger agents will be able to sell through tickets to all points on Continental's system.

Numerous witnesses testified in support of GWA's application. Some supported GWA because they felt GWA would provide a sound operation, and others supported GWA on the ground that any additional fixed wing service in the area would be beneficial. Public support for granting the application came from, among others, the California Aeronautics Board; the Board of Supervisors, County of San Diego; Warren M. Dorn, Supervisor, Fifth District, County of Los Angeles; the Mayor or City Manager of Covina, San Dimas, Azusa, Irwindale, Glendora, La Verne, Redlands, Duarte, and Claremont; and various Chambers of Commerce, travel agents, and industrial concerns.

Evidence was introduced to show the present and future problems of passenger and automobile traffic congestion at LAX.

	<u>1957</u>	<u>1967</u>	<u>1975</u>
Passenger Volume (in millions)	4.6	17.2	57.5
Motor Vehicles - In and Out (in millions)	6.9	25.8	86.2

Witnesses predicted that the surface roads leading to LAX, no matter how improved, would not be able to handle peak loads of traffic. Already, during some holidays, vehicular traffic becomes so congested that passengers cannot get to the airport on time and, as a consequence, planes take off with less than full loads. Travel time to LAX from the Redlands area is over two hours, and over one hour from the SNA area. In these witnesses' opinion, air service from small "satellite" airports, such as Redlands, Brackett Field, and SNA, will help alleviate the ground obstacles to reaching LAX, will save hours of driving time for passengers and their families, will eliminate automobile parking problems, and will lower the total cost of getting to LAX.

Evidence to show that there was enough traffic to support GWA's proposed service was adduced through surveys made by market analysts, and the testimony of representatives of various industrial concerns located in the areas to be served. The population in the area expected to be served by Palomar Airport has increased from 198,000 in 1960 to 290,000 in 1965. SNA is expected to serve a population that has increased from 700,000 in 1960 to 1,100,000 in 1965. The area to be served by Brackett Field includes a population of over 355,000, and Redlands Airport is the hub of a population of over 600,000.

In addition to bare population figures, the representatives of various industrial concerns testified to their companies' use of GWA, both as a carrier of passengers and of air cargo. The traffic manager of the Autonetics Division of North American Aviation testified that his company employs 27,000 persons in Orange County. In the 10-month period ending July 1967, his company had 23,000 inbound shipments of air freight, and approximately 9,500 passengers departed via LAX. His company needs increased commuter service to Orange County plus air cargo service. The witness was aware of all the other air service into Orange County, except Ambassador Airlines. A representative of General Dynamics Corporation testified in favor of GWA. The Pomona Division of his company employs about 17,000 persons; about 600 employees a month travel through LAX; about 60,000 pounds of air freight goes in and out of the plant each month. His company needs more air service. Other company representatives testified to similar situations.

GWA's operating witness estimated first year traffic to be 42,725 passengers in and out of LAX. The Redlands-LAX segment would carry 21,325; Palomar-LAX, 21,400. His estimate assumes that most travelers using his service would be persons on business, usually reimbursed from an expense account. The factors that make up his estimate of total passengers include past recorded performance of prior air carriers in the area; normal growth in the area; business to be generated by extensive advertising; business to be generated by increased schedules and on-time service; business generated by the agreement with Continental Airlines; and business generated by personal contacts in the various aerospace and electronics industries in the service area.

GWA expects to foster and promote air cargo traffic into their service area, and also provide charter service when equipment is available, as well as providing air passenger service. The Cessna 402 has been designed so that it can rapidly be converted to freight service. Revenue from these sources has been included in GWA's results of operations study and this revenue is expected to be the difference between profit and loss in the initial period of operations.

