

ORIGINAL

Decision No. 77214

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. 51784
(Filed March 24, 1970)

O P I N I O N

San Francisco & Oakland Helicopter Airlines, Inc. (SFO), is an air common carrier, transporting passengers, property and express between points in the metropolitan San Francisco Bay Area.^{1/} SFO is currently providing service between San Francisco International Airport and Oakland International Airport, Downtown San Francisco, Berkeley Heliport, Palo Alto Airport, Marin County Airport and Sunnyvale. In this application it seeks to increase fares in the amount of \$1.00 per passenger for each of its full fares on route segments described above, except that it seeks to increase the full fare between San Francisco International Airport and Sunnyvale (served through the San Jose Municipal Airport) by \$2.00 per passenger.

SFO's intrastate passenger fares were last increased pursuant to Decision No. 76064, dated August 19, 1969, in Application No. 51286. The application states SFO has filed, concurrently with this application, a tariff with the CAB setting forth identical fare increases for interstate passengers. Said tariff is scheduled to become effective on April 26, 1970. The application alleges that

^{1/} SFO's certificate from the Civil Aeronautics Board (CAB) authorizes service by helicopters or fixed-wing aircraft between any points located within a fifty-mile radius of Oakland International Airport.

85 percent of SFO's passengers are in interstate commerce, and, hence, are governed by its CAB tariff. SFO requests ex parte action with respect to its application to increase intrastate fares.

The application contains operating statements, balance sheets, and other economic data, which have been supplemented with additional information furnished by applicant and received herein as Exhibits C-1, C-2, C-3, C-4 and F.

The information set forth in the application indicated that in addition to its common carrier flight operations, SFO conducts a contract maintenance facility and also a manufacturing activity through its wholly owned subsidiary, Larkin Manufacturing Co., Inc. The application alleges that SFO common carrier operations are being conducted at a loss, and that it is in urgent need of additional revenues. The application states that during the calendar year 1969 its passenger "break-even" load factor was 51 percent, and that its projected "break-even" passenger load factor is 47 percent under current fares. The application indicates that under the fares proposed herein, its "break-even" load factor will be 43 percent; estimated load factor for 1970 is 39.9 percent (Table 2).

The application states that direct financial aid from Trans World Airlines (TWA) and American Air Lines (American) in the amount of \$557,183 was received by SFO in 1969. The application states that although the continued financial assistance of TWA is anticipated, the support for which it is committed is in lesser amounts each year. The maximum amounts which TWA is obligated to provide under existing assistance agreements are \$295,633 in 1970 and \$195,633 in 1971. The application indicates that although American has renewed its assistance agreement for one year to preserve,

any rights to which it may be entitled thereunder, SFO is not servicing any American gates at San Francisco International Airport, and American is not providing any financial assistance to SFO.

The following table sets forth SFO consolidated results of operations for the year 1969, reflecting its scheduled helicopter operations, and its non-utility maintenance and manufacturing operations.

TABLE 1

SFO HELICOPTER AIRLINES, INC.
Consolidated Statement of Operations
For the Period Ending
December 31, 1969

	YEAR ENDING <u>DECEMBER 31, 1969</u>
OPERATING REVENUE:	
Helicopter	
Passenger	\$2,784,589
Contract Revenue	557,182
Mail, Express and Other	186,537
	<u>\$3,528,308</u>
Maintenance	1,726,327
Manufacturing	1,070,219
Total Operating Revenues	<u>\$6,324,854</u>
OPERATING EXPENSES:	
Helicopter	
Flying Operations	\$ 754,350
Helicopter Maintenance	1,346,845
General Service and Administration	1,524,855
Depreciation and Amortization	301,339
	<u>\$3,927,389</u>
Maintenance	1,879,471
Manufacturing	981,811
Total Operating Expenses	<u>\$6,788,671</u>
Income (Loss) From Operations	<u>\$ (463,817)</u>
NONOPERATING EXPENSE (INCOME):	
Interest Expense	\$ 389,958
Other, Net	(18,509)
	<u>\$ 371,449</u>
NET INCOME (LOSS)	<u>\$ (835,266)</u>

Exhibits C-2, C-3, and C-4 indicate that SFO's helicopter operations resulted in a net loss of \$911,919 for the year 1969; SFO's net loss for that period from its maintenance division was \$159,344; and its separately operating manufacturing company's net income (after taxes) for the period was \$76,653. (Table 3, developed by the Commission staff, indicates that operating losses were less than shown above.)

