

ORIGINALDecision No. 75373

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of
 California Sierra for a certificate
 of public convenience and necessity
 as an air freight carrier between
 Long Beach, San Francisco and Oakland,
 and as a passenger air carrier between
 Long Beach, Long Valley and San Fran-
 cisco, pursuant to Section 2740 of
 the Public Utilities Code.

Application No. 50391
 (Filed July 15, 1968)

Earl R. Brown and Robert L. Thatcher, for applicant.
Leslie E. Still, Jr., for City of Long Beach; Louis
Possner, for Bureau of Franchises, City of Long
 Beach; Gordon C. Reddal, for Truckee-Tahoe Airport
 District; and Flave George, Jr., for Mammoth Lakes
 Airport; interested parties.
Sergius M. Boikan, Counsel, Robert Hannam and Raymond
Heytens, for the Commission staff.

O P I N I O N

Applicant requests a certificate of public convenience and necessity to operate as an air carrier to transport passengers between Long Beach Municipal Airport, Mammoth Lakes (Long Valley) Airport and San Francisco International Airport. No passengers will be transported between San Francisco and Long Beach. The Passenger Air Carrier's Act (Public Utility Code Sections 2740-2769.5) has no application to the transportation of freight by aircraft. Therefore, no action will be taken concerning the portion of the application which requests authority to operate as an air freight carrier.^{1/}

^{1/} Air freight service may be inaugurated after filing tariffs in accord with this Commission's General Order 105-A and complying with the insurance requirements of General Order 120-B.

Applicant was incorporated to provide the service described. It holds no other operating authority.

Public hearing was held before Examiner Fraser in Los Angeles on September 10 and 11, 1968. The matter was submitted subject to a late-filed exhibit which was received on December 12, 1968. The application was not protested.

Applicant proposes to operate four daily schedules (2 round trips) in passenger service for six months of the year and to provide an additional round trip (six schedules daily) for the remaining six months of the year if business increases as anticipated. The proposed one-way passenger fare is to be \$20.00 plus tax, which will allow two or three pieces of baggage per passenger without additional charge. It is anticipated that group fares may be instituted after applicant starts its operation. The initial passenger flights are scheduled as follows:

DAILY SCHEDULE
Passenger

	<u>Northbound</u>					<u>Southbound</u>	
<u>Flight No.</u>	<u>100</u>	<u>102</u>				<u>101</u>	<u>103</u>
	0630	1345	LV	Long Beach	ARR	1130	1845
	↓	↓				↑	↑
	0730	1445	ARR	San Francisco	LV	1030	1745
				Mammoth			
	0800	1515	LV		ARR	1000	1715
	↓	↓				↑	↑
	0845	1600	ARR	San Francisco	LV	0915	1630

The aircraft selected by the applicant is the Fairchild F-27, powered by two Rolls Royce Turbo-Prop engines with Poto1 four blade constant speed propellers. The aircraft will accommodate 40 passengers with 110 pounds of baggage per person, or a cargo load

of 14,000 pounds. Both versions of the aircraft provide for a three-man crew. Applicant has an option to purchase the two aircraft needed to start operations.

Applicant will establish its main office and maintenance depot in a new terminal building it will construct at the Long Beach Municipal Airport. This airport has adequate facilities and is located in the greater Los Angeles area. Space is available and has been reserved at the San Francisco International Airport. Applicant will lengthen the runway and construct a new terminal at the Mammoth Lakes (formerly called Long Valley) Airport. The present runway is approximately 5,135 feet. It will be strengthened and extended to 6,100 feet. During a regular meeting on October 11, 1968, the State Aeronautics Board ordered the applicant to fly in and out of Bishop Airport (40 miles from Mammoth Lakes) as an alternate, while the Mammoth Airport was being improved. The Board noted that the improvement of Mammoth Lakes Airport will provide the minimum approved runway length and support for F-27 landings and takeoffs. The Board further noted that the airline is financially capable of making the necessary improvements and has requested contractors' bids.