Protestants' Evidence

1. Ambassador Airlines (Ambassador)

Ambassador operates as an air taxi utilizing aircraft with a gross weight of under 12,500 pounds. Ambassador operates between Las Vegas, San Diego, Los Angeles, and Bakersfield, with intermediate stops. The flights that concern this hearing are between Las Vegas-Redlands-LAX and San Diego-Palomar Field-SNA-Long Beach-LAX. Ambassador is an interstate carrier exempt from Civil Aeronautics Board (CAB) regulation. (Classification and Exemption of Air Taxi Operators, 14 CFR Part 298.)

Ambassador began scheduled operations out of Las Vegas on March 17, 1967, and filed tariffs with this Commission covering such operations. Under its current schedule it serves Redlands once a day inbound to LAX in the morning, and once a day outbound from LAX in the late afternoon. SNA has two inbound flights daily and one outbound. Palomar Airport has three inbound flights daily and three outbound. The fare between Redlands-LAX is \$9; between Palomar-LAX, \$8. An exhibit of Ambassador's passenger count for

the months of July, August, and September 1967 was introduced and shows an increase in passengers from 75 in July to 123 in August to 391 in September. However, it also shows that almost all passengers originated at Las Vegas, Apple Valley, Los Angeles, and Long Beach. Only six persons originated at SNA, 32 at Palomar Airport, and 18 at Redlands during the three-month period. An operations study shows that Ambassador is operating at a loss. Ambassador has taken extensive measures to advertise its service through letters, personal calls, newspaper advertising and radio spot announcements. The company presently operates four Beechcraft airplanes, each seating nine passengers; larger planes are on order.

Ambassador operates at LAX through Trans World Airline facilities at Gate 31. It hopes to have permanent facilities there in the future. Ambassador has no counter space at either Redlands or SNA, but does have space at Palomar Airport.

Ambassador objects to GWA's application because it believes it will be strongly competitive. Ambassador initiated service prior to GWA's filing its application and Ambassador states it is having a difficult time getting started, especially in areas such as Redlands, Palomar Airport, and SNA. In the witnesses' opinion, if GWA is certificated, a war of attrition will result that would be won, if at all, by the carrier with the strongest financing, but to the detriment of everyone. It is uneconomic for Ambassador to increase scheduling at this time into the intermediate points on its routes, but as traffic demand warrants, the schedules will be increased.

In September Ambassador carried 391 passengers, flying 81,000 miles, with 3,180 seats available during the month; about

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a 12½ percent load factor. The three aircraft fly a total of 600 hours a month.

An analysis of operations shows:

	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Total</u>
Passenger Services	\$387.49	\$875.25	\$ 537.94	\$1,981.41	\$3,782.09
Air Freight	27.94	69.44	30.57	18.44	146.39
Charter	525.05	16.80	522.00	1,163.00	2,226.85
Gross Income	940.48	961.49	1,090.51	3,162.85	6,155.33
Total Expense	9,402.61	5,591.56	20,082.75	21,982.80	57,059.72
Net Loss	(8,462.13)	(4,630.07)	(18,992.24)	(18,819.95)	(50,904.39)

2. Valley Airways (Valley)

A financial examiner of the Commission testified that he examined the books of Valley, an air carrier operating pursuant to a certificate of public convenience and necessity issued by this Commission (Decision No. 72535 dated June 6, 1967 in Application No. 49163) for the period January 1, 1967 to June 30, 1967. Valley operates between Hemet-Redlands-LAX. In the first six months of 1967 Valley carried a total of 802 passengers and had 331 flying hours of operation. Total operating expenses (including depreciation) were \$36,051 and cost of operation per flying hour was \$109. Total revenues for the six-month period were \$8,499.84.

The operating manager of Valley testified that the air-line distance between Hemet and Redlands was approximately 30 miles and between Redlands and LAX, 70 miles. Valley flies three schedules a day.

