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**ORIGINAL**

Decision 84 09 109

SEP 19 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN  
CALIFORNIA COACH for a  
Certificate of Public  
Convenience and Necessity to  
Institute Operations as a  
Passenger Stage Corporation.

Application 84-01-36  
(Filed January 17, 1984;  
amended June 6, 1984)

Knapp, Grossman & Marsh, by Warren Grossman  
and Patricia Schnegg, Attorneys at Law,  
for applicant.

\* Bewley, Lassleben and Miller, by Jeffrey S. Baird,  
Attorney at Law, for 24 Hour  
Airport Express, Inc., protestant.

K. D. Walpert, for Department of Transporta-  
tion, City of Los Angeles, interested  
party.

O P I N I O N

Summary

This decision authorizes applicant Southern California Coach to operate as a passenger stage corporation between portions of San Bernardino, Riverside, Orange, and Los Angeles counties, on the one hand, and Los Angeles International Airport (LAX), Long Beach Municipal Airport (LBA), Ontario International Airport (ONT), John Wayne Airport (SNA), and the docks and piers at Los Angeles and Long Beach Harbors (Harbors), on the other hand. Applicant's principal place of business is located in the City of Orange.

Applicant will be authorized to perform an "on-call" service on a 24-hour per day, 7-day per week basis carrying passengers and baggage originating at or destined to LAX, LBA, ONT, SNA, and Harbors and any point within the four-county service territory described in Exhibit B of the amendment to the application, except for service to the communities of San Pedro and Wilmington in the City of Los Angeles outside of the Harbors, at rates above applicant's incremental operating cost.

The following stipulation restricting applicant's operations, which was entered into between applicant and Airport Service, Inc., is reasonable and is adopted:

"No passenger shall be picked up at an off-airport bus stop of Airport Service, Inc., or successor entities, unless a reservation has been made at least one-half hour in advance."

#### Hearings

Notice of the filing of this application appeared in the Commission's Daily Transportation Calendar of January 24, 1984. A timely protest was filed by 24 Hour Airport Express, Inc. (24 Hour). Hearings were held in Los Angeles on April 18, 19, and 20, 1984 before Administrative Law Judge Levander.

At the hearing, 24 Hour objected that the application was defective because the body of the application lacked specific reference to service to Riverside County and there was no notice of a filing of a copy of the application on Riverside County.

After the taking of evidence on other issues, the proceeding was submitted subject to further hearing if an objection to applicant's proposed service to Riverside County was filed. Applicant filed an amendment to correct its omissions

with respect to service to Riverside County. Notice of the filing of this amendment appeared in the Commission's June 8, 1984 Transportation Calendar. No further protest was received.

Applicant's Testimony

Applicant presently operates five 12-passenger deluxe vans in providing a charter-party carrier of passengers service (TCP-2418-P) from facilities owned and operated by Pacific Delivery System (PDS), a highway contract carrier (T-71619) owned by Thomas R. McLean, applicant's president. McLean owns 80% of applicant's stock. Applicant's general manager, Larry Weinstein, and its director of marketing, William Fletcher, own 12% and 8% of applicant's stock respectively. PDS owns and/or operates a two-acre site containing a 3,000 square-foot office building,<sup>1/</sup> extensive parking areas, and a repair shop (see Exhibit 2). Applicant leases facilities from PDS including a radio dispatch center operated by PDS. McLean testified that his net worth is in excess of \$2,000,000. He plans to invest additional sums in applicant as needed; e.g. to buy additional vans to accommodate growth in demand for applicant's services. The vans have or will contain air-conditioning equipment, velour-covered seats, carpeted floors, tinted windows, power steering, and cruise control. Its passenger stage drivers will wear uniforms of distinct design. PDS will maintain applicant's vehicles. Applicant pays PDS for materials, services, and labor supplied to it by PDS.

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1/ McLean, his wife, and his parents own the office building.

Exhibit 11, which slightly modifies Exhibit C attached to the application, is a proposed rate sheet for one-way transportation of one to three passengers between various communities and the airports and Harbors. Exhibit 11 also lists additional charges of \$5 per person for carrying more than three passengers in the same party and other charges.

