

Decision No. 77228

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of HOLIDAY AIRLINES, INC., a
California corporation, for
authority to serve Truckee-
Tahoe Airport.

Application No. 51346
(Filed September 4, 1969)

Loughran, Berol & Hegarty, by Marshall
G. Berol, for Holiday Airlines, Inc.,
applicant.

Darling, Hall, Rae & Gute, by Donald K.
Hall, for Western Air Lines, Inc.,
and Roland E. Ginsburg, for Air Nevada,
protestants.

R. W. Russell, Chief Engineer and General
Manager, by K. D. Walpert, Department
of Public Utilities and Transportation,
interested party.

Janice E. Kerr, Counsel, for the Commission
staff.

O P I N I O N

Holiday Airlines, Inc., (Holiday) transports passengers by air in either direction between Los Angeles International Airport, Hollywood-Burbank Airport, Long Beach Municipal Airport, Oakland International Airport, San Jose Municipal Airport, on the one hand, and Tahoe Valley Airport (TVL), on the other hand. By this application Holiday seeks to provide service to Truckee Tahoe Airport (TTA). Holiday will charge the same fare between the Los Angeles points - TTA as it does between the Los Angeles points - TVL: one way - \$24.52; round trip - \$49.05 and a special round trip fare of \$39.90 good for transportation Mondays through Thursdays; and the same fare between Bay Area points - TTA as it does between Bay Area points - TVL: one way - \$13.57; round trip - \$27.14 and a special round trip fare of \$23.00. Holiday

proposes to transport passengers between TVL and TTA: one way - \$4.76; round trip - \$9.52.

Public hearings were held before Examiner Robert Barnett on February 20, 1970 at Tahoe City and on February 25, 1970 at Los Angeles.

Nine public witnesses testified in support of the application. They included a supervisor from Placer County, the president of the Truckee Tahoe Airport District, two resort operators, two representatives of the Chamber of Commerce, one real estate developer and one newspaper man.

The president of the Truckee Tahoe Airport District testified that his district was formed in 1958 and serves a population, within the district, of approximately 15,000 permanent residents and as many as 35,000 recreational visitors. The district is entirely within California and encompasses all of North Lake Tahoe and the Truckee area. The airport, opened in 1961, is located two miles from Truckee on State Highway 267. It represents a \$2 million plant investment which includes two runways capable of handling airplanes as large as Electra Jets. There are no scheduled airlines presently serving the airport; Air Nevada has authority to serve but has never served.

He said that the public is constantly requesting scheduled service. The most convenient scheduled airline service available is at Reno which is approximately 34 miles from Truckee and requires a 45 minute automobile ride. From North Lake Tahoe the Reno Airport is about 20 miles further. Because of road conditions the South Lake Tahoe Airport is even more inaccessible than the Reno Airport for North Lake Tahoe travelers. He stated

that there are at least three large land developers in the vicinity of the airport, controlling thousands of acres. These developers are expected to build, among other projects, a 500-unit hotel with adjacent ski facilities rivaling those of Squaw Valley. This development is scheduled for completion within the next four years.

The supervisor testified that the Placer County Board of Supervisors supports the application. In his opinion locating scheduled service at North Lake Tahoe will benefit the residents and vacationers in that area by, among other things, reducing driving times to and from airports. Not only is it a long drive to Reno but it is an even longer drive to South Lake Tahoe. An airport on the north shore will speed the development of recreational services in that area for the benefit of the whole state.

Two resort operators testified that scheduled airline service to the north shore is necessary for the convenience of residents of the southern part of California particularly the Los Angeles area. At present these persons find it impossible to spend weekends at the north shore because of transportation difficulties. Driving is too time consuming, and flying to the south shore or Reno requires additional driving time and great expense to get from those airports to the north shore. Scheduled service at TTA will open the southern California market to the recreational areas of North Lake Tahoe.