	<u>Lv.</u>	<u>Arr.</u>	<u>Lv.</u>	<u>Arr.</u>	<u>Lv.</u>	<u>Arr.</u>
Hemet	7:30		11:00		4:30	
Redlands	8:00		11:30		5:00	
LAX		8:35		12:05		5:35

The return from LAX is at 9 AM, 2 PM, and 6 PM. One-way fare Redlands-LAX is \$12.50. Approximately 20 percent of the inbound traffic is destined for Los Angeles, the remainder for points beyond; more passengers are carried into LAX than out. Valley operates a three-passenger Cessna and an eight-passenger Beechcraft, having available approximately 750 seats per month in each direction. Valley asserts that it is not financially prepared to meet the competition from GWA. In the witness' opinion GWA's forecasts for Redlands traffic are inflated from 30 percent to 50 percent.

3. Cable Commuter Airlines (Cable)

Cable operates as an air carrier of passengers and freight between San Bernardino, Ontario, LAX, Palmdale Airport, and Inyokern Airport pursuant to a certificate of public convenience and necessity issued by this Commission. (Decision No. 73119 dated September 26, 1967 in Application No. 49481.) It did not commence operations until November 1, 1967, so no operating results are available. It operates two Beechcraft airplanes and one Aero Commander, and hopes to obtain De Havilland "OTTERRs". The route it seeks to protect in this proceeding is from San Bernardino Airport-Ontario Airport-LAX. It expects to operate eight round trips daily between Ontario Airport and LAX, and in April 1968, when the San Bernardino Municipal Airport opens for business, this route will be expanded to include San Bernardino. Cable expects to run 17 nonstop round trips daily from San Bernardino to LAX. San Bernardino Municipal Airport is approximately eight miles from Redlands Airport; Ontario Airport

is approximately 12 miles from Brackett Field. Cable asserts that it will be competing for customers in the same market as GWA. Cable is opposed to GWA's certification because it is concerned about competition. Cable states it needs time to generate anticipated traffic, considering the existing competition. The additional competition from GWA will be extremely hazardous to Cable's operation. Cable estimates that there are over 41,000 seats available from all carriers each month from the greater Pomona Valley area to LAX.

4. Los Angeles Airways (LAA)

LAA is a scheduled helicopter airline, certificated by the CAB to serve numerous points in California. LAA asserts that it will be in direct competition with GWA at all of GWA's stops except Palomar Airport. LAA operates a five-aircraft schedule of 28-passenger Sikorsky S-61-L helicopters. In the first eight months of 1967 LAA carried 14,634 passengers between LAX and Pomona; 17,277, Riverside-LAX; 33,723, San Bernardino-LAX; and 27,149, Newport Beach-LAX. It expects to increase its schedules shortly with the addition of new aircraft.

The helicopters flown by LAA cost about \$1,000,000 each. Operating costs are about \$412 per hour. The break-even point requires a load factor of approximately 70 percent. Current load factor varied in July, August and September between 52 percent and 57 percent. Traffic has grown 35 percent from 1965 to 1966 and is expected to grow another 35 percent between 1966 and 1967.

LAA's federal subsidy was terminated in 1965. Its losses are now being absorbed by loans from United Airlines and American Airlines, which will have to be repaid. It estimates that it will sustain losses in excess of \$500,000 through June 30, 1968. This loss is despite a recent fare increase (Decision No. 72781 dated July 18, 1967 in Application No. 49393) coupled with an increase in traffic. Assuming no disruption in traffic, LAA expects to reach its break-even point in 1970. LAA opposes GWA because it fears destructive competition. In its opinion, carriers already in service should be given the opportunity to add schedules and increase service and load factors. Otherwise, service will deteriorate and the public will be disadvantaged.

In the past five years, LAA has increased its schedules by about 30 percent or 40 percent. In Decision No. 72781 it predicted great increases for 1968 in passenger traffic as new helicopters are added. It is "absolutely convinced that frequency of our service is what builds traffic."

