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ORIGINAL

Decision No. 78331

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of HOLIDAY AIRLINES, INC., a corporation, for authority to increase passenger air carrier fares.

Application No. 52131
(Filed August 13, 1970)

Edward R. Beauvais, for applicant.
William J. McNertney, Attorney at Law, Richard H. Brozosky and Milton J. DeBarr, for the Commission staff.

SECOND INTERIM OPINION

Holiday Airlines, Inc. (Holiday) is a passenger air carrier authorized to transport passengers and freight between airports in Oakland (OAK), San Jose (SJC), South Lake Tahoe (TVL), Truckee-Tahoe (TTA), Hollywood-Burbank (BUR), Long Beach (LGB), and Los Angeles (LAX). All of these points are in California and no passenger may be carried whose transportation does not originate or terminate at either South Lake Tahoe or Truckee-Tahoe.[1/]

By Decision No. 77736, dated September 22, 1970, Holiday was granted an ex parte interim fare increase for a period of six months, pending further review following public hearing.[2/] (Permanent and interim fares are set forth in Appendix A.)

1/ Service is not currently offered to Truckee-Tahoe because of the poor condition of runways at said airport.

2/ The interim fares are scheduled to expire April 4, 1971.

Public hearing with respect to permanent fares was held before Examiner Mallory at San Francisco on January 18, 1971. Evidence was presented by a consulting firm employed by applicant and by a Commission staff engineer. The report of a Commission staff financial examiner was received as a late-filed exhibit.

Applicant's witness testified with respect to the exhibits attached to the application, which include actual and projected operating revenues and expenses and actual and estimated numbers of passengers. The witness stated that applicant's projection of passengers, which formed the basis for its projections of revenues in the test year, were considerably above the number of passengers actually experienced in the months of July through December 1970. Applicant's estimate was that 79,144 passengers would be transported, whereas Holiday actually handled only 59,500 passengers in this period, or approximately 75 percent of its estimate.

The witness testified that even if the full amount of estimated traffic had been achieved, Holiday would have incurred an operating loss in the test year ending June 30, 1971, under the interim level of fares. Because of the downturn in traffic, Holiday has temporarily curtailed service in the winter months to Friday, Saturday and Sunday service only. Holiday expects to resume full-week service on or about June 1, 1971, when summer resort traffic commences. The witness stated that it was his belief that the downturn in traffic experienced by Holiday was similar to the downturn experienced by practically all airlines in the country and is the result of the current general economic recession. The witness urged that the Commission postpone the establishment of permanent fares until the results of operations for the heavy summer travel months through August are available.

Applicant's witness testified that Holiday's latest available income statement covering the 10-month period November 1, 1969 through August 31, 1970 showed the following:

Operating Revenues	$ 1,970,165
Operating Expenses	2,971,149
Operating Income (Loss)	(1,000,964)
Nonoperating Income	34,969
Net Income (Loss)	(965,995)

The Commission staff engineer presented operating statistics showing the number of passengers carried by months, confirming that applicant's traffic had declined in the winter of 1970-1971 as compared with the prior year.

A late-filed exhibit prepared by a Commission staff financial examiner shows the following: Holiday commenced service from Oakland and San Jose in November 1967 with DeHaviland Dove aircraft. Such aircraft were successively replaced by DC-3, DC-6 and Electra aircraft in August 1967, May 1968, and August 1968. Applicant had no revenue service in the period August through October 1967, and July 8 through November 7, 1968. Also, bad weather during January and February 1969 adversely affected Holiday's operations. Holiday began service from Burbank in November 1968 and from Los Angeles International in June 1970.

The staff report states that with changes occurring in type of aircraft utilized in revenue service, increased seating capacity, airport closures, new services at LAX, and bad weather conditions affecting traffic, there has been no prolonged operating history forming a sound foundation for comparison of revenues and expenses. The report further states that there appear to have been no comparable periods of operations and the present economic slump adds to the difficulties of making reasonable future predictions.

