

ORIGINALDecision No. 74837

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 AIR METROPOLITAN, a corporation, for
 a certificate of public convenience
 and necessity as a passenger air
 carrier between Van Nuys Airport and
 the San Francisco International Air-
 port, pursuant to Sections 2740-2765
 of the California Public Utilities
 Code.

Application No. 49755
 (Filed October 25, 1967)

(Appearances are listed in Appendix A)

O P I N I O N

By this application Air Metropolitan seeks a certificate of public convenience and necessity as a passenger air carrier between the Van Nuys Airport and the San Francisco International Airport.

Public hearing was held before Examiner Porter at Los Angeles, Van Nuys, Canoga Park and San Fernando, on various days during the months of November and December, 1967 and January, March and April of 1968. The matter was submitted April 24, 1968 after seventeen days of hearing.

Applicant proposes to operate a minimum of five round-trip schedules per day between said airports. It proposes to operate said schedules with DC9 equipment.

Applicant will provide ample insurance coverage pursuant to General Order No. 120-A adopted October 22, 1964, effective January 1, 1965.

Applicant presented evidence as to the experience in the establishment and conduct of air passenger service, and business and financial matters of its officers and directors.

The evidence produced by applicant was that applicant would acquire and use two DC9 aircraft to provide the initial service. These aircraft cost in excess of \$4,000,000 each. Applicant proposes to raise equity financing of approximately \$4,000,000 by a public offering of stock. For the purchase of the aircraft applicant proposes to deal with a bank for \$8,000,000 financing and also approximately \$200,000 for short term or interim financing. Approximately \$28,000 in cash was provided by the organizers and directors of the company and of this sum approximately half has been expended in legal, accounting and consulting fees.

Dr. Ralph Bruce Ricks proposed a market survey of passenger service between the Van Nuys Airport, on the one hand, and the San Francisco International Airport, on the other hand, for the applicant. (Exhibit 5.) Dr. Ricks' report has concentrated on the past and projected growth of the primary southern market area - West San Fernando Valley plus the Beverly Hills-Pacific Palisades area and Ventura County. One-way scheduled air passenger demand is estimated to reach at least 40,000 per month by the end of 1968. By one-way traffic is meant either-way air traffic, so this would be the total passengers carried by the applicant, whether it be south to north or north to south.

Dr. Ricks in making his report stated that Stanford Research Institute had projected that 5.8 million passengers would fly between the greater Los Angeles area and the greater San Francisco area in 1970 and that 71 percent of that total would fly

between the Los Angeles area and the San Francisco International Airport. Evidence introduced by protestants through Dr. Kenneth Clare reveals that the Stanford Research Institute projection was that 61 percent of the 5.8 million passengers would fly between the greater Los Angeles area and the San Francisco International Airport in 1970, and the difference would necessitate a reduction of approximately 15 percent in Dr. Ricks' market support estimates.

Dr. Gerhard N. Rostvold, called by protestants, testified that in his opinion the Primary Southern Service Area referred to in the Air Metropolitan study is too generously defined in terms of its geographic scope and also in terms of the number of people used as the basis for estimating potential patronage. Dr. Rostvold bases his opinion on (1) a time-distance factor (driving time) (2) existing air service out of Burbank-Hollywood (approximately 8 miles from Van Nuys Airport), service out of Oxnard, Santa Barbara Airport and Los Angeles International Airport and (3) the considerable schedule of service offered out of Los Angeles International Airport each day.

Included in the report of Dr. Ricks for the proposed Southern Service Area of Air Metropolitan is the "North County" as defined by Dr. Ricks as including the Lancaster, Palmdale and Newhall Areas (Exhibit 5, p.6). The estimated population of the "North County" as of 1967 was 116,365 (Exhibit 5, p. 11). The projected population for 1970 is 135,000. The bulk of the population in the "North County" is in the Palmdale-Lancaster Area, that being 75,000 in 1967. (Tr. 1365.)

The distance from Palmdale to Van Nuys Airport is approximately 55 miles. There is commuter air service available

between Palmdale and Los Angeles International Airport on Cable Commuter Airlines and Pacific Airlines. The time and distance from the "North County" to Hollywood-Burbank Airport is approximately the same as to the Van Nuys Airport.

The Air Metropolitan proposed service area includes all of Ventura County with a population in 1967 of 341,830 and a projected population for 1970 of 434,000 (Exhibit 5, p. 12). In 1970 the population of Ventura County will constitute approximately 32% of the entire population of the service area delineated by Dr. Ricks. Dr. Rostvold testified that in his judgment based on the time-distance factor and the fact that there is service out of Oxnard Airport and the Santa Barbara Airport, 249,640 of the total population of 341,830 in Ventura County in 1967 (or 73%) should not be deemed within the service area for Van Nuys Airport. (Tr.1364.)