Summation of
Position of the Parties

Ambassador is opposed to the entire GWA proposal except the Brackett Field-LAX segment; LAA opposes the entire GWA proposal; Valley opposes the Redlands-LAX segment of GWA's proposal; Cable opposes the Redlands-Brackett Field-LAX segment of GWA's proposal; and the staff opposes the Redlands-LAX segment of GWA's proposal, but supports the Brackett Field-LAX segment and the Palomar Airport-SNA-LAX segment.

The staff position is based on the premise that the existing service of LAA, Valley, and Cable is capable of taking care of the present and future needs of the public in the San Bernardino-Redlands area. The staff argues that the protests of Ambassador should not be given as much weight as those of the other air carriers because Ambassador is not certificated by either the CAB or this Commission.

Discussion

A recent decision of this Commission has been directly concerned with providing adequate air transportation services to and from the Pomona Valley and the San Bernardino-Redlands area. In Re Cable Commuter Airlines, (Decision No. 73119 dated September 26, 1967 in Application No. 49481) we said, "The areas of operation proposed by applicant are encompassed in a fast growing general locality. The Pomona Valley, San Bernardino and Palmdale areas have all experienced, since 1960, substantial residential and industrial growth. This growth has been projected by reliable sources into the coming decades at an even greater rate. Such growth, when coupled with the need for a commuter type of service between outlying areas and larger airport complexes, such as the LAX system, and the continuing penetration of airline operation into the total transportation scheme should ensure the success of an operation such as that proposed by applicant provided good service, in proper equipment and at a reasonable price, is offered to the public."

Additional statistics showing comparable growth in employment, income, manufactures, farming and trade, if indeed required to support our decision, are readily available in standard economic compilations.^{2/}

In 1965 an estimated 1.5 million Orange County residents flew in and out of LAX, but no figures are available as to how these passengers got to or from the airport. This total is expected to more than double over the next ten years.^{3/}

It is safe to assume the great majority will use the automobile. Automobile traffic congestion problems at and near the Los Angeles International Airport are already critical. The time needed to drive to LAX, time to find a parking space, time to get from parking lot to airline ticket counter has been a prime factor in the growth of peripheral airports such as Long Beach, Burbank, Ontario, SNA and Van Nuys. Recent applications before this Commission attest to this dispersal and growth.^{4/} Present

^{2/} See data published by U.S. Dept. of Commerce, Bureau of the Census; State of California Department of Employment; State of California Department of Finance; Los Angeles County Regional Planning Commission; Security First National Bank and Bank of America Research Departments; and various county planning departments.

^{3/} Economic Research Division Security First National Bank, Growth and Economic Stature of Orange County 24 (May 1967).

^{4/} In addition to Cable Commuter Airlines and Valley Airways, see Re Air California, Decision No. 71310 dated September 20, 1966 in Application No. 48406 (service between SNA-San Francisco); Re Air California, Decision No. 73172 dated October 10, 1967 in Application No. 49522 (service between SNA-San Jose); Re Air Metropolitan, Application No. 49755 dated October 27, 1967 (application to serve between Van Nuys Municipal Airport-San Francisco); Re Pacific Southwest Airlines, Decision No. 73487 dated December 19, 1967 in Application No. 49001 (service between SNA-San Francisco-Sacramento); Re Pacific Southwest Airlines, Application No. 49512 dated July 7, 1967 (application to serve Ontario International Airport-San Francisco-Sacramento).

passenger volume at LAX is estimated at 17.2 million persons in 1967, and is expected to grow to 57.5 million by 1975. Vehicle traffic in and out of LAX is estimated at 25.8 million in 1967, and is expected to grow to 86.2 million by 1975. Access roads to LAX, no matter how much they are improved, are not expected to have the capacity to carry all those wishing to use the facilities at LAX. Without non-automobile access, LAX will not realize its full potential. Feeder airlines^{5/} help supply this needed access.

With these background factors of population and economic growth, and the need for automobile traffic dispersal, at LAX in mind, we turn to GWA's application.

