

Golden Gate Airlines Aims to Fill Holes in California Air Service

Rising like a phoenix from the ashes of Gem State and Air Pacific, the new carrier hopes to become living proof of the virtues of airline deregulation

By Joan M. Feldman,
From Monterey, Calif.

Golden Gate Airlines represents what is potentially good about eliminating regulation and letting carriers decide for themselves what cities they want to serve and how they want to serve them.

Golden Gate also could represent the problems that go along with letting profit-oriented entrepreneurs provide air service while watching their aircraft equipment investment appreciate in value.

Justin Colin is an investor who, in a relatively short time in the airline business, has garnered as many detractors as proponents. At the moment, however, he can do no wrong in the eyes of U.S. Civil Aeronautics Board and California state officials. His new airline, a combination of what used to be Gem State Airlines and Air Pacific, has helped those officials out of the embarrassing position in which they found themselves as a result of capital starvation and management problems at Air Pacific.

Colin founded Gem State to fill what he saw as a service void in Idaho. He shut down the airline 18 months later because, he says, Hughes Airwest's post-strike promotional programs on "subsidized" intrastate routes in Idaho proved too expensive for an unsubsidized businessman to cope with.

Still looking for an aviation opportunity, Colin moved Gem State's airplanes and some of its employees to California, took over Air Pacific, and started operating as Golden Gate in mid-January. After six weeks of gypsy-like existence, the airline moved to permanent quarters in Monterey in early March.

To help run the new carrier, Colin brought in Vincent J. Mulshine as president and Harry Kimbriel Jr. as senior VP-marketing and corporate planning. Mulshine was formerly with National Airlines and American Airlines, while Kimbriel also used to be at American and later was a consultant. Both have an equity stake in Golden Gate.

Colin, meanwhile, has been looking around for further opportunities. When *ATW* visited in mid-March, he was trying to buy Santa Barbara-based Apollo Airways and its



Justin Colin, founder of Golden Gate Airlines, also founded its predecessor, Gem State Airlines of Idaho.



Golden Gate president Vincent J. Mulshine was formerly with National and American airlines.

eight Handley-Page Jetstreams for something over \$8 million, but the deal finally fell through because Apollo's pilots wanted seniority benefits that Golden Gate wasn't willing to provide. Colin also had discussed a potential arrangement with Golden West of Newport Beach, but CAB reportedly discouraged this overture on anti-competitive grounds.

So for the moment, Golden Gate is concentrating on setting up its new headquarters and operating a mixed bag of airplanes that currently includes three Convair 580s, three de Havilland Dash 7s, six Swearingen Metroliners and three de Havilland Twin Otters.

A fourth Convair 580, purchased from Frontier Airlines for \$1.5 million, will arrive in June, and five more Metroliners are scheduled for delivery starting in August. Golden Gate has firm delivery positions for three more Dash 7s in 1981, plus options on four for 1982 delivery. It obtained one of its present Dash 7s from Air Oregon, and is negotiating with Rocky Mountain for another. The Twin Otters were grounded when we visited, and are due to be phased out when the new Metroliners arrive.

All of those airplanes add up to a hefty investment—about \$40 million not counting the new Metros and Dash 7s yet to be delivered. Observers wonder if Colin will stick it out in California until the investment pays

off, or if he will move on again or sell his airplanes if the going gets tough.

Colin says California is different. "No matter what I do, there is traffic," in his words. He and Mulshine estimate that operating costs are running around \$2 million a month. In Idaho, the costs were about \$1 million a month, and eyes did not flicker until the fare battle with Hughes Airwest. Equipment utilization was about six hours a day in mid-March and was expected to increase to seven hours by the end of April.

Colin's goal is to break even within a year. To accomplish the goal, Golden Gate is establishing itself as "an interlining airline" and is aiming for a share of the joint-fare ticket that will be greater than the published fare between two points. It also is working closely with the carriers it is trying to replace in various markets, trying to set up relationships that will guarantee a firm base of interline business.

And it is picking its markets carefully, trying to avoid competition with operators of jets or other turboprops. But Colin is not afraid of head-to-head competition because he figures his costs are lower than those of other carriers.

More than anything, Golden Gate is counting on filling holes that have been left by departing airlines or that have not been ex-



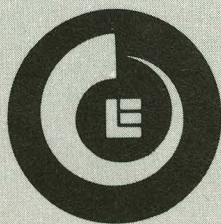
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Golden Gate

exploited previously. For example, it foresees the two jet operators at Monterey, United and Air California, abandoning most of their short-haul routes. When United pulls out of the Monterey-San Francisco market, Golden Gate intends to pick up the slack, and it thinks it can compete with Air California because of its lower costs and competitive flight times (assuming air traffic control cooperation).

In addition to developing the flexibility to move airplanes around to serve markets as competitive circumstances change, Golden Gate is looking at entirely new services. For example, Colin is considering high-frequency service to Las Vegas from Bakersfield, a city from which Golden Gate now provides service to San Francisco, Fresno and Sacramento. "The weekend business is fantastic in California," says Mulshine.

Further in the future, and not well-formed as yet, is a plan for linking up several Western commuters into a cooperative network that would cover the area in a triangle bounded by San Diego, Seattle and Salt Lake City. Within that triangle, Colin sees a rich potential for joint aircraft usage, coordinated schedules and other cooperative ventures.

This idea is not new. Such a scheme was talked about a decade ago by passenger commuters, and all-cargo commuters thought about it a couple of years ago when freight carriage was deregulated. But CAB, for the moment at least, appears to be opposed to concentration in the commuter business.

Golden Gate so far has depended entirely on its own resources, but there are some indications that it may begin to seek subsidy at certain essential air service points where it is competing with non-replacement carriers. It also is considering the possibility of U.S. and Canadian loan guarantees for equipment purchases. No businessman has the resources to finance unprofitable ventures for too long.

Justin Colin would like to see the California air route map covered with Golden Gate schedules, but only time will tell if he will accomplish that goal. Meanwhile, he has a fleet worth \$40 million on today's market, and future aircraft sales could more than compensate for present operating losses. ✕



Golden Gate attempted to acquire Apollo Airways and its fleet of Handley Page Jetstreams, but the deal foundered because of problems over pilot seniority and financing.