Applicant contends its rates will be competitive with the rates charged by existing passenger stage van operators; there is a growing demand for its proposed service; and its operations will fill the void left by the discontinuance of service by another carrier which had operated 10 vans and 3 station wagons in providing airport shuttle service. Weinstein and Fletcher were formerly employed by that company. They both left the company because they felt it was not being managed properly. That feeling was supported by Steven Craig, another former employee of that company, who testified as a public witness for applicant.

McLean formed applicant after discussions with Weinstein; he believes there is a lucrative potential in providing airport transportation service. McLean plans to continue to provide timely passenger pickups; operate attractive, well-maintained vans; employ courteous drivers; seek to obtain courtesy airport terminal telephone equipment to enable passengers to contact applicant's dispatcher; and to arrange for a vehicle holding area at LAX to facilitate orderly dispatching of applicant's vehicles. Applicant's proposed service rules call for a four-hour notice; if possible, applicant will respond to requests for service on one-half to one hour of notice. McLean testified that applicant has steadily increased the number of

charter trips it operates (from 11 trips in November 1983 to over 300 trips in April 1984) and has increased its charter revenues since beginning its operation; its charter operations have lost approximately \$12,000 through March 31, 1984, but with multiple party loading as a passenger stage corporation, it will become profitable.

McLean attributes applicant's losses to lack of public awareness of its services which can be overcome through applicant's marketing efforts as a passenger stage operator. He believes that applicant's passenger stage service would be profitable at an average between two fares per one-way trip or three fares per round trip. He believes that applicant's revenue estimates are conservative, but he admits that applicant's expense estimates are projections based on PDS's package deliveries.

McLean testified that applicant originally used a fare structure similar to its proposed passenger stage rates. When informed that those rates were inconsistent with applicant's charter-party permit, it began charging at a rate of 76¢ per mile. Applicant's present charter rates are based on the greater of three-hour minimum charges or mileage charges.

McLean contends that use of airport van shuttle services will grow because of the availability of convenient services; there will be cutbacks of personal automobile driving to and from congested airports; and that continuing population growth in applicant's proposed four-county service area will increase the need for such services. He believes that declines in LAX passenger volumes in 1981 and 1982 were due to the combination of reduced airline flights due to the effects of the nationwide airport controllers' strike and an economic recession.

Fletcher testified that there were several instances where applicant could have improved its earnings if it transported more than one party on a trip had it held passenger stage authorization.

Nita Warren, PDS's office manager, testified that she was dissatisfied with 24 Hour's service in July 1983 and would not use it again. Her driver almost missed a freeway off-ramp, cruised looking for passengers, would not look at a map to locate her destination, wandered about finding it, and he was rude.

She also testified that PDS supplied minimal secretarial services to applicant and billed applicant for services provided.

Applicant also sponsored 12 public witnesses who used or booked charter-party service from applicant. The witnesses included employees and owners of travel agencies, representatives of companies requiring airport transportation, and individuals. All of them were satisfied with applicant's services. A number of the public witnesses expressed dissatisfaction with other airport van shuttle operators because they could not obtain a van, were picked up late or not at all, their equipment was poorly maintained and unattractive, and their drivers were rude. Several objected to various aspects of 24 Hour's operation, including poor vehicle appearance, driver conduct, excessive delays seeking additional fares at airports, delays in pickups, and inability or failure to pick up passengers.

Several of the travel agents testifying for applicant concurred with McLean's assessment of growth in the airport van shuttle business based on their experience in arranging airport shuttle (and, in some cases, Harbor) transportation for their clients and upon an overall growth in the economy. The travel agents' criteria for recommending an airport shuttle include reasonable cost, attractive vehicles, on-time pickup, and courteous drivers. Their assessments of applicant's charter operations for themselves and for their clients ranged from inference of client satisfaction due to lack of complaints to enthusiastic praise.

The travel agents and corporate employees booking airport transportation are promoting van services because they afford the convenience of being picked up at one's home or place of employment, avoid driving to and from airports, avoid traffic and parking congestion, and avoid vandalism in airport parking lots.

Applicant also submitted nine letters in support of its application, one of which was critical of other van services and another which was critical of 24 Hour; a list showing 22 travel agencies, 12 hotels, and 27 companies it provides service to.

