

Decision 82 10 067 October 20, 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)
of Eric Onnen and Kelly Onnen,)
D.B.A. Santa Barbara Airbus, for)
the certificate for public conven-)
ience and necessity to operate a)
passenger stage corporation line)
between three points in Santa)
Barbara and Goleta areas and Los)
Angeles Airport.)

Application 82-03-102
(Filed March 25, 1982)

Kelly Onnen and Eric Onnen, for
themselves, applicants.
John E. deBrauwere, Attorney at Law,
for Great American Stageline; and
Jerry Long, for Gold Coast Airport
Express; protestants.
William Austin, for the Commission
staff.

O P I N I O N

Applicants Eric and Kelly Onnen, dba Santa Barbara Airbus, seek authority to operate as a passenger stage corporation between Isla Vista, Goleta, and Santa Barbara, on the one hand, and Los Angeles International Airport (LAX), on the other hand. Applicants propose to charge a one-way fare of \$20 and a round-trip fare of \$38. One-way distance Isla Vista/Goleta/Santa Barbara-LAX is approximately 120 miles; transit time is about 2½ hours. The proposed schedule is:

<u>Leaves</u> <u>Santa Barbara Area</u>	<u>Arrives LAX</u>
5:00 a.m.	7:30 a.m.
7:30 a.m.	10:00 a.m.
11:30 a.m.	2:00 p.m.
1:30 p.m.	4:00 p.m.
5:30 p.m.	8:00 p.m.
7:30 p.m.	10:00 p.m.

<u>Leaves LAX</u>	<u>Arrives</u> <u>Santa Barbara Area</u>
8:00 a.m.	10:30 a.m.
10:30 a.m.	1:00 p.m.
2:30 p.m.	5:00 p.m.
4:30 p.m.	7:00 p.m.
8:30 p.m.	11:00 p.m.
10:30 p.m.	1:00 a.m.

The application was protested by Great American Stageline, Inc. (Great American) and Gold Coast Airport Express (Gold Coast). The former has authority from this Commission to render on-call service between Santa Barbara and LAX and scheduled service between various points in Ventura County and LAX. The latter carrier provides scheduled service between LAX and Santa Barbara Airport-Goleta-Santa Maria-San Luis Obispo.

After due notice, a public hearing was held before Administrative Law Judge Main in Los Angeles on May 26, 1982. The matter was submitted upon the filing of the transcript on June 14, 1982.

Applicant Eric Onnen holds a bachelor of arts degree in business economics and presently manages a meat market. He is without experience in the bus transportation field. To gauge the need for bus transportation between the Santa Barbara-Goleta area and LAX, he obtained some basic information from the Santa Barbara Airport and the Santa Barbara Chamber of Commerce. He also contacted several businesses which he felt could perhaps use the proposed service.

In essence, the information he obtained was that (1) most of the people that travel to Santa Barbara come from or through the Los Angeles area; (2) of those people, four out of five drive; and (3) some 100,000 people per year travel from Los Angeles to Santa Barbara by air. From this he concluded some 600,000 people would be driving from Los Angeles to Santa Barbara in 1982.

He testified that he called on the following businesses in the Santa Barbara area which expressed an interest in the proposed service:

Applied Magnetics	750 employees
Infornag	600 employees
Hyer-Schulte	500 employees
Raytheon Corporation	1,450 employees

Applicant Kelly Onnen, for her part, called on the Goleta Chamber of Commerce and nine travel agents in the Goleta-Santa Barbara area. After explaining the proposed service, she obtained their support for it. In addition, she testified that Holiday Inn-Goleta, one of the proposed pickup points, supports the proposed service. The travel agents she visited indicated to her they were presently using Gold Coast's new service and would use both services if applicants' service is authorized.

Applicants have \$10,000 of personal funds and probably can obtain a \$10,000 loan to finance this venture. Start-up costs were estimated by applicants as follows:

Start-up Costs

2 Vans

Van Lease	\$2,400.00
Van Insurance	1,000.00
Advertising	1,000.00
Office Equipment	700.00
Phone Installation	100.00
Printing	200.00
Opening Cash	80.00
Opening Fuel	220.00
Business Insurance	<u>300.00</u>
	\$6,000.00

Apart from start-up costs, applicants estimate the break-even point at about a 30% load factor and assert that point should be achievable within the first two months of operation. Upon reaching a 50% load factor the route should, according to their estimates, become sufficiently profitable for them to acquire additional vans and a better office.

