

PSA IS FIRST AIRLINE TO BUY AUTO RENTAL SYSTEM

By Gary Kissel

Pacific Southwest Airlines, the intrastate California carrier which has captured the lion's share of its market, has plunged into another "first" for airlines by purchasing its own rental car system, ValCar Corporation.

Auto rentals attribute a large portion of their revenue to airline passengers who find it convenient to have a car at their disposal upon arrival in an out-of-town location. These passengers represent the "bread-and-butter" of the auto rental market.

According to Robert J. Fox, president of ValCar, the acquisition by PSA was a natural association of two related enterprises. "We have the same clientele as PSA's businessman market," Fox said. "While PSA was pioneering in high-quality, low-cost air transportation, ValCar was offering high quality, low-cost auto rental service."

ValCar's primary center of operation is also California, but does extend to major cities in Arizona.

J. Floyd Andrews, president of PSA, stated that the ValCar acquisition permits PSA to grow through diversification and capitalize on its advantage of providing complete point-to-point service

for their passengers.

PSA still takes reservations for other rental systems, however, and makes no effort to dissuade a passenger who requests a competitive rental car.

The airline acquired all the outstanding stock of ValCar in exchange for an initial issue of 33,160 shares of PSA common stock. An additional 166,840 shares of PSA stock are reserved for ValCar stockholders to be issued on the future performance of ValCar.

The same "best possible equipment and service at the lowest possible cost" philosophy that has pushed PSA toward an annual passenger total of 4,000,000 has worked quite well for ValCar.

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Originally a low-cost part of the Hertz System, ValCar became independent in August, 1967. That month Fox and two partners purchased ValCar, Delta Rent-A-Car and Travelers Rent-A-Car. The three were merged into one operation and within a year became the nation's largest low-cost auto rental system.

"Like PSA, we offer the customer something more than the average for less than average cost," said Fox. He refers to ValCar's practice of equipping their autos with all the extras such as bright paint, vinyl tops, leather interiors, power accessories and air conditioning available on all models. This deluxe

model is rented for 15 to 18 percent less than the major commercial rates.

Other secrets of success include extras such as described by Fox, "We put a man in his car as fast or faster than the competition. Plus, with ValCar there is no 'hidden charge,' no mileage minimums, and the same insurance as is offered by any other major company."

Unlike much of its competition, all ValCar branches are wholly-owned by the company. None are franchised. According to Fox, the main advantage of this is it provides a complete exchange of rental stock and a guaranteed quality of service. Franchised dealers could discourage customers from returning cars

to points other than where picked up, since they are operated independently.

To carry its advantage further, ValCar has established an exclusive concession with the Royal Inns of America for fly-drive-sleep packages. It is also the only rental company which serves San Francisco's new residential high-rise complex, Golden Gate Center. This is an attempt to provide service from a man's doorstep to his final destination.

All competitive eyes are turned toward the first airline-rent-a-car merger, and a few eyebrows are raised too. This fly-drive system could revolutionize the auto rental industry if it proves successful for PSA and ValCar. □

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"The fact that our analysts are regionally located doesn't seem to cut down on their travel expenses."

Our investment analysts are located in New York, Chicago, Los Angeles and San Francisco. The logic: so they can be near the companies they analyze.

But recently, Fred Davidson, our controller, complained, "Their travel expenses don't seem to be any lower than if they were all in New York."

Here's the explanation we gave him:

"First, the purpose in locating our analysts in different regions is not to save money. It's to enable them to quickly gather, first hand, large numbers of facts about most of the companies they analyze.

"Second, the analysts are not restricted to their regions. Our electronics analyst, for example, is located in Los Angeles because most publicly-

owned electronics companies are in this area. But in order for him to intelligently recommend electronics stocks to buy, he must visit electronics companies in other regions—around Boston, for example.

"And third, the analysts travel to a central location, usually Chicago, at least once a month to compare notes."

After a moment's thought, Fred said, "But shouldn't their expenses be at least a little less?"

We weren't able to answer him.



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Aloha Airlines will enter into full-scale inter-island cargo competition by the end of this year, according to Kenneth F. C. Char, president.

The announcement comes on the heels of a decision by Aloha to convert its present operation to an all Boeing 737 fleet. Five of its six new twin-jets are scheduled to be in service by May.

"We will not be satisfied with less than half of the inter-island air cargo market," Char said. "Emphasis will be on service—via quick change aircraft which can be converted in less than half an hour from 118 seats to room for seven cargo pallets. Each pallet will be capable of handling 3000 cubic feet and up to 8000 pounds of cargo.

The switch to 737s enables Aloha to become the first major airline in Hawaii to guarantee full jet loads of passengers and baggage into and out of Kona and Molokai.