The need for GWA's service has been adequately shown. Witnesses representing state government, county government, municipal government, the airports involved, industry in the area, and travel bureaus, in addition to members of the general public, all testified to the need for expanded fixed-wing air carrier service in the sought area, and support GWA's application. Population in the area has increased substantially in recent years and forecasts show continued growth; economic growth has kept pace. Also, the automobile traffic problem at LAX cannot be ignored; feeder airlines help relieve the congestion. GWA has the requisite financial stability, business experience, insurance coverage, and equipment to meet the need and to economically give adequate service to the communities on its proposed routes. The DeHavilland "Otters" that GWA will operate will provide a more economical

^{5/} A feeder airline (sometimes referred to as a commuter airline, or air taxi operator, or third level airline) is usually defined as an air carrier that transports passengers from a small outlying airport to a large central airport so that the passengers may transfer to another air carrier for the major part of their journey.

and superior service than those presently operating in the general area proposed to be served. It is reasonable to infer that if GWA properly develops its markets it will have a viable operation.

A principle issue before us is what, if any, competitive effect the entry of GWA into this market will have on the protestant air carriers. All of the protesting air carriers assert that GWA's entry into the market will create intolerable competitive conditions. This is the main argument against GWA; in fact it is the only argument of any substance. This argument, however, is not persuasive.

GWA, for example, will not compete in a meaningful way with Valley. Valley flies from Hemet to Redlands, then non-stop to LAX. The Redlands-LAX leg takes 35 minutes. GWA does not serve Hemet; and its service from Redlands to LAX includes one stop, at Brackett Field, taking 45 minutes overall. Persons flying from Redlands to LAX will obviously prefer Valley's non-stop service.

GWA would compete with Ambassador at only two points, Palomar and Santa Ana.^{6/} But Ambassador's routes encompass thirteen points. The number of originating passengers at Palomar and Santa Ana is negligible, in absolute numbers and in comparison with total volume: 38 out of 589. And it may be assumed that some of these passengers are destined to Las Vegas. Whatever slight disadvantage Ambassador will incur from competition at these two points is more than offset by the public need for more service and the fact that GWA will provide six flights daily in comparison to Ambassador's two or three. Moreover, Ambassador's service emphasis is clearly

^{5/} Both carriers serve Redlands but Ambassador has non-stop service from Redlands to LAX. As with Valley, there is no competition in this situation.

on its Las Vegas flights; it is apparently leaving development of effective Palomar-Santa Ana service to the indefinite future.

Nor will GWA compete significantly with Cable. Cable seeks to protect its San Bernardino Airport-Ontario Airport-LAX route from the competition of GWA's Redlands-Brackett Field-LAX route. Not only do each serve different airports out of LAX, but Cable serves the two largest. Imaginative management should exploit this natural advantage. In any case, each carrier will draw its patronage from those businesses and communities nearest the airport it serves. Ontario Airport is east of Pomona; Brackett Field, west. Each serves distinct markets. The passenger capacity of the planes is small; the population density comparatively large. Aggressive promotion will be the dominant factor, not competition. Moreover Cable's LAX-Palmdale-Inyokern route has no competition. GWA's effect on Cable, if any, will only be on one segment of Cable's routes. There is no evidence in the record that this possible effect will influence Cable's operation.

The impact of GWA's service on LAA must be considered in three aspects. First, and most importantly, helicopter service is different in kind from fixed-wing airplane service - at least in the minds of prospective passengers. As the staff representative put it, GWA's service will provide a fixed-wing service for an apparent large number of people who are apprehensive regarding rotary-wing aircraft. This statement was supported by the testimony of witnesses. Second, there were many complaints about the problems helicopter service encounters because of fog, bad weather, and excessive downtime for maintenance. Naturally, these problems arise unexpectedly, and when they do, travelers are inconvenienced and delayed.