Operating results at the 30% load factor were estimated by applicants as follows:

Monthly Operating Results (Projected)

Daily Gross Income: (30% occupancy) (44 tickets daily) (\$17 average ticket)		\$ 748.00
Daily Costs:		
Wages	\$ 270.00	
Fuel	<u>230.00</u>	
Net Daily Expense		<u>500.00</u>
Net Daily Income		<u>248.00</u>
Net Gross Monthly Income		\$6,448.00

Fixed Costs Monthly

Lease	\$1,200.00	
Insurance (Van)	420.00	
Phone	300.00	
Advertising	1,000.00	
Workers' Compensation Insurance	650.00	
Misc. Replacement and Repair	600.00	
Airport Tax @ 12.5%	<u>2,430.00</u>	
Net Fixed Costs		<u>\$6,600.00</u>
Net Monthly Loss		\$ 152.00

Position of Protestant Great American

Great American operated a scheduled service between Santa Barbara and LAX for a 3-month period in late 1980 and early 1981. After very intensive marketing efforts the scheduled service averaged only two passengers per trip on large buses, which were making six trips per day, and was discontinued.

Presently Great American offers on-call service between Santa Barbara and LAX to retain its route authority. The on-call service is seldom, if at all, requested.

In 30 to 45 minutes Santa Barbara area passengers can, according to Great American, get to its Ventura or Oxnard bus stops where there are 32 trips a day. Great American believes the Santa Barbara area in this way is the source of about 25 passengers per day on its runs.

It is Great American's position that its experience less than two years ago with a Santa Barbara-LAX run demonstrates there is not an adequate market for the proposed service. However, to the extent a market does develop, the proposed service could divert traffic from Great American's Ventura and Oxnard terminals.

Position of Protestant Gold Coast

Gold Coast is a new carrier. It started operations early last spring, offering six round-trip schedules per day between San Luis Obispo and LAX with stops at Santa Maria, Buellton, Santa Barbara Airport, and Goleta under authority granted in Decision 82-04-037 issued April 6, 1982. The service proposed by applicants would be in direct competition with the Goleta/Santa Barbara area to LAX portion of Gold Coast's route.

According to Gold Coast, it operates four 11- to 21-passenger vans in meeting its six round-trip schedules per day and has a sizable investment in the business. During May it was averaging a total of 24 passengers per day with service between Goleta/Santa Barbara and LAX accounting for about 60% of the total. Gold Coast has projected (1) a break-even point at about 33 passengers per day, which is not expected to be reached before 1983; (2) losses through May exceeding \$30,000 including about \$10,000 in start-up costs; and (3) a need for \$25,000 in additional working capital over several months this summer and early fall to carry it through to the end of the year. Gold Coast indicates that it can secure the additional funds.

It is Gold Coast's position that (1) Goleta/Santa Barbara, the area relied upon by applicants, alone is insufficient to support bus service to LAX; (2) Gold Coast's larger area (including Santa Maria and other points) will not be adequate to support its operations if the service proposed by applicants is authorized; (3) a reasonable opportunity should be afforded Gold Coast to develop this new route as well as recoup losses

before being confronted with direct competition; and (4) if Gold Coast fails, the other communities it serves besides Santa Barbara and Goleta will lose their service.

Discussion

In deciding whether to grant a certificate of public convenience and necessity, the Commission considers several factors. The most important is whether public convenience and necessity exist for the service.

Applicants have shown that there is a need for their service. Applicants' showing indicates that they hope to draw from business and industry in the Santa Barbara area, from travelers making arrangements through travel agents, and perhaps from tapping in some small way the vast potential represented by visitors traveling to the Santa Barbara area in private or rental cars.

Indeed, Great American's present experience with passengers from Santa Barbara confirms that a market for applicants' service does exist. Currently, approximately 25 passengers from the Santa Barbara area drive 30 to 45 minutes to obtain bus service to LAX. It is reasonable to believe that there are other potential passengers who desire such service but are unwilling to make such a drive.