24 Hour's Presentation

Gerald R. Friesen, 24 Hour's president, testified that:

1. 24 Hour operates 63 vehicles including fifty-six 12-passenger vans in providing door-to-door airport service to LAX, SNA, Long Beach Municipal Airport, and Burbank-Glendale-Pasadena Airport; on-call scheduled service on eight routes serving 59 major hotels (and other central pickup points); LAX and ONT; and a charter-party service. Ninety-one percent of 24 Hour's business involves LAX transportation.

2. Since 1979 the number of certificated van shuttle operators serving LAX from portions of Los Angeles, Orange, and San Bernardino counties has increased from three to ten passenger stage corporations 2/ and three passenger stage applications are pending. In addition, four charter-party operators provide service to the airports.
3. The airport van shuttle market is saturated and further entries in the field can divert passengers from and threaten existing carriers; i.e. 24 Hour carries an average of 2.21 parties per round trip and its break-even point is 2.1 parties per round trip. In the last four years there have been declines in LAX passengers.
4. In 1983, 24 Hour carried 125,000 passengers; it turned down about 60 requests for service when given a four-hour notice.
5. He believes PDS is subsidizing applicant's operations; e.g. its office and secretarial expense is 0.4% of revenue compared to 12.2% for 24 Hour's comparable operation. He questions applicant's financial ability to conduct the proposed service.

The protest requests a determination of whether an environmental impact report is required prior to certification due to increase in traffic, fuel consumption, and pollution. 24 Hour did not expand upon this issue at the hearings.

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2/ He testified that unauthorized van services also provide airport shuttle service.



City of Los Angeles  
Department of Trans-  
portation Position

K. D. Walpert requested the Commission to delete the communities of San Pedro and Wilmington outside of Harbors from any certificate granted in this proceeding because applicant had never provided service to those communities and none of the public witnesses indicated any need or request for service to those communities.

Discussion

We concur with Walpert's analysis and recommendation. Applicant has established the need for its proposed services, except for service in the communities of San Pedro and Wilmington outside of Harbors. Customers of applicant's charter-party service have been pleased with its vehicles, drivers, performance, and rates.

Initially applicant's charter-party rates were based on a schedule similar to that proposed for its passenger stage operations. Since those rates were not based on time and/or mileage and the rates vary considerably on a cost per mile, applicant was not in compliance with Public Utilities (PU) Code Section 5401. We will not assess any penalty against applicant for this violation since applicant promptly changed its charter-party rates to conform with Section 5401 when informed of the violation.

The testimony establishes some public dissatisfaction with a number of airport van shuttle services including 24 Hour. PU Code Section 1032 allows us to issue a certificate of public convenience and necessity in a territory already served by a certificate holder when the existing certificate holders are not providing service to the satisfaction of this Commission. Based on the above public testimony we find that the existing service is not service to the satisfaction of this Commission and therefore there is a need for applicant's proposed service except for service to San Pedro and Wilmington.

Applicant's operational experience in passenger stage transportation is limited. McLean intends to supply funds to applicant until it becomes profitable. He has the resources to undertake that responsibility. Applicant's projection of profitable operation as a passenger stage corporation is dependent on the quality of its service and on the success of its marketing activities.

24 Hour did not contest the reasonableness of applicant's proposed rates. The Commission staff contacted applicant and requested submission of a calculation by applicant showing proposed rates between various destinations, mileage between points, and charges per mile. Exhibit 12, submitted in response to that request, shows wide variations in those charges per mile, including high costs for some trips--the extreme is \$5.40 per mile for a 5-mile trip between Upland and ONT, and low costs for others--the lowest is 41¢ per mile for a 44-mile trip between Valinda and SNA. Applicant should make an analysis of its average cost per mile for operating its vehicles and for dispatching based on at least one month of recorded data. Applicant may then apply for authority to abandon any service where it will not recover its incremental costs, or it may file an application to increase those fares to at least cover its incremental cost. Applicant should consider that its plans to provide service on some of the more costly trips may not be competitive with taxicab service. It may file lower fares for those points.

Subsequent to the submission of this proceeding, protestant and most of the other passenger stage carriers serving LAX and other airports in the area have changed their tariffs from the format suggested by applicant (a fare for one to three persons) to an individual fare structure with reduced rates for groups traveling together. This is a more equitable basis of charges. Applicant should file its tariffs on this basis.

There has been no evidence in this proceeding that the proposed service would have a significantly adverse impact on the environment which would require an environmental impact report. Applicant's displacement of more than one vehicle per trip would reduce pollution and congestion.