The staff report indicates that applicant's losses have been increasing since the date of inception as shown below:

Year	Net Loss		Avg. Monthly Loss
1967	$ (172,579)		$ (14,381)
1968	(566,561)		(47,213)
1969	(1,532,900)		(127,742)
1970	(1,111,330)	(11 mos.)	(101,030)

The report contains the following summary and conclusions: Based on the staff's review of the applicant's record of continuing losses which are considered verifiable and reasonably accurate, the company would still operate only at a lower loss or breakeven point even if interim rates were made permanent. Economic conditions have forced reduced flight schedules and have resulted in greatly reduced traffic, thus causing predictions to be highly overstated. Present losses place the company in an extremely vulnerable position to the point that continued operations have become questionable. Rate of return is moot. It is the staff's opinion that the rate increase, granted on an interim basis, is both warranted and necessary for continued survival and should be continued until full scheduling and service is resumed.

The Commission staff and applicant stipulated that current operations at reduced levels of service are not appropriate to serve as a basis for the promulgation of permanent fares; any permanent level of fares should be based on complete information covering full operations during the peak summer travel period; that, pending the establishment of permanent fares, Holiday requires the additional revenues from the interim fares; and that the interim fares should be continued in effect until permanent fares are established.

The staff and applicant further stipulated that the data necessary to the establishment of permanent fares should cover operations through the month of August, that such data would not be available until mid-September, and that an additional month is required in which to prepare exhibits. Therefore, it was agreed to schedule further hearings in October. Applicant and the Commission staff requested that the interim fares be extended so as to expire December 31, 1971.

Based upon the evidence herein, the Commission finds:

1. Holiday's operations are not profitable.

2. Holiday has experienced a downturn in traffic in recent months.

3. Holiday has temporarily reduced service to weekend operations, and plans to resume full-week service on or about June 1, 1971.

4. A review of Holiday's operations with a view to the establishment of permanent fares should be based on normal (full-week) operations and should reflect operations over Holiday's annual peak traffic period of June through August.

5. Holiday is in urgent need of the additional revenues resulting from the interim fares authorized by Decision No. 77736.

6. Such interim fares should be continued in effect until further review of Holiday's fare structure is completed.

The Commission concludes that the interim fares authorized by Decision No. 77736 should be continued in effect through December 1971, pending further review following public hearing.

SECOND INTERIM ORDER

IT IS ORDERED that:

1. Holiday Airlines, Inc. is authorized to continue in effect the increased passenger air fares established as interim fares pursuant to Decision No. 77736, as set out in Appendix A, to expire December 31, 1971. Tariff publications authorized to be made as a result of this order 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 sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 22nd day of FEBRUARY, 1971.

Chairman

Commissioners

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

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

HOLIDAY AIRLINES, INC.

PERMANENT AND INTERIM BASIC FARES

Federal Excise Tax Excluded

Between Lake Tahoe and:	Permanent Fares			Interim Fares	
		Round Trip		One-Way	
	One-Way	Peak 1/	Off-Peak 2/	Peak 1/	Off-Peak 2/
Hollywood-Burbank	$24.54	$49.07	$40.05	$31.02	$26.39
Long Beach 3/	24.54	49.07	40.05	31.02	26.39
Los Angeles	24.54	49.07	40.05	31.02	26.39
Oakland	13.66	27.31	23.15	18.06	15.28
San Jose	13.66	27.31	23.15	18.06	15.28

1/ Friday through Sunday.

2/ Monday through Thursday.

3/ Since the City of Long Beach has not as yet agreed to provide Holiday with facilities at Long Beach International Airport, no service is currently provided in this market.

APPENDIX A

HOLIDAY AIRLINES, INC.

PERMANENT AND INTERIM DISCOUNT FARES

Permanent

1.	Children's Fare:	50% discount of the adult fare for children between 2 and 12 years of age.

Interim

1.	Children's Fare:	50% discount of the adult fare for children between 2 and 12 years of age.
2.	Five Roundtrip Book:	15% discount of the peak period fare with the purchase of a book of five roundtrip tickets (the same fare level as the off-peak fare except there are no travel restrictions). The ticket book is valid for six months. Refunds may be made prior to the expiration date or thirty days thereafter on the unused portion of the book, less the peak period fare per ticket used (no discount).
	Ten Roundtrip Book:	25% discount of the peak period fare with the purchase of a book of ten roundtrip tickets. The ticket book is valid for nine months. There are no travel restrictions. Refunds may be made prior to the expiration date or thirty days thereafter on the unused portion of the book, less the peak period fare per ticket used (no discount). If five or more tickets have been used, a 15% discount will be allowed on each ticket used and the balance of the purchase price refunded.