The president of the applicant corporation testified that he has been an airline pilot for many years and was Director of Operations for Pacific Air Transport and Aspen Airways. He holds an Airline Transport Pilot rating from Trans World Airlines, on both foreign and domestic routes. He explained the proposed schedules and routes along with the function, title and salary of each employee to be hired. He also advised that applicant can provide service to the Bishop Airport as an alternate, if necessary, and in this event, bus transportation would be provided by applicant from the Bishop

Airport to Mammoth Lakes. He testified that more than four million visitors pass through the Mammoth Lakes area annually and 6 percent (240,000) are considered potential airline passengers, based on the experience of Frontier Airlines, which serves several ski resorts, and the statistics compiled by the large, regular route airlines, which indicate 4 percent of the population travels by air, with a much higher percentage on visitors into and out of resort areas. He testified 8 percent fly into Aspen, Colorado, but projected estimates should be conservative. He further testified that the operation of Frontier Airlines into Jackson Hole, Wyoming, and Aspen, Colorado, indicates that applicant will start operating with a 20 percent load factor on passengers and that it will increase 5 percent per month for an indefinite period, then taper off except for the busy season. An insurance broker testified about the proposed insurance coverage applicant will have when it starts to provide service. He stated applicant will have workman's compensation coverage on all employees, aircraft liability and property damage coverage of five million dollars, passenger legal liability of \$50,000^{2/} per seat and hull insurance of one million dollars. The aircraft and passenger liability may be combined in a fifteen million dollar blanket coverage policy. He testified applicant has also contracted for one million dollars public liability insurance for all personal injury and property damage arising out of any single accident resulting from operations conducted on the ground; a quarter million dollar per loss honesty bond and employee benefit medical insurance of five thousand dollars per employee.

^{2/} General Order 120-B, effective March 1, 1969, requires basic insurance in the amount of \$100,000 per seat.

Applicant's accountant testified regarding proposed operations and a projected four year balance sheet and profit and loss statement was placed in evidence. The projected income column indicates a deficit of \$498,415 for the first year and \$85,252 for the second year. The column projected for the third year of operation shows a profit of \$296,940, with \$708,849 on the fourth year. The service will be financed by the sale of 250,000 shares of no par value common stock at \$10.00 a share. The stock will be distributed by a New York broker (Myron A. Lomasney & Co.) under an agreement which was placed in the record as a late-filed exhibit (Exhibit "00") on December 12, 1968.

A representative from Mammoth Mountain Inn testified that over twelve million dollars in ski facilities have been installed at the mountain and a new 3.7 million dollar expansion plan will be completed within five years. He testified a new ski area is to be developed five miles south of Mammoth Mountain at an estimated cost of thirty-five million dollars. He stated the winter sports season at Mammoth averages 210 days, more than a month longer than other ski areas with comparable facilities. Yet the slopes and facilities are frequently empty due to the time involved in getting in and out of the area. The only public transportation is Greyhound bus service, which leaves people three miles out of town and arrives in the middle of the night. He testified he is certain that a scheduled air service will be an instant success because of the public need. Numerous letters were received from Mammoth Lake residents, property owners, realtors, and business men in support of the application. The application was further supported by letters from the City of Bishop, the Mammoth Lakes Chamber of Commerce, the Mammoth Mountain Chair Lifts, and the United States District Forest Ranger for Inyo National

Forest, who noted that Mammoth has more than three and a half million visitors each year.

The vice-president of Mammoth Lakes Airport has been a military flyer and now holds a commercial transport rating with Continental Airlines. He testified that Mammoth Airport has no electronic or navigation equipment as yet and a pilot must depend on simple visibility for takeoffs and landings. All operations are during daylight; there is no landing beacon or landing lights, and no fire truck or rescue equipment. One hundred ten aircraft are based at the field and more than 2,000 aircraft land on the field each year. DC-3's operate out of Mammoth and 40,000 pound piston engine military aircraft have been in and out. It has about a 5,300 foot runway (at 7,100 feet above sea level) and F-27 aircraft could get in and out, but the runway could not take repeated landings of such a heavy aircraft. The runway will have to be strengthened and the drainage improved before F-27's use the airport as a base of operations. Applicant has agreed to pay for these improvements and a contractor has already been on the site to give an estimate of the cost. This estimate is not ready as yet. Visibility is good about 95 percent of the time in the summer and 90 percent in the winter. Only light planes use the airport now and they fly only in daylight. Bishop has a better airport. It is larger and can safely handle takeoffs and landings of F-27 aircraft. Money has already been appropriated to pay for the installation of instrument approach landing equipment at Bishop Airport in the near future. A Field Representative of the California Division of Aeronautics, who is an experienced pilot and is responsible for inspecting and licensing airports under State law, testified that the Mammoth Lakes Airport was not suitable for F-27 operation in its present condition.