Findings of Fact

1. Applicant seeks passenger stage authority to provide on-call transportation services between portions of Los Angeles, Orange, San Bernardino, and Riverside counties, on the one hand, and LAX, LBA, ONT, SNA, and Harbors, on the other hand.

2. Applicant has operated as a charter-party carrier of passengers. Applicant's customers have a high regard for the quality of that service and support the establishment of applicant's passenger stage service.

3. Initially applicant's charter-party rates were not based on time and/or mileage. When applicant was informed that those rates were not in compliance with PU Code Section 5401, it promptly changed them to conform with Section 5401.

4. Applicant has established the need for its proposed services, except for service in the communities of San Pedro and Wilmington outside of Harbors.

5. McLean, applicant's principal shareholder, is supplying funds to meet applicant's operating losses and to purchase equipment. He offered to provide additional funding as needed to operate applicant's passenger stage operations until they become profitable.

6. Applicant possesses the ability, fitness, equipment, experience, and financial resources to operate the proposed service.

7. There is a public dissatisfaction with a number of airport van shuttle services including 24 Hour.

8. The discontinuance of service by another airport van shuttle service competing with 24 Hour was due to its deficient management practices rather than to excessive competition.

9. Some of the fares proposed may not recover applicant's incremental operating costs; some others may not be competitive with taxicab service.

10. Applicant should file tariffs on an individual-fare basis which may include reduced rates for groups traveling together.

11. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

#### Conclusions of Law

1. Applicant should be authorized to institute on-call passenger stage service between the locations authorized. Applicant should make an analysis to show its cost per mile for operating its vehicles and for dispatching. Any request for increasing rates or abandoning uneconomical service should be by application.

2. Applicant's initial filing may contain rates lower than those proposed in Exhibit 11 which have high per-mile trip charges.

3. No penalty should be assessed for applicant's past violations of PU Code Section 5401.

4. Existing service is not service to the satisfaction of the Commission. PU Code Section 1032 does not bar granting a certificate to applicant.

Only the amount paid to the State for operative rights may be used in rate fixing. The State may grant any number of rights and may cancel or modify the monopoly feature of these rights at any time.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Southern California Coach, authorizing it to operate as a passenger stage corporation, as defined in PU Code Section 226, between the points and over the routes set forth in Appendix PSC-1363, to transport persons and baggage.

2. Applicant shall:

- a. File a written acceptance of this certificate within 30 days after this order is effective.
- b. Establish the authorized service and file tariffs and timetables within 120 days after this order is effective.
- c. State in its tariffs and timetables when service will start; allow at least 10 days' notice to the Commission; and make timetables and tariffs effective 10 or more days after this order is effective.
- d. Comply with General Orders Series 79, 98, 101, and 104, and the California Highway Patrol safety rules.
- e. Maintain accounting records in conformity with the Uniform System of Accounts.
- f. Remit to the Commission the Transportation Reimbursement Fee required by PU Code Section 403 when notified by mail to do so.

3. Prior to initiating service to any airport, applicant shall notify the airport authority involved. This certificate does not authorize the holder to conduct any operations on the property of or into any airport unless such operation is authorized by both this Commission and the airport authority involved.

4. Applicant is authorized to begin operations on the date that the Executive Director mails a notice to applicant that it has evidence of insurance on file with the Commission and that the California Highway Patrol has approved the use of applicant's vehicles for service.

5. The application is granted as set forth above.

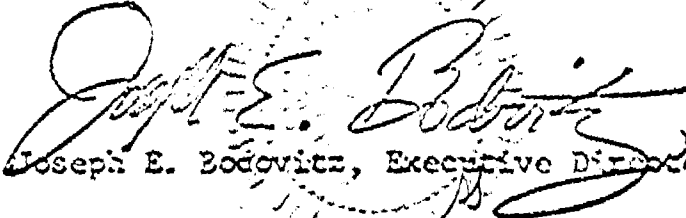
This order is effective today.

Dated SEP 19 1984, at San Francisco, California.

Commissioner William T. Bagley  
being necessarily absent, did  
not participate.

VICTOR CALVO  
FRISCILLA C. GREW  
DONALD VIAL  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS-TODAY.