Generally, fixed-wing service can operate when helicopters are grounded because of bad weather. Third, LAA passengers who interline with most trunkline carriers at LAX get fare reductions of \$1.00 to \$5.26 on the LAA leg of their trip. Also, LAA's passenger loading ramps at LAX are at the United Airlines terminal and the American Airlines terminal, the terminals of two carriers which separately transport more passengers to more points than Continental Airlines. LAA's operation provides an attractive package that the sophisticated air traveler cannot ignore. For the above reasons, we find that GWA will provide a service needed by those who would rather not fly in helicopters, and a service that will not be competitive with LAA.

For the reasons set forth above we find that GWA's certification will have a minimal competitive effect on other air carriers serving in the general area sought to be served by GWA, and that the requested authority should be granted.

One more observation is appropriate. To gain passenger acceptance of air travel for short distances via feeder line service, the air carrier must have frequent schedules, and facilities for interline ticketing and baggage handling. Almost all passengers who ride feeder airlines will be transferring to or from a trunkline carrier. Ease and convenience in making this transfer is essential to successful feeder operations. GWA will provide these services through its association with Continental Airlines. Another essential factor in a viable feeder airline system is frequency of service. Often this is the single most important factor in building a successful airline business. But, with the limited funds available to small airlines, no one airline

can furnish the frequency of service needed to build customer awareness of feeder airline service and reliance thereon. It is anticipated that the total flights of all airlines offering commuter service in this area will provide the needed frequency of service.

For the reasons stated herein we will grant the authority requested.

The portion of GWA's application seeking a certificate of public convenience and necessity to operate a freight air line service will be dismissed. The Public Utilities Code does not provide for certification of such service. Commission certification insofar as air carriers are concerned is presently limited to a "person or corporation ... operating ... aircraft as a common carrier of passengers for compensation wholly within this state...." (Section 2741.). Operation as an air carrier of freight is regulated under our general authority to regulate common carrier transportation (People vs. Western Airlines, Inc. 1954 42 C.2nd 621, 268 P.2nd 723) which does not require certification before entry into the field but does require the filing of tariffs prior to commencement of operations, and adherence to the applicable Public Utilities Code sections.

One question of evidence should be discussed. GWA introduced a market survey (Exhibit No. 8) that purported to show a need for its service. The person who made the survey introduced it and testified in support of it. All protestants objected to the introduction of the survey on the grounds that it was hearsay and deprived them of due process of law because of lack of opportunity to cross-examine those persons who made the statements that the witness relied on in compiling his survey and reaching his conclusions. Protestants' objections are without merit. Surveys such as Exhibit No. 8 are admissible in evidence. (Re Air California, Decision No. 73172 dated October 10, 1967 in Application No. 49522; Re Pacific

Tel. & Tel. (1965) 65 CPUC 103, 111; Annotation, Public Survey or Poll, 76 ALR 2d 619.)

Findings of Fact

1. GWA possesses the requisite business experience in the field of air operations and maintains in effect the minimum insurance coverage sufficient for a grant of a certificate of public convenience and necessity as a passenger air carrier.

2. GWA has received at least \$340,000 from the sale of its stock, and has a bank commitment of approximately \$300,000 to purchase equipment. GWA has the financial ability to provide the service herein authorized.

3. GWA will provide service using Cessna Model 402 airplanes and De Havilland "OTTER" airplanes. Such airplanes are adequate to provide the authorized service.

4. Continental Airlines has entered into an agreement with GWA whereby Continental will permit GWA to operate into and from Continental's facilities at LAX. Continental will provide through ticketing service, passenger handling, baggage handling and transfer, and other services for GWA.

5. Present passenger volume at LAX is estimated at 17.2 million persons in 1967, and is expected to grow to 57.5 million by 1975. Vehicle traffic in and out of LAX is estimated at 25.8 million in 1967, and is expected to grow to 86.2 million by 1975. Access roads to LAX, no matter how much they are improved, are not expected to have the capacity to carry all those wishing to use the facilities at LAX. Without non-automobile access, LAX will not realize its full potential. Feeder airlines help supply this needed access.