A real estate developer testified that his company, General American Development Corporation, now owns two thousand acres adjacent to TTA plus an additional three thousand acres in nearby areas in California. Various projects are planned for this property such as individual homes, condominiums, and resort facilities. At present over one thousand home-sites have been sold and three or four thousand more are expected to be sold in 1970. In the last four months his company has flown over one thousand persons to the north shore to view property. Scheduled service to TTA will permit those persons owning property in the area to spend more time enjoying their vacations and weekends and less time driving on the highways trying to get there.

The other witnesses testified in much the same vein as the testimony set forth above.

The vice president of Holiday testified that service between TTA and other points would be initially a minimum of three round trips a week, except to Long Beach which has no service at all. Holiday intends to increase the schedule as public need requires. Holiday's present equipment, personnel, and facilities are sufficient to handle the TTA traffic, and it is not contemplated that additional personnel or equipment will be needed until demand forces an increase in schedules. Holiday estimates that during the first year, flying a minimum schedule, service to TTA will increase flight hours by 140. The cost of these additional flight hours plus the cost of supporting services is estimated to be approximately \$78,000 for the first year. Because there has never been scheduled airline service into TTA and

because growth at the north shore has intensified over the past few years, no accurate estimate of prospective passengers can be made. However, based on the estimated additional expense (which is incremental cost, not full cost) Holiday expects that only ten passengers a flight will be needed to break even. Holiday expects no problem in meeting this requirement but if expectations are not fulfilled Holiday will not hesitate to abandon service pursuant to Public Utilities Code Section 2769.5 which permits unprofitable operations to be discontinued upon sixty days' notice to the Commission. Therefore, in the witness's opinion, TTA service should not burden Holiday's other service.

Discussion

In our opinion public convenience and necessity require the establishment of the proposed service. The airport district, which comprises only a portion of the area to be served, has 15,000 permanent residents; during peak vacation periods there are over 50,000 persons in the area. Squaw Valley, one of a number of ski resorts in the area, serves 350,000 skiers annually and serves other thousands on a year-round basis. Real estate development in amounts of millions of dollars a year will attract additional permanent residents, weekend residents, and vacationers. Service to TTA will open the north shore to persons from the Southern California area who are now inhibited from traveling to that area because of poor transportation service. There is almost no public transportation between the Reno and South Lake Tahoe airports and North Lake Tahoe. The minimum driving time between the Reno Airport and North Lake Tahoe is 45 minutes; and longer between the north shore and the South Lake Tahoe Airport.

Protestants assert that the proposed service will be uneconomical and a burden on Holiday's other services because Holiday's costs have been understated and there is no revenue estimate. The possibility of uneconomical service must be balanced against the need for the service by the public plus the statutory authority to terminate uneconomical routes on sixty days' notice. Holiday's management is astute enough to recognize an unprofitable route and we do not believe that they would deliberately serve a route that has no prospects of becoming profitable.

Protestants further assert that the proposed route will be illegal because a substantial portion of the traffic which Holiday will carry on the route will be moving as a part of a continuous journey in interstate commerce, that is, from points in California to points in Nevada. We have previously considered such arguments in the Application of Holiday Airlines for Authority to add Los Angeles International Airport to Its Existing Lake Tahoe Authority (Decision No. 77155 dated April 28, 1970 in Application No. 51159) and rejected the arguments. We will not repeat our discussion of the problem as set forth in that decision. In our opinion Holiday is not operating illegally. Holiday is a common carrier of passengers for compensation traveling solely between points in California. The airport at Truckee is on the California side of Lake Tahoe and is approximately fifteen road miles from the Nevada border. Holiday has no common arrangements with interstate carriers, through tickets, joint fares, or interchange of passengers. Once a passenger debarks at TTA Holiday has terminated its control over the passenger and has fulfilled its transportation contract. Holiday does not operate in interstate commerce.