  
Joseph E. Bodovitz, Executive Director

CERTIFICATE  
OF  
PUBLIC CONVENIENCE AND NECESSITY  
AS A PASSENGER STAGE CORPORATION  
PSC-1363

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Showing passenger stage operative rights, restrictions, limitations,  
exceptions, and privileges.

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All changes and amendments as authorized by  
the Public Utilities Commission of the State of California  
will be made as revised pages or added original pages.

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Issued by California Public Utilities Commission.

Decision 84 09 209, Application 84-01-36.

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Issued by California Public Utilities Commission.

Decision 84 09 109, Application 84-01-36.



SECTION 1. GENERAL AUTHORIZATIONS, RESTRICTIONS, LIMITATIONS,  
AND SPECIFICATIONS.

Southern California Coach, by the certificate of public convenience and necessity granted by the decision noted in the margin, is authorized to transport passengers, and baggage, on an "on-call" basis between the service area described in Section 2, on the one hand, and Los Angeles International Airport (LAX), Long Beach Municipal Airport (LBA), Ontario International Airport (ONT), John Wayne Airport (SNA), and the docks and piers at Los Angeles and Long Beach Harbors (Harbors), on the other hand, subject, however, to the authority of this Commission to change or modify this authority and subject to the following:

- a. Motor vehicles may be turned at termini and intermediate points, in either direction, at intersections of streets or by operating around a block contiguous to such intersections, in accordance with local traffic regulations.
- b. When route descriptions are given in one direction, they apply to to operation in either direction unless otherwise indicated.
- c. No passenger shall be picked up at an off-airport bus stop of Airport Service, Inc., or successor entities, unless a reservation has been made at least one-half hour in advance.

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Decision 84 09 109, Application 84-01-36.

SECTION 1. GENERAL AUTHORIZATIONS, RESTRICTIONS, LIMITATIONS,  
AND AUTHORIZATIONS. (Continued)

- d. The term "on-call" as used refers to service which is authorized to be rendered dependent on the demands of passengers. The tariffs and timetables shall show the conditions under which each authorized on-call service will be rendered.
- e. Passengers shall not be picked up or discharged except within the limits of the specified service area as set forth or at the designated service points of LAX, LBA, ONT, SNA or Harbors.
- f. The transportation of baggage shall be on passenger-carrying vehicles and shall be incidental to the transportation of passengers.
- g. No passengers shall be transported except those having point of origin or destination at LAX, LBA, ONT, SNA or Harbors.

Issued by California Public Utilities Commission.

Decision 84 03 109, Application 84-01-36.

SECTION 2. SERVICE AREA DESCRIPTION.

Service Area No. 1

Beginning at the intersection of the extension of 36th Street in San Pedro and the City of Los Angeles harbor, then along the 36th Street extension, 36th Street, Pacific Avenue, 22nd Street, Mesa Street, Crescent Avenue, Harbor Boulevard, Pacific Avenue, John S. Gibson Boulevard, "B" Street, Alameda Street, Anaheim Boulevard, City of Long Beach city limit, State Highway 91 (Artesia Freeway), Interstate Highway 605 (San Gabriel Freeway), State Highway 60 (Pomona Freeway), Los Angeles - San Bernardino County Line, State Highway 30, Interstate Highway 215 (San Bernardino Freeway), State Highway 91 (Riverside Freeway), Interstate Highway 15 (Corona Freeway) to the Cajalco Road interchange, a straight line to Bedford Peak, Riverside-Orange County Line, San Diego-Orange County Line, the shoreline of the Pacific Ocean and San Pedro Bay to the point of beginning.

Issued by California Public Utilities Commission.

Decision 84-09-109, Application 84-01-36.

## SECTION 2. SERVICE AREA DESCRIPTION.

Service Area No. 1

Beginning at the City Limits of the City of Long Beach and San Pedro Bay, then along the City of Long Beach City Limits, State Highway 91 (Artesia Freeway), Interstate Highway 605 (San Gabriel Freeway), State Highway 60 (Pomona Freeway), Los Angeles - San Bernardino County Line, State Highway 30, Interstate Highway 215 (San Bernardino Freeway), State Highway 91 (Riverside Freeway), Interstate Highway 15 (Corona Freeway) to the Cajalco Road interchange, a straight line to Bedford Peak, Riverside-Orange County Line, San Diego-Orange County Line, the shore line of the Pacific Ocean and San Pedro Bay to the point of beginning.

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