When the proposed improvements are completed the airport will have to be inspected and a report made, then the improved runway may be certified to handle larger and heavier aircraft. He further testified that the Bishop Airport is adequate for F-27 operation and is a possible alternate to Mammoth Lakes Airport.

Findings and Conclusion:

1. California Sierra 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 has requested authority to serve Mammoth Lakes Airport, which does not have adequate runways to support the weight of the aircraft which applicant will use.
3. The Mammoth Lakes Airport runway is to be extended and strengthened at applicant's expense.
4. Applicant will provide other improvements as soon as the runway work is completed. These additions will be a modern terminal with storage facilities, a new fire truck with crash equipment, a beacon and runway lights.
5. Applicant will therefore be authorized to provide service to Mammoth Lakes Airport with Bishop Airport as an alternate, subject to the condition that before service is started approval of the operations at Mammoth Lakes Airport must be authorized by the Federal Aeronautics Administration and the State Aeronautics Board. In the interim, service to Bishop Airport will be authorized.
6. Applicant will arrange transportation by bus or other vehicle between Bishop Airport and Mammoth Lakes for all passengers arriving or leaving on California Sierra aircraft. Applicant cannot provide such bus service until an application is filed and authority

is obtained from this Commission to operate as a passenger stage corporation in accordance with Article 2 of Chapter 5 of the Public Utilities Code.

7. As soon as the Mammoth Lakes Airport is certified as adequate to handle F-27 traffic, applicant shall discontinue serving Bishop and will operate in and out of the Mammoth Lakes Airport.

8. California Sierra can economically serve Long Beach to Mammoth Lakes and San Francisco to Mammoth Lakes as a passenger air carrier, with Fairchild F-27 aircraft with a one-way fare of \$20.00 plus tax.

9. There presently exists a need for the passenger air carrier service proposed by California Sierra between Long Beach and Mammoth Lakes, on the one hand, and San Francisco and Mammoth Lakes, on the other hand.

10. Public convenience and necessity require the granting of a certificate to applicant authorizing operation as a passenger air carrier serving Long Beach to Mammoth Lakes and San Francisco to Mammoth Lakes, subject to the conditions set forth in the following order and with interim authority to Bishop.

Based upon the foregoing findings of fact, the Commission concludes that the application of California Sierra for a certificate as a passenger carrier by aircraft between Long Beach and Mammoth Lakes, and between San Francisco and Mammoth Lakes should be granted.

California Sierra 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 California Sierra, authorizing it to operate as a passenger air carrier as defined in Section 2741 of the Public Utilities Code, as 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. 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 requirements of the Commission's General Order No. 120-B.
- (b) Within one hundred and twenty days after the effective date hereof, applicant shall establish the service herein authorized and file tariffs and timetables, in triplicate, in the Commission's office.
- (c) The tariff and timetable 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 the effective date of the tariff and timetable filings shall be concurrent with the establishment of the service herein authorized.

- (d) The tariff filings made pursuant to this order shall comply with the regulations governing the construction and filing of tariffs set forth in the Commission's General Orders Nos. 105-A and 129.

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

Dated at San Francisco, California, this 25th day of FEBRUARY, 1969.

William Lynwood D.
President

Augusta

Robert P. Bruns

W. H. Brown

Thomas M. Brown
Commissioners

California Sierra, 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, between the following points:

Route
No.

1. BETWEEN Long Beach International Airport and Mammoth Lakes Airport.
2. BETWEEN San Francisco International Airport and Mammoth Lakes Airport.
3. BETWEEN Long Beach International Airport and Bishop Airport.
4. BETWEEN San Francisco International Airport and Bishop Airport.

RESTRICTIONS:

1. Flights in and out of Mammoth Lakes Airport shall not be operated until that airport is certified for use by the aircraft of California Sierra, including F-27 by the Federal Aviation Administration and the California Aeronautics Board and copies of such certificates are filed with this Commission.
2. At such time as California Sierra files certificates authorizing flights in and out of Mammoth Lakes Airport, operations over Routes 3 and 4 shall cease.
3. No passengers shall be transported between Long Beach and San Francisco.

Issued by California Public Utilities Commission.

Decision No. 75373, Application No. 50391.