

ORIGINALDecision No. 62098

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC AIR LINES,
INC., for Order authorizing an
increase of certain intrastate
air passenger fares and authority
for short notice filing pursuant
to applicable statutes and
regulations.

Application No. 43119

Raymond E. Costello and Cooper, White & Cooper, by
James B. Schmake, for applicant.
Miss Marjorie Childs, for County of Humboldt;
Harold A. Irish, for City of Ukiah, protestants.
J. Kerwin Rooney and Don W. Martin, for Board of
Port Commissioners of City of Oakland; Donald J.
Falk, for Eureka Chamber of Commerce; John R.
Stokes, for City of Arcata, interested parties.
Timothy J. Canty and John R. Laurie, for the
Commission staff.

O P I N I O N

Pacific Air Lines, Inc., is an Arizona corporation engaged in the transportation of passengers and property by aircraft between numerous airports in California. It also serves Las Vegas, Nevada; Portland, Oregon; and Medford, Oregon. By this application filed February 1, 1961, it seeks authority to increase certain excursion fares applicable between points in this State.

Public hearing was consolidated with Application No. 43099 of Pacific Air Lines, Inc., concerning air freight rates. Hearings were held before Examiner J. E. Thompson at San Francisco on March 9 and 10, 1961 and at Eureka on March 23, 1961 where the matter was taken under submission. The consolidation of hearing was for convenience of the parties. The issues in the two applications are different and the positions of the interested parties and protestants

differed respecting each of the applications. Separate decisions will be issued.

Pacific has three types of fares: first class, coach and excursion. First class fares are maintained between all points served and, generally speaking, have a correlation with the distance between the points. Round-trip first class fares are double the one-way fares. Coach fares are maintained by applicant for transportation between certain points on "coach flights". At present, it operates ten coach flights daily, four between Las Vegas and San Francisco serving San Jose, Monterey and Bakersfield as intermediate stops; four between Las Vegas and Los Angeles with Burbank and Palmdale as intermediates; and two flights between San Francisco and Los Angeles serving San Jose, Bakersfield and Palmdale. While coach fares are published for transportation to and from Oakland, Sacramento, Santa Barbara and Stockton, there are no coach flights serving those airports so that the fares are "paper fares". The excursion fares are those involved in this application. They are for a round-trip between certain points, and in a few instances via certain routes. The ticket is valid for a period of five days and is good for passage on any flight, first class or coach, and for any seat on the aircraft.

The only difference in transportation performed under a first class ticket and a coach fare ticket is that there may be as many as 44 passengers occupying seats on the coach flight, whereas only 40 seats would be occupied on the first class flight. The only difference in passage under an excursion fare ticket from passage under a round-trip first class or round-trip coach ticket is that the trip with the excursion ticket must be completed within a period of five days, whereas a round-trip first class ticket or round-trip coach ticket is good for one year from the date of its issuance.

The vice president in charge of traffic testified that the excursion fares were established to meet special circumstances and conditions. The present fares, the proposed excursion fares and the special circumstances and conditions which resulted in the establishment of excursion fares are as follows:

Pacific Air Lines, Inc., Round-Trip Fares

<u>Between</u>	<u>And</u>	<u>Present Fares</u>			<u>Proposed Fares</u>
		<u>1st Class</u>	<u>Coach</u>	<u>Excursion</u>	<u>Excursion</u>
Eureka	SF	\$36.50	No Fare	\$27.00	\$31.00
Crescent City	SF	\$45.40	No Fare	\$33.60	\$38.60
Monterey	Burbank/LA	\$42.70	\$30.70	\$25.00	\$36.30
Oxnard	SF	\$46.90	No Fare	\$27.00	\$39.90
San Jose	Burbank/LA	\$46.80	\$31.60	\$27.00	\$39.90
Sacramento	SF	\$16.70	\$15.10	\$10.00	\$12.50
Sacramento	San Jose	\$16.70	\$15.10	\$10.00	\$12.50
Stockton	SF	\$14.80	No Fare	\$ 8.18	\$ 8.18(1)

(1) No increase.

On September 1, 1960, applicant made effective the excursion fares between San Francisco and Eureka and Crescent City because of the urging by the Eureka Chamber of Commerce for a lower fare.

The Monterey-Burbank fare was established a number of years ago to encourage the military at Fort Ord to use air service on their limited passes and week-end leaves, and also to meet competition at that point from nonscheduled carriers.

The San Jose-Los Angeles and the San Francisco-Oxnard excursion fares were established to meet competition in the form of passengers at San Jose driving to San Francisco Airport and passengers at Oxnard, Ventura, Port Hueneme and Point Mugu driving to Burbank or Los Angeles to take a low fare carrier then maintaining a fare of \$9.99 between San Francisco and Los Angeles.

The Sacramento fares were established in September 1959 and are applicable only via a routing designated by applicant as Segment 4. Pacific had made application to the Civil Aeronautics Board for a route from San Francisco to Reno via San Jose, Stockton and Sacramento. The Board authorized the route other than service to Reno. Traffic over this segment has been very light, and in order to attract patronage over this segment so that it will not lose the route, applicant has established the excursion fares which, in the case of this segment, it calls "Commutair Fares". Applicant proposes not to increase the Stockton-San Francisco fare for the reason that the facilities for ground transportation at Stockton Airport assertedly are not as conducive to attracting passengers as are the facilities at other points on the segment.

The proposed excursion fares are 75 percent of the first class fares in the case of Segment 4 (Sacramento fares) and 35 percent of the first class fares in the other instances. Applicant made a survey of the traffic transported during October, November and December 1960, and during January 1961, and on the basis of such survey estimated that the proposed increased excursion fares would provide, without allowance for diminution, \$415,953 annually. It was estimated that diversion of traffic to coach would reduce that amount by \$40,002 resulting in a net annual increase of \$375,951.