Furthermore, applicants' service differs significantly from protestants' service in a number of respects. In contrast to Great American's on call service, applicants will provide a regularly scheduled service. Applicants propose to use vehicles which are smaller than Gold Coast's. They will offer three pickup points within the Santa Barbara area which will make it more convenient for passengers. Applicants also propose to make a straight run to LAX, thus, reducing its one-way travel time to under 2½ hours.

Finally, we are not persuaded by the arguments raised by protestants with respect to the impact of competition on their operations. The possibility that members of the traveling public

may find applicants' service more convenient than the service now provided by protestants is not a sufficient reason to deny applicants a certificate. In the past, this Commission has refused to apply Section 1032 as a bar to deprive the public of the most innovative, attractive, and agreeable bus service that may potentially exist for its benefit. Re American Buslines, Inc. (1980) 3 CPUC 3d 246. We see no reason to depart from this policy.

Findings of Fact

1. Applicants propose to operate a passenger stage service between points and according to schedules which are discussed at pages 1 and 2 above.

2. Applicants propose to use two 10-12 passenger vans in their proposed operation.

3. Applicants have shown that there is a need for the proposed service.

4. Applicants' service differs from existing passenger service in that smaller vans will be used, their pickup points in Isla Vista, Goleta, and Santa Barbara will make the service more convenient, and a straight run from Santa Barbara will reduce travel time.

5. Applicants have the business ability to conduct the proposed service.

6. Public convenience and necessity require the granting of the proposed certificate.

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

Conclusion of Law

The application should be granted.

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 Eric Onnen and Kelly Onnen, authorizing them to operate as a passenger state corporation, as defined in PU Code Section 226, between the points and over the routes set forth in Appendix PSC-1262, to transport passengers and their 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 their 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.

This order becomes effective 30 days from today.

Dated October 20, 1982, at San Francisco, California.

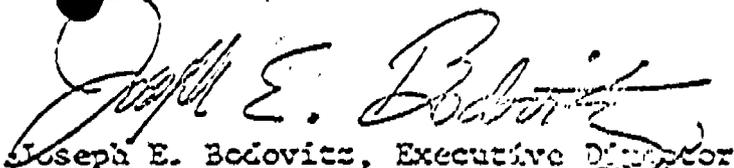
I dissent. I prefer the original proposed decision.

/s/ JOHN E. BRYSON
Commissioner

RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
Commissioners

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

Commissioner Priscilla C. Grew,
being necessarily absent, did
not participate.


Joseph E. Bodovitz, Executive Director

T/alm

Appendix PSC-1262

ERIC ONNEN AND KELLY ONNEN

Original Title Page

CERTIFICATE
OF
PUBLIC CONVENIENCE AND NECESSITY
AS A PASSENGER STAGE CORPORATION
PSC - 1262

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

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.

Issued under authority of Decision 82-10-067, dated October 20, 1982
of the Public Utilities Commission of the State of California in
Application 82-03-102.

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SECTION 2. ROUTE DESCRIPTIONS	
<u>Route</u> <u>Route Name</u>	
1 LAX - Santa Barbara/Goleta/Isla Vista	3

Issued by California Public Utilities Commission.

Decision 82-10-067, Application 82-03-102.

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

Eric Onnen and Kelly Onnen, by the certificate of public convenience and necessity granted by the decision noted in the margin, are authorized to transport passengers and their baggage, between Los Angeles International Airport (LAX), on the one hand, and Santa Barbara, Goleta, and Isla Vista, on the other hand, over and along the routes described, subject, however, to the authority of this Commission to change or modify the routes at any time and subject to the following provisions:

- 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 operation in either direction unless otherwise indicated.
- c. Only passengers originating at or destined to LAX shall be transported.

Issued by California Public Utilities Commission.

Decision 82-10-067, Application 82-03-102.

SECTION 2. ROUTE DESCRIPTIONS.

Route 1 LAX - Santa Barbara/Goleta/Isla Vista

Commencing at LAX then via the most convenient streets and highways to the following points:

1. Hotel DeRiviera, Santa Barbara
2. Holiday Inn, Goleta
3. Pruitts Market, Isla Vista

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being necessarily absent, did
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