

Decision No. 85912**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 SIERRA PACIFIC AIRLINES: (1) Notice
 of Discontinuance of Operations between
 Hollywood/Burbank on the one hand and
 Fresno on the other hand and Hollywood/
 Burbank on the one hand and Mammoth/
 Bishop on the other hand; (2) An
 Ex Parte Order to Increase
 Intrastate Passenger Fares; (3) An
 Ex Parte Order for an increase in
 Child Fare; (4) An Ex Parte Order to
 Increase Tour Basing Fares; and
 (5) An Ex Parte Order to Establish
 a Fare between Bishop and Mammoth
 Lakes.

Application No. 56371
 (Filed March 29, 1976)

O P I N I O N

Sierra Pacific Airlines is a passenger air carrier with operations generally between Mammoth Lakes, Bishop, Fresno, Burbank, and Los Angeles. It is a California corporation wholly owned by Mammoth Mountain Ski Area, a corporation. Applicant has never operated at a profit. It has sustained losses which by January 1976 amounted to \$3,775,000. The parent corporation has been assisting applicant by financing its cash deficits but can no longer continue unlimited financing without endangering its own credit. The parent insists that applicant adopt stringent cost saving measures and increase its level of fares to reduce the cash deficits. The five matters involved in this application are included among the measures adopted by applicant. No protests to any of the five proposals have been received. We consider the matters individually.

Discontinuance of Service at Hollywood-Burbank Airport

This application is also a notice to the Commission of applicant's intention to discontinue operations at Hollywood-Burbank Airport (BUR) because of unprofitable operations. Section 2769.5 of the Public Utilities Code provides:

"2769.5 No passenger air carrier shall discontinue operations between any two or more terminals without authority of the commission, unless such operations are unprofitable. Unprofitable operations may be discontinued upon 60 days' notice to the commission, and to such other persons as the commission may require, unless within such 60-day period the commission, after hearing, makes a finding that such operation is not unprofitable and orders its continuance."

Notice of intention to discontinue the operations was served upon all cities and airports affected. The application shows diminishing boardings at BUR and an increase in boardings at LAX. It also shows without any doubt that operations at BUR have been unprofitable. Under the circumstances we will not interfere with the proposed discontinuance. Applicant proposes to effect such discontinuance on and after June 1, 1976. We find that on and after June 1, 1976 applicant will have abandoned its certificated authority to provide passenger air carrier service at BUR. Its certificated authority to serve BUR should be revoked and Appendix A of Decision No. 82718 should be amended to reflect the discontinuance, abandonment, and revocation of that authority.

Authority to Increase One-Way Passenger Fares

Applicant proposes to increase its one-way fares as follows:

<u>Between</u>	<u>Present</u>		<u>Proposed</u>	
	<u>W/O Tax</u>	<u>With Tax</u>	<u>W/O Tax</u>	<u>With Tax</u>
Bishop - Fresno	\$17.59	\$19.00	\$18.52	\$20.00
Bishop - Los Angeles	27.31	29.50	31.94	34.50
Bishop - Mammoth	No present fare		4.63	5.00
Mammoth - Fresno	17.59	19.00	18.52	20.00
Mammoth - Los Angeles	27.31	29.50	31.94	34.50

For the year ended December 31, 1975 applicant had an operating loss of \$1,457,218. Had the proposed fares been in effect during that period (including corresponding increases on traffic from BUR) applicant would have had an increase in passenger revenue from scheduled operations of \$145,117 (a 16.3% increase) and on a pro forma basis would have reduced its operating loss to \$1,312,101.

Applicant submitted estimated results of operations for the year ending December 31, 1976. Passenger revenues were estimated by using actual data for January and February 1976. Passenger revenues for March, April, and May were estimated by assuming a 19 percent increase in passengers over the LAX - MMH route and applying present fares. The remaining seven months' revenues considered the 19 percent increase in passengers on the LAX - MMH route and the discontinuance of operations out of BUR and applying the proposed fares to that traffic. Charter revenues were developed by using actual revenues for January and February 1976 and projecting them to April 14, 1976. On that date applicant will charter one CV 580 aircraft to the U.S. Forest Service. Estimated charter revenues considered the charter of its second CV 580 aircraft to the Forest Service from June 1 to October 31.

Expense estimates considered the aforementioned charters, current passenger schedules to June 1 and the changes in schedules on that date because of cessation of operations at BUR, the operation of Handley-Page 18-passenger aircraft on the routes during the times the CV 580 aircraft are chartered to the Forest Service, and the

relocation of applicant's headquarters from Burbank to Bishop. The resulting estimates show total operating revenues of \$2,046,370 and operating expenses of \$3,055,090 for an operating loss of \$1,008,720.