Additionally, with the introduction of its 118-passenger configuration, Aloha will offer the biggest and roomiest aircraft ever available in the history of inter-island travel.

Fuselage diameter of the 737 is 148 inches, exactly the same as that of Boeing's 707, 720 and 727 aircraft. This will offer Aloha a unique advantage when its freight operation is introduced. Containerized freight pallets designed to fit the fuselage of the larger planes operated by trans-Pacific carriers will transfer with ease to the 737s for inter-island delivery.

* * *

An agreement has been reached on an eight-year lease of one of the **Pacific Southwest Airlines** Boeing 727-100s to

Cia. Mexicana de Aviacion, S.A., according to PSA president, J. Floyd Andrews.

In making the announcement, Andrews pointed out, "The delivery of the new Boeing 158-passenger 727-200 and 112-passenger 737-200 aircraft is enabling PSA to begin to phase out its smaller 727-100 planes. Seven additional 128-passenger 727-100s will become available for sale or lease as the delivery of the new aircraft takes place in the spring."

A \$53 million order for seven 727-200s and four 737-200s was placed with Boeing in June, 1966, and to date seven 727-200s and four 737-200s have been delivered. An order for nine more 727-200s and six more 737-200s, at a total cost of \$69 million was placed in February of last year and deliveries will start soon.

The \$69 million order, largest aircraft purchase in PSA's 19-year history, is planned to meet the needs of California's rapidly expanding air travel market with the most modern equipment available.

Conversion of the PSA fleet began early last year when PSA took delivery of their first seven 727-200 Super-Jets and phased five Lockheed Electras out of the fleet.

PSA presently operates a schedule of more than 800 flights a week between the California metropolitan centers of San Diego, Los Angeles, Hollywood/Burbank, Long Beach, Ontario, San Jose, Oakland, San Francisco and Sacramento.

* * *

Continental Airlines has doubled its Air Micronesia 727 jet service between Honolulu and the Trust Territory of the

Pacific Islands, it was announced by Dominic P. Renda, Continental's senior vice-president-international and president of *Air Micronesia*. Continental also has substantially increased flights within the Trust Territory.

"Air Micronesia's passenger and cargo loads have been running above forecast since we started operations last May," said Renda. "Clearly the need for additional passenger and cargo lift is there."

A second weekly jet round trip between Honolulu and Saipan, via Kwajalein, Majuro, Truk and Guam operates on Wednesday, with the first continuing to fly on Sunday.

A third weekly round trip operates between Guam and Koror, via Yap, and there is an additional round trip between Guam and Saipan, via Rota. The new schedule provides 10 round trips a week between Guam and Saipan, three of which stop in Rota. Finally, a fourth weekly round trip between Truk and Ponape was added to Air Micronesia's schedule.

Air Micronesia currently operates Boeing 727-100 tri-jet, DC-6AB, and SA-16 aircraft, linking Honolulu, Okinawa and Guam via the Trust Territory Islands.

* * *

Back on the mainland, Continental is offering "Continental Holidays" ski packages to all the larger resorts in Colorado, plus a wide range of fare options for individuals and groups. Boxes for skis are provided free of charge and a key chain-medallion of ULLR, the Nordic skiers' companion, will be presented to Continental's ski-passengers on check in. □

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PSA CONTINUES SATELLITE DEVELOPMENT FOR SAN FRANCISCO AND LOS ANGELES AIRPORTS

Another link in the development of satellite airport service for San Francisco and Los Angeles was effected in December when PSA began flights between Long Beach Airport and San Francisco.

"PSA has served three Bay Area airports—San Francisco, Oakland and San Jose—for the last several years. Connect-

ing this system with a Los Angeles counterpart of satellites should help alleviate the congestion at our two major California international airports," said PSA president J. Floyd Andrews.

Last June PSA initiated service between San Francisco and Ontario International Airport which serves Riverside, San Bernardino and Orange Counties. In September PSA inaugurated service between Hollywood/Burbank and both Oakland and San Jose.

"Door to door air service seems to be the answer for true passenger convenience," said Andrews. "With the addition of service at Long Beach, plus service already established at L. A. International, Hollywood/Burbank and Ontario, we are bringing our aircraft as close to the L.A. commuter as possible," he added.

Four convenient round-trips have been scheduled daily Monday through Thursday from Long Beach to San Francisco. One additional daily round-trip will originate in San Diego and terminate in San Francisco with an intermediate stop in Long Beach. On Fridays and Sundays, one additional round-trip between Long Beach and San Francisco is added to the weekly schedule.

One-way fare for the new service between Long Beach and San Francisco will be \$14.85 plus tax.

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