Findings of Fact

1. The Truckee Tahoe Airport District, which comprises only a portion of the area to be served, has 15,000 permanent residents; during peak vacation periods there are over 50,000 persons in the area. Squaw Valley, one of a number of ski resorts in the area, serves 350,000 skiers annually and serves other thousands on a year-round basis. Real estate development in amounts of millions of dollars a year will attract additional permanent residents, weekend residents, and vacationers. Service to TTA will open the north shore to persons from the Southern California area who are now inhibited from traveling to that area because of poor transportation service. There is almost no public transportation between the Reno and Tahoe Valley airports and North Lake Tahoe. The minimum driving time between the Reno Airport and North Lake Tahoe is 45 minutes; and longer between the north shore and Tahoe Valley Airport.

2. Holiday is a common carrier of passengers for compensation traveling solely between points in California. The airport at Truckee is located on the California side of Lake Tahoe approximately 15 miles from the Nevada border. Holiday has no common arrangements with interstate carriers, through tickets, joint fares, or interchange of passengers. Once a passenger debarks at TTA Holiday has terminated its control over the passenger and has fulfilled its transportation contract. Holiday does not operate in interstate commerce.

3. Holiday has extensive business experience in the field of air operations; has adequate financing to perform the proposed service; has insurance coverage that meets all requirements of law; has adequate equipment to perform the proposed service; will establish adequate minimum schedules; and will economically give adequate service to the Truckee Tahoe Airport.

4. Public convenience and necessity require the granting to Holiday of a certificate to operate as a passenger air carrier to serve Truckee Tahoe Airport.

Based upon the foregoing findings of fact the Commission concludes that the application of Holiday Airlines for a certificate of public convenience and necessity to operate as a passenger air carrier to serve Truckee Tahoe Airport should be granted. For convenience we are restating Holiday's operating authority.

Holiday Airlines 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 Holiday Airlines, 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 requirements of the Commission's General Orders Nos. 120-B and 129.
- (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 Order No. 105-A.

3. The certificate of public convenience and necessity granted in paragraph 1 of this order shall supersede the certificates of public convenience and necessity granted by Decision No. 77155 which certificates are revoked effective concurrently with the effective date of the tariff filings required by paragraph 2(b) hereof.

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

Dated at San Francisco, California, this 19th day of MAY, 1970.

William Sproun J.
President

August

William J.

James J.

Yvonne L. Stungen
Commissioners

The authority granted herein to Holiday Airlines, Inc. supersedes the previously granted certificate of public convenience and necessity granted in Decision No. 77155. ✓

Holiday Airlines, Inc. by the certificate of public convenience and necessity granted in the decision noted in the margin is authorized to operate as a passenger air carrier between the points listed below:

OAK-TVL
SJC-TVL
BUR-TVL
LAX-TVL
LGB-TVL

OAK-TTA
SJC-TTA
BUR-TTA
LAX-TTA
LGB-TTA
TVL-TTA

OAK-SJC
BUR-LGB
BUR-LAX
LAX-LGB
LAX-SJC

Conditions

1. No passenger shall be carried whose transportation does not originate or terminate at TVL or TTA.
2. Tariffs and changes in tariffs setting forth routes shall be issued and filed with the Commission at least 30 days prior to the effective date thereof unless otherwise specifically authorized by the Commission. Such tariffs shall comply with the requirements of General Order No. 105-A.
3. Schedules and changes in schedules setting forth routes shall be published on not less than 20 days' notice to the Commission and to the public unless otherwise specifically authorized by the Commission.

Issued by California Public Utilities Commission.

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4. The following airports shall be used:

<u>Symbol</u>	<u>Location</u>	<u>Name</u>
BUR	Burbank	Hollywood/Burbank Airport
LAX	Los Angeles	Los Angeles International Airport
LGB	Long Beach	Long Beach Municipal Airport
OAK	Oakland	Oakland International Airport
SJC	San Jose	San Jose Municipal Airport
TVL	South Lake Tahoe	Tahoe Valley Airport
TTA	Truckee	Truckee Tahoe Airport

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