The Beverly Hills-Pacific Palisades geographical area contains a population estimated at 137,797 in 1967 and a projected population at 141,000 for 1970 (Exhibit 5, p. 11). The population of this area in 1967 constituted 11% of the total population in the service area delineated by Dr. Ricks. In 1970 it will constitute about 10.3% of the total. The driving time from Beverly Hills and Pacific Palisades to the Los Angeles International Airport varies from 20 to 35 minutes, depending on the exact point of origin or departure and the hour of the day. Air Metropolitan proposes to start with five round trips per day. Los Angeles International Airport presently offers over 50 round trips.

Dr. Clare, in his opinion, would eliminate Beverly Hills-Pacific Palisades area and a major part of Ventura County from the Van Nuys Market area.

Evidence was also presented that Pacific Southwest Airlines carried only 269,293 O & D passengers between Hollywood-Burbank and the San Francisco International Airport during 1967. Dr. Ricks, nevertheless, predicts for the Van Nuys Airport that in 1969 it would generate 466,800 passengers or 1.74 times the traffic carried by Pacific Southwest Airlines in 1967.

The application was opposed by residents in the area of Van Nuys Airport who secured thousands of signatures on petitions opposing the application. Many testified at the hearings. In the main their protest was to anticipated noise, property devaluation and flying safety factors.

Based on the evidence the Commission finds that:

1. The Hollywood-Burbank Airport and the Van Nuys Airport are geographically 8 miles apart. Pacific Southwest Airlines has 7 flights Monday through Thursday from Hollywood-Burbank to San Francisco International Airport and 8 on Friday.

2. The market area for the proposed service is extremely limited, as is the number of potential passengers that would use the Van Nuys Airport.

3. There is not now a need for passenger air carrier service between Van Nuys Airport and the San Francisco International Airport.

The Commission concludes that the application should be denied.

In view of the foregoing findings and conclusion it is not necessary for this Commission to make findings upon the other factors mentioned in Section 2753 of the Public Utilities Code.

O R D E R

IT IS ORDERED that Application No. 49755 is denied.

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

Dated at San Francisco, California, this 15th day of OCTOBER, 1968.

William Sproule

President

Augusta

Fred P. Monsey

Commissioners

APPENDIX A

LIST OF APPEARANCES

FOR APPLICANT

Russell & Schureman, by R. Y. Schureman and Robert W. Hancock.

FOR PROTESTANTS

McInnis, Focht & Fitzgerald, by Laurence L. Pillsbury, for Pacific Southwest Airlines; Dominic P. Renda and Gordon Pearce, for Western Air Lines, Inc.; Vincent Dunn, for Encino Chamber of Commerce and in his own behalf; Mrs. Ruth L. Baron, in her own behalf; Elisabeth Barrera, for 20 residents of Van Nuys; R. E. Costello, for Pacific Airlines; Mrs. Elaine W. Brown, in her own behalf; David H. Cook, in his own behalf; Jennifer J. Potts, for Sepulveda, Northridge and Granada Hills property owners and residents; Helen Waisgerber, for property owners of Sepulveda, Granada Hills, Northridge, Chatsworth and Woodland Hills; Ronald White, in his own behalf and for 152 other residents of Encino; James Korshak, in his own behalf and for 253 petitioners of Encino; Robert Lewis, in his own behalf and for other residents of Encino; Konstantine W. Harris, in his own behalf and 315 other residents of Encino; Albert Bernson, in his own behalf; Jan R. Friedrich, in his own behalf and for 304 Valley residents; Joyce Kenyon, in her own behalf and for 1909 residents of Encino; Harold F. Kasten, for Encino Property Owners Association; Cecil G. Zaun, for Los Angeles City Schools; Clarence Violette, for State Senator Cussnovich; Arnold Lesin, for Encino Improvement Association; M. Rettinger, in his own behalf; James E. Sanderson, for Valley Federation of Property Owners; Ball, Hunt, Hart & Brown, by Jack Tomlinson, for Save Our Valley Association and other residents of San Fernando Valley and adjacent areas.

FOR INTERESTED PARTIES

Stephen J. Slade, for Los Angeles Airways, Inc.; Clyde P. Barnett, for California State Aeronautics Division; Mrs. Bernie Shapiro, in her own behalf; C. F. Columbia, for Los Angeles Airways, Inc., Scheduled Helicopter Airline; Gates, Talbot, Morris & Merrell, by Brownell Merrell, Jr., for Air California.

FOR THE COMMISSION STAFF

William R. Kendall, Edward C. Crawford, Sergius M. Boikan, Counsel, John deBrauer.