The following table portrays SFO's projected results for its 1970 operations, including added revenues from the requested fare increase effective April 26, 1970. Operating expenses reflect anticipated cost increases of approximately five percent over 1969 operations.

TABLE 2

SFO HELICOPTER AIRLINES, INC.

Estimated Operating Results
For the Year 1970, Including
Revenues From Increased Fares

	<u>Year 1970</u>
Scheduled Aircraft Miles	564,804
Average Speed - MPH	104.5
Scheduled Revenue Flight Hours	5,390.1
Performance Factor	90.9
Scheduled Miles Flown	513,667
Revenue Flight Hours	4,901.8
Available Seat Miles (000)	12,797.6
Revenue Passenger Miles	5,110.9
Passenger Load Factor	39.9%
Number of Passengers	293,638
Yield Per Passenger	10.54
Revenues - Passenger	\$3,101,705
Revenues - Mail, Freight & Exp.	46,214
Total Transport Revenues	<u>\$3,147,919</u>
<u>EXPENSES</u>	
Flying Operations	\$ 461,487
Aircraft Insurance	146,158
Maintenance	1,157,095
Depreciation	248,660
Total Direct Operating Cost	<u>\$2,013,400</u>
General & Admin. Expenses	1,464,503
Total Operating Expense	<u>3,477,903</u>
Operating Profit or (Loss)	<u>\$ (329,984)</u>
Lease Revenue	160,971
Lease Expense - Depreciation	56,752
Interest Income or (Expense)	(284,424)
Net Income or Loss - Before TWA Assist.	<u>\$ (510,189)</u>
TWA Contract Payment	303,664
Net Profit or (Loss) - Helicopter	<u>\$ (206,525)</u>
Net Profit or (Loss) - Maint. Div.	(158,474)
Net Profit or (Loss) - Larkin Mfg. Co.	47,995
Consolidated Net Profit or (Loss)	<u>\$ (317,004)</u>

As indicated in Table 2, the helicopter operations would be conducted at a loss of \$206,525 in the test year.

The staff of the Commission's Finance and Accounts and Transportation Divisions have made studies of applicant's operations. The report of the staff study conducted by the staff financial examiner is incorporated in the record herein as Exhibit 1. The following table from said Exhibit 1 depicts applicant's financial results of helicopter operations as found by the Commission staff, and is based upon audited figures developed subsequent to the data supplied by applicant in its Exhibits C-1 through C-4 and F.

TABLE 3

SFO HELICOPTER AIRLINES, INC.

Summary of Results of Helicopter Airline
Operations for Calendar Year 1969

<u>Operating Revenues</u>	\$3,536,308
<u>Operating Expense</u>	3,985,268
<u>Net Operating Profit (Loss)</u>	
Helicopter Operations	(448,960)
Profit (Loss) Maintenance Division	(159,344)
Other Income (Net)	11,190
Net Operating Profit (Loss)	
All Operations	(597,114)
Interest Expense	364,684
Net Income (Loss)	(961,798)

The Commission staff concludes, based on its studies, that applicant requires additional revenue in order to continue its operations.^{2/}

^{2/} The staff studies indicate that 23 percent of applicant's traffic is intrastate in character, as compared with applicant's estimate of 15 percent.

The application was listed on the Commission's Daily Calendar of March 26, 1970. There are no protests.

The Commission finds as follows:

1. SFO incurred an operating loss for its helicopter operations during the year 1969 (Table 3). SFO's total operations, including its non-public utility manufacturing and maintenance operations, were also conducted at a loss in this period (Table 1 and Table 3). SFO expects such losses to continue into the future.

2. SFO is in urgent need of additional revenues from its common carrier services.

3. SFO estimates that the CAB tariff increases together with the increased fares sought herein will produce \$218,817 additional revenue in the period April 26 through December 31, 1970. The increases in revenue sought herein will not be sufficient to cause SFO's helicopter operations to be profitable (Table 2).

4. The increases in rates and charges sought herein are justified.

5. A public hearing is not necessary.

The Commission concludes that the application should be granted. In view of applicant's immediate need for additional revenues, it will be authorized to publish the increased fares and rates on five days' notice.

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. 51784. 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 the public.

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'~~ (25th) the date hereof.

Dated at San Francisco, California, this 12th day of MAY, 1970.

William Symons, Jr.
President

Augusta
William J.

[Signature]

Vernon L. Stinger
Commissioners