The Commission's staff points out that the aforementioned estimated results do not cover a full rate year. It further advises that because on June 1 applicant will have almost a complete revision of its operations, not only as to routes but also as to type of aircraft utilized, and change in its base of operations, the data of past operations will not provide a reliable estimate of the results of the future operations. It suggests that the proposed rate increase be granted on an interim basis for a year in order to afford opportunity to base estimates of revenues and expenses upon actual operating experience.

It is true that there is little data from which reliable estimates of future operations can be made. Such data will not become available until applicant has gained some experience in its revised operations. We cannot see that the scheduling of hearings in the immediate future would be productive. It is reasonably certain that future operations under the proposed increased fares will not provide applicant with excessive earnings, if indeed any earnings. The losses that are being experienced by applicant do not warrant postponing fare relief until the experience necessary for reliable estimates has been achieved.

While we are reasonably certain that the proposed fare increases are not excessive and are justified, we deem it prudent to retain jurisdiction so as to be able to evaluate the proposed increased fares from actual operating experience. We conclude that applicant should be granted temporary authorization to establish the proposed increased fares for a period of one year, and at the end of that year if no further order is issued by the Commission herein the authorization to establish the proposed increased fares should become final.

Increase in Child Fare

In order to conform to industry tariff standards and to create a fare structure compatible with an interline oriented computerized reservation system, applicant proposes to raise the accompanied children's fare from 50 percent of the adult one-way fare to 66 2/3 percent of the adult one-way fare. During 1975 applicant carried 827 accompanied one-way child passengers, most of whom traveled between MMH and LAX. Using the one-way adult fares between those points as a basis, under applicant's present adult one-way fares at the 50 percent discount the passenger revenue earned by applicant from the transportation of accompanied children amounted to \$11,296.82. At the children's fare based upon 66 2/3 percent of the adult one-way fare the passenger revenue would have been \$15,059.67, a difference of \$3,762.85 or approximately a 33 percent increase. On the basis of the proposed increased adult one-way fares the change in the children's fare would provide additional revenues of \$4,399.64. The proposed increase in children's fare is justified.

Increase in Tour Basing Fare

Applicant presently maintains two tour basing fares: \$45.37 roundtrip LAX-MMH/BIH, and \$27.78 roundtrip FAT-MMH. It proposes to change its method of publishing tour basing fares from one of specific tariff amounts to the generally accepted industry system of having a tour basing fare as 85 percent of the adult roundtrip fare. It desires to do this for the same reason for changing the basis of its children's fare. During 1975 applicant transported 25 passengers at its tour basing fare between FAT and MMH and 375 passengers at its tour basing fare between LAX and MMH, for which it received a total of \$17,712. Using the basis of 85 percent of its current fare its passenger revenue would have been \$18,159, an increase of \$447 or about 2-1/2 percent. Applied to the proposed one-way adult fares the increase in passenger revenue is \$3,437.50.

The increase resulting from the proposed change in tour basing fares is justified.

Establishment of Fare Between BIH and MMH

Applicant's certificate authorizes passenger air carrier operations between BIH and MMH. Because of inefficiencies in operations between those points resulting from having its headquarters for operations at BUR applicant was authorized to suspend operations between those points. Because its new headquarters will be in Bishop and its principal route is between LAX and MMH it will be advantageous from the standpoint of positioning aircraft to operate between BIH and MMH. Applicant asserts that it has received requests from residents in the Bishop and Mammoth area to travel between those two points. It estimates passenger traffic of about 20 passengers per month. Additional authority to establish its proposed fare of \$4.63 is not required.

Summary

The full impact of the sum of all of its proposals upon applicant's results of operations can not be accurately measured. It would appear that the cessation of operations at BUR, including taking into consideration revenue lost by reason thereof, will result in a cost savings on the order of \$.5 million. We are unable to measure the impact of the proposed fare increases on its proposed future operations. Measured against the traffic transported during 1975, the full effect of the proposed increases upon passenger revenues is as follows:

<u>Item</u>	<u>1975 Revenue</u>	<u>Additional Revenue</u>	<u>Percent Increase</u>
BUR - FAT	\$ 48,000	\$ -	-
Children's Fare	11,300	4,400	38.9
Tour Basing	17,700	3,400	19.2
BIH - MMH	-	1,100	inf.
Other Fares	<u>815,000</u>	<u>137,200</u>	<u>16.8</u>
Total	\$892,000	\$146,100	16.4

Findings

1. Applicant's operations between BUR, on the one hand, and FAT, MMH, and BIH, on the other hand, have been, and are unprofitable.

2. Applicant has announced its intention to discontinue operations at BUR on and after June 1, 1976, and upon the cessation of operations at BUR will have abandoned its certificated authority to operate between BUR and other points in California.