6. To gain passenger acceptance of air travel for short distances via feeder line service, the air carrier must have frequent schedules and, if possible, facilities for interline ticketing and

baggage handling. Almost all passengers who ride feeder airlines will be transferring to or from a trunkline carrier. Ease and convenience in making this transfer is essential to successful feeder operations. GWA will provide these services through its association with Continental Airlines. Another essential factor in a viable feeder airline system is frequency of service. Often this is the single most important factor in building a successful airline business. But, with the limited funds available to small airlines, no one airline can furnish the frequency of service needed to build customer awareness of feeder airline service and reliance thereon. It is anticipated that the total flights of all airlines offering commuter service in this area will provide the needed frequency of service.

7. There is a public need and demand for additional service as proposed by GWA. Such service will provide fast transportation between LAX and outlying communities. It will reduce ground travel time for air passengers. It will alleviate traffic congestion at LAX, and on the roads and freeways leading into LAX.

8. GWA's operation will have a negligible competitive effect on Ambassador, Cable, Valley and LAA. With minor exceptions, the points served are different, and the service is different: not only in regard to fixed-wing and helicopter service but in providing one-stop service rather than non-stop service from Redlands. GWA will draw its patronage from markets largely untapped by protestants.

9. GWA can economically give adequate service to the communities involved flying a minimum schedule of six round trips daily on each of its two routes and charging the fares set forth in the ensuing Order.

10. Public convenience and necessity require the granting of a certificate to operate as a passenger air carrier between Palomar Airport, Orange County Airport, and Los Angeles International Airport, and between Redlands Airport, Brackett Field, and Los Angeles International Airport, to Golden West Airlines.

Based upon the foregoing findings of fact the Commission concludes that the application of Golden West Airlines, Inc., for a certificate of public convenience and necessity should be granted.

Golden West Airlines, 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 Golden West Airlines, Inc., a corporation, 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 made a part hereof.

2. In providing service pursuant to the certificate herein granted, applicant shall comply with and observe the following service regulations. Failure to do so may result in a cancellation of the operating authority granted by this decision.

- (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 that 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) Within one hundred and eighty days after the effective date hereof, applicant shall establish the service herein authorized and file its tariff and timetables to reflect the authority herein granted. Such filings shall be made effective not earlier than five days after the effective date of this order on not less than five days' notice to the Commission and the public and shall comply with the regulations governing the construction and filing of tariffs in the Commission's General Order No. 105-A.

A. 49532 ds * *

3. In providing service pursuant to the certificate herein granted, applicant shall charge the following rates:

Palomar-LAX	\$12.00
Palomar-SNA	7.00
SNA-LAX	9.00
Redlands-LAX	11.00
Redlands-Brackett Field	9.00
Brackett Field-LAX	9.00

4. The application for a certification of public convenience and necessity to operate a freight air line service is dismissed.

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

Dated at San Francisco, California, this 9th day of JANUARY, 1968.

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners

LM *

Appendix A

GOLDEN WEST AIRLINES, INC.
(a corporation)

Original Page 1

1. Golden West Airlines, 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 at a minimum of six scheduled round-trip flights daily:

- (a) Between Palomar Airport-Orange County Airport-Los Angeles International Airport.
- (b) Between Redlands Airport-Brackett Field-Los Angeles International Airport.

2. Golden West Airlines, Inc. may not establish through routes between points listed in paragraph 1(a), on the one hand, and points listed in paragraph 1(b), on the other hand.

3. Golden West Airlines, Inc. shall not fail to land at all intermediate points on its routes unless it has a full load of passengers with none destined for the intermediate points.

Issued by California Public Utilities Commission.

Decision No. 73613, Application No. 49532.