

MS

Decision No. 77768

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Air California for a modification in its Certificate of Public Convenience and Necessity in either direction between San Diego, on the one hand, and San Jose/Oakland on the other hand.

Application No. 52165
(Filed August 27, 1970)

ORDER TEMPORARILY MODIFYING
OPERATING AUTHORITY

Air California (Air Cal), a California corporation, requests that the Commission issue an ex parte order modifying the nonstop service between San Diego and San Jose/Oakland, which was authorized in Decision No. 76110, dated September 3, 1969 in Application No. 50381. This service is to be commenced on or before November 16, 1970.

The proposed modification would permit Air Cal to serve San Jose and Oakland from San Diego via Orange County Airport, and to schedule San Jose and Oakland as either intermediate or separate terminals. The modification would be restricted in that no origin and destination traffic would be carried between San Diego and Orange County or between San Jose and Oakland in either direction.

Air Cal advances several reasons in support of its request. According to the petition, Air Cal is compelled by contractual obligation to accept delivery of a new Boeing 737 aircraft during September, and its proposal herein will result in securing the most economical use of this new plane. It also states that considerable expense will be saved under its plan because one aircraft will not have to be grounded at San Diego for six hours and one aircraft will not have to be positioned overnight at San Jose. Likewise, crew expenses,

maintenance and ferrying costs will be reduced, Air Cal maintains, by having its base terminal, Orange County Airport, connected to its San Diego routes.

Air Cal also claims that the traffic and service conditions have changed since it received authority for the nonstop service in that the number of daily round trips between San Diego and the Bay Area points has increased. It alleges that one-stop service will permit transportation of additional on-board passengers and thereby a stop at Orange County will help support its new San Diego service. In this manner, additional financial losses by Air Cal will be lessened.

A protest to the petition has been filed by Pacific Southwest Airlines (PSA). PSA asserts that the modification will result in diversion of traffic from its San Diego service and that there is no need for such service by Air Cal. In addition, PSA has informed the Commission that due to prior commitments it will not be possible to hold a public hearing on this matter until after mid-November. Therefore, an early hearing on the petition is not possible.

Air Cal is a financially weak carrier. Its stockholder equity-deficit has increased from \$3,209,641 on March 31, 1970 (Testimony of witness Benscoter, Tr. 1395, Application No. 51736, dismissed by Decision No. 77341, dated June 9, 1970) to \$3,528,781 as of June 30, 1970 (Appendix B). It has recently merged with and received financial assistance from Westgate California Co. An application seeking authorization of this merger is pending before the Commission. It is compelled to accept delivery of one additional Boeing 737 aircraft at this time. Prompt and efficient utilization of this aircraft is in the best interest of both the public and Air Cal. Therefore, the Commission concludes that Air Cal's request should be

granted for a limited time, until March 1, 1971, pending completion of a public hearing. (See Application of Air California to serve Palm Springs, Decision No. 77098, dated April 14, 1970, and Decision No. 77278, dated May 29, 1970, in Application No. 51194.) In addition to the fact that PSA is a profitable carrier, any diversion suffered by PSA during this short period will be minimal because it is reasonable to conclude that Air Cal's load factor for its San Diego service will be quite low during the initial start-up period.

After consideration, the Commission finds that:

1. It is reasonable to permit Air Cal to modify until March 1, 1971, its present nonstop operating authority for service to and from San Diego by allowing it to initiate service between San Diego and San Jose and Oakland via Orange County Airport, and by designating San Jose and Oakland as either intermediate or separate terminals, pending the completion of a public hearing.
2. No substantial financial harm will be caused PSA by allowing this operating modification for a short period.
3. The public interest requires that the modification granted herein be made effective immediately.

The Commission concludes that Air Cal's petition should be granted for the period ending March 1, 1971.

IT IS ORDERED that:

1. Restriction "1" set forth in Appendix B, Original Page 2, of Decision No. 76110 in Application No. 50381 is temporarily modified to provide that Air California may, for the period November 16, 1970 through February 28, 1971, operate its service between San Diego International Airport and the San Jose Airport and the Oakland


Metropolitan International Airport, via Orange County Airport; and that Air California may designate San Jose Airport and Oakland Metropolitan International Airport as either intermediate or separate terminals, provided, however, that no passengers may be transported solely between San Diego International Airport and Orange County Airport, or between San Jose Airport and Oakland Metropolitan International Airport, in either direction.

2. The modification authority granted in paragraph 1 of this order will expire effective March 1, 1971 at which time restriction "i" set forth in Appendix B, Original Page 2, of Decision No. 76110 will immediately again become effective and will remain in full force and effect.


3. In all other respects Decision No. 76110 remains in full force and effect.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 22nd day of SEPTEMBER, 1970.



Chairman



Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.