Applicant presented financial statements including a condensed profit and loss statement for the year ended December 31, 1960 which disclosed an operating loss of \$113,916 after federal subsidy of \$4,095,505. Applicant canceled round-trip discounts on May 3, 1960 pursuant to Decision No. 59929 dated April 12, 1960 in Application No. 41923, and increased fares by 2½ percent plus one dollar per one-way fare effective January 9, 1961 pursuant to Decision No. 61225 dated December 20, 1960 in Application No. 42750.

In the latter decision it was noted that applicant presented the results of California intrastate operations for the twelve months ended September 30, 1960, and on the basis of such results estimated that the results of California intrastate operations for a future rate year under the increased rates would be a loss of \$387,695. From the evidence, we find that under the proposed increased excursion fares applicant will continue to operate at a loss. Other matters, however, must be considered.

The Board of Port Commissioners for the City of Oakland appeared and urged the Commission to require applicant to establish fares to and from Oakland Airport at the same level as those established for San Francisco. Oakland argued that the excursion fares favor San Francisco and discriminate against Oakland. Illustrative of the situation complained of is that applicant maintains an excursion fare between San Francisco and Eureka of \$27.40, which it proposed to increase to \$31.00. The round-trip fare between Oakland and Eureka is \$36.50. All flights between Oakland and Eureka serve San Francisco as a beyond point. An excursion ticket for passage between San Francisco and Eureka is not honored at Oakland, the intermediate point. Applicant, therefore, is charging a greater compensation for the transportation of passengers for a shorter than for a longer distance over the same route in the same direction, the shorter being included in the longer distance. Article XII, Section 21 of the Constitution of the State of California and Rule 9 of General Order No. 105-A prohibit such charge unless, upon application to the Commission, and upon special circumstances investigated by the Commission, the carrier shall have been authorized to depart from such prohibition. Applicant has not been authorized to charge a greater round-trip fare between Oakland

and Eureka than between San Francisco and Eureka. Under the constitutional provision the legitimate maximum charge for the shorter haul is the charge the carrier makes for the longer one (Calif. Adjustment Co. v. A.T.&S.F. Rwy. Co., (1913) 179 Cal. 140, 175 Pac. 682). While the Oakland round-trip fare is a first class fare and the San Francisco round-trip fare is designated as an excursion fare, the only difference between the two, insofar as service is concerned, is that the former is valid for one year, whereas the latter is limited to a period of five days. The lawful round-trip fare for a round-trip passage to be completed in five days between Oakland and Eureka is the fare maintained by applicant for a round-trip passage, to be completed within five days, between San Francisco and Eureka. The same situation prevails in connection with applicant's round-trip fare between Oakland and Crescent City.

The Port of Oakland urged that all fares to and from Oakland Airport be maintained at the level of fares to and from San Francisco Airport. Other than in the cases of Crescent City and Eureka referred to above, the evidence of record does not conclusively show that applicant's fares to and from San Francisco Airport unjustly discriminate against Oakland Airport. The evidence suggests that there may be other violations of the provisions of the Constitution of the State of California so that on May 31, 1961, the Commission on its own motion instituted an investigation into the rates, operations and practices of Pacific (Case No. 7129); however, the record herein does not show conclusively that other violations exist. Applicant will be directed to remove the long- and short-haul departures in connection with its fares between Oakland and San Francisco, on the one hand, and Eureka and Crescent City, on the other.

The above finding should not militate against the granting of the increases in excursion fares. As stated hereinabove, the increased revenues will not provide a profit to applicant. Pacific provides necessary transportation service to cities and areas which do not have the volume of traffic required to support the service. Such service is being subsidized by the Federal Government at the present time. Upon consideration of all of the circumstances, we find that the proposed increases are justified. By that finding we do not imply that any of the fares presently maintained by applicant or proposed by it herein are reasonable.

Applicant requests authority to make the proposed increased fares effective on three days' notice. We find that the circumstances herein justify making the increased fares effective on not less than five days' notice.

O R D E R

Based on the evidence of record and on the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED:

1. That Pacific Air Lines, Inc., is authorized to establish the increased passenger fares proposed in its application filed February 1, 1961. The tariff publication authorized to be made as a result of the order herein may be filed not earlier than the effective date hereof, and may be made effective on not less than five days' notice to the Commission and to the public.
2. That the authority granted herein shall expire unless exercised within sixty days after the effective date of this order.
3. That the authority herein granted is subject to the express condition that applicant will never urge before this Commission in any proceeding that the opinion and order herein constitute a finding of fact of the reasonableness of any particular fare or charge, and

that the filing of the fares and charges pursuant to the authority herein granted will be construed as a consent to this condition.

4. That Pacific Air Lines, Inc., shall, within sixty days after the effective date of this order, cease and desist from publishing and maintaining fares for the transportation of persons between Oakland, on the one hand, and Eureka and Crescent City, on the other hand, greater in volume or effect than the fares concurrently published and maintained for the transportation of persons between San Francisco, on the one hand, and Eureka and Crescent City, on the other hand.

5. That the findings, conclusions and order herein are without prejudice to any findings, conclusions and order that may be issued in Case No. 7129.

The Secretary is directed to cause personal service of a certified copy of this decision to be made upon applicant and the effective date of this order shall be twenty days after the date of such service.

Dated at San Francisco, California, this 6th day of JUNE, 1961.

Robert H. Dean
 President

W. J. [unclear]

E. J. [unclear]

George E. Hoover

Frederick B. Holbrook
 Commissioners