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Decision No. 74477

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Francisco &
Oakland Helicopter Airlines, Inc.
for Authority to Increase Passenger
Fares.

} Application No. 50331
(Filed June 18, 1968)

O P I N I O N

San Francisco & Oakland Helicopter Airlines, Inc. (SFO) is an air carrier of passengers, property and express. It holds authority from this Commission and from the Civil Aeronautics Board (CAB) to engage in rotary-wing transportation between San Francisco International Airport, Oakland International Airport and San Jose Airport, on the one hand, and points in San Francisco, San Mateo, Marin, and Santa Clara Counties, on the other hand.

In this application, SFO seeks authority to increase its fares by \$1 per passenger (full fare), and 50 cents per passenger (children's half fares and military, youth and clergy standby fares).

The application states that SFO has filed tariffs with the CAB to increase its interstate fares by the same amounts as sought herein, effective August 1, 1968. Said increases will become effective unless suspended by the CAB. As no protests have been filed, it is expected that the interstate fares will be permitted to become effective on the above date. Current intrastate and interstate fares are on a parity. SFO requests that it be authorized to establish the increased intrastate fares contemporaneously with the effectiveness of its interstate fares, and asks that the authority sought herein be granted without hearing.

The application alleges the following: Approximately 85 percent of SFO's passengers are in interstate commerce, the remaining 15 percent of passengers are transported in intrastate service, subject to the jurisdiction of this Commission. As shown in financial data appended to the application, helicopter operations were conducted at a profit during 1967, after assistance payments from Trans World Airlines and American Airlines are included. A summary of said operating results are set forth in the following table:

TABLE I
SFO Helicopter Airlines, Inc.
Income Statement-Twelve Months
Ended December 1967

Operating Revenues	\$ 2,961,319*
Operating Expenses	\$ 2,822,491
Operating Profit	\$ 138,828
Income Deductions	\$ 138,231
Non-Operating Profit	\$ 183,392
Other Income (net)	\$ (15,318)
Net Income	\$ 168,671

*Includes assistance payments of \$589,519 from TWA and AA.

SFO's deficit as of December 31, 1967, as shown in its balance sheet of that date, was \$1,302,705. As of January 1, 1967, the deficit was \$1,489,376.

The application states that a two-year agreement, expiring May 31, 1968, was negotiated between SFO and Trans World Airlines (TWA) and American Airlines (AA), under which the latter two airlines paid to SFO the deficiency between its operating revenues and costs of flights underwritten by said carriers. The payment to SFO from TWA and AA, included in "operating revenues" in Table I, was \$589,519 for the year 1967. If such payments had not been received, 1967 operations would have been conducted at a loss of \$480,922.

The application avers that the agreement with TWA and AA has expired; that said airlines have the option to renew said agreement on a year-to-year basis for four successive one-year periods; and that said options have not been exercised, but have been temporarily extended for a 60-day period. The application alleges that the additional revenues from the sought increased fares would reduce the magnitude of the assistance payments required from TWA and AA in the event such carriers elect to exercise their options to renew the assistance agreements, and the increase in revenues from the proposed fares would favorably influence one of said carriers to exercise its option to renew its assistance agreement with SFO. It appears that the increased intrastate and interstate fares will produce additional revenues less than the assistance payments from TWA and AA.

The Commission's Transportation Division has prepared a staff report concerning applicant's operations, which is received herein as Exhibit 1. Included in said report is the following table, which shows a results of operations summary based on 1967 operations, with adjustments for certain changes occurring since January 1967.

TABLE II
SFO Helicopter Airlines, Inc.

<u>Item</u>	<u>Year</u> <u>1967</u>	<u>Rate Year</u>	
		<u>Present</u> <u>Fares</u>	<u>Proposed</u> <u>Fares</u>
<u>Revenues</u>			
Passenger	\$2,293,039	\$2,894,000	\$3,195,000
Mail	47,723	122,000	122,000
Property-Express	37,543	21,000	21,000
Property-Freight	9,043	4,000	4,000
Property-Excess Baggage	1,846	3,000	3,000
Charter and Special	19,255	29,000	29,000
Other	54,972	16,000	16,000
Total Operating Revenue	<u>\$2,463,421</u>	<u>\$3,089,000</u>	<u>\$3,390,000</u>
<u>Expenses</u>			
Total Operating Expense	\$2,914,112	\$3,265,000	\$3,265,000
Operating Income (Loss)	\$ <u>(450,691)</u>	\$ <u>(176,000)</u>	\$ 125,000
T.W.A. & A.A.L. Asst. Program	\$ 589,519	(a)	(a)
Net Income before Inc. Taxes	\$ 138,828	(a)	(a)

(Red Figure)

(a) Contract for these funds will not be continued beyond August 31, 1968.

The adjustments in 1967 figures for changes occurring since January 1, 1967, are as follows:

1. Resumption of passenger service to San Francisco February 1, 1968.
2. Two helicopters, previously leased, were purchased on March 1, 1967.
3. Increased use of larger helicopters.
4. Expiration of assistance agreements with Trans World Airlines and American Airlines.
5. Increased wages of maintenance workers in 1968 as provided by union contracts.
6. Increased revenues from U. S. mail transportation.

The staff report indicates that applicant's Helicopter Division operations in a future rate year would incur an estimated \$176,000 operating loss under present fares and a \$125,000 profit under proposed fares. The report states that since the carrier would not be required to pay income taxes because of carry-forward losses, this profit would be about five percent return on the December 31, 1967 net aircraft investment of \$2,500,000.

The application shows that it was served in accordance with Commission rules. The application was listed on the Commission's Daily Calendar of June 19, 1968. There are no protests.

In the circumstances, it appears, and the Commission finds, that applicant is in urgent need of additional revenues, that the increases in fares proposed herein are justified, and that a public hearing is not necessary. The application should be granted. In order that applicant may place the increased fares in effect as early as possible, it will be authorized to establish the fares on five days' notice to the Commission and the public.

O R D E R

IT IS ORDERED that:

1. San Francisco & Oakland Helicopter Airlines, Inc., is authorized to establish the increased fares proposed in Application No. 50331. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and 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.

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

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

Dated at San Francisco, California, this 30th day of JULY, 1968.

William J. ...
President

Jack P. Morrissey
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.