3. On or about June 1, 1976 applicant will transfer its headquarters from Burbank to Bishop. It has been conducting operations with two CV 580 (44-passenger) aircraft. During a portion of 1976 it will charter those aircraft to the U.S. Forest Service and will substitute Handley-Page (18-passenger) aircraft in its passenger air carrier service.

4. The changes in operations on or about June 1, 1976 do not permit reliable estimates of the results of operations by applicant under its proposed increased fares for a future rate year; however, that it will receive excessive earnings during the twelve months ending June 30, 1977 under the proposed rates is remote because of the newness of the operations during the early part of that period; and the increases that will result from the establishment of the proposed fares are justified.

Conclusions

1. Applicant's certificated authority to operate as a passenger air carrier between Burbank, on the one hand, and Los Angeles, Fresno, Mammoth Lakes, and Bishop, on the other hand, should be revoked.

2. Appendix A of Decision No. 82718 should be amended to reflect the revocation of applicant's certificated authority to serve Burbank.

3. Applicant should be authorized to establish in its tariff children's fares and tour basing fares on the basis of a percentage of adult fares as proposed in its application.

4. Applicant should be authorized to establish the proposed increased adult one-way fares subject to the condition that the increases are temporary until June 30, 1977, and if the Commission does not reopen proceedings in this application on or before said date the authorization to establish and maintain the increased fares should become final.

5. Because applicant's operations will be changed substantially on June 1, 1976, and because of the substantial losses currently being experienced by applicant, applicant should be authorized to establish the proposed increased fares to become effective not earlier than June 1, 1976 on not less than five days' notice, and this order should be made effective this date.

6. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. The rights conferred by a certificate of public convenience and necessity issued to Sierra Pacific Airlines in Decision No. 82718 authorizing passenger air carrier operations between Hollywood/Burbank Airport, on the one hand, and Los Angeles International Airport, Fresno Air Terminal, Mammoth Lakes Airport, and Bishop Airport, on the other hand, are revoked.

2. Appendix A of Decision No. 82718 is amended by incorporating therein First Revised Page 1 attached hereto in revision of Original Page 1.

3. Sierra Pacific Airlines is authorized to establish the revised basis of children's fares and tour basing fares proposed in Application No. 56371.

4. Sierra Pacific Airlines is authorized, on a temporary basis until June 30, 1977, to establish and maintain the increased adult fares proposed in Application No. 56371, provided, however, that unless proceedings are reopened in this application by the Commission on or before June 30, 1977, the authority to establish and maintain the proposed increased fares shall become final.

5. Tariff publications authorized to be made as a result of this order may be made effective not earlier than June 1, 1976 on not less than five days' notice to the Commission and to the public.

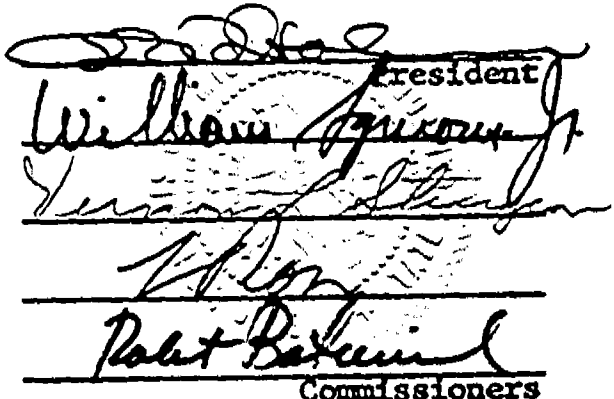
6. The tariff filings made pursuant to this order shall comply with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order No. 105-Series.

7. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its terminals a printed explanation of its proposed fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

8. The authority to establish the proposed increased fares shall expire unless exercised within ninety days after the effective date of this order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 2nd
day of JUNE, 1976.


William J. Guson Jr. President
Vernon J. Stanger
Robert B. Berman Commissioners

#Sierra Pacific Airlines, by this certificate of public convenience and necessity, is authorized to operate as a passenger air carrier between the following airports only:

LAX-MMH
*LAX-FAT
LAX-BIH

FAT-MMH
FAT-BIH
BIH-MMH

Conditions:

1. Service between LAX-MMH, shall be performed a minimum of six days a week in each direction.
- *2. No passenger shall be carried whose transportation is solely between LAX and FAT.
3. The following airports shall be used:

<u>Symbol</u>	<u>Location</u>	<u>Name</u>
LAX	Los Angeles	Los Angeles International Airport
MMH	Mammoth Lakes	Mammoth Lakes Airport
FAT	Fresno	Fresno Air Terminal
BIH	Bishop	Bishop Airport

Issued by California Public Utilities Commission.

#Revised to revoke authority at Hollywood-Burbank Airport by
Decision No. 85912, Application No. 56371.