

Decision No. 74351**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC AIR LINES,)
 INC., for authority to make certain)
 changes in its intrastate passenger)
 fares, resulting in an increase.)

Application No. 50150
 (Filed April 8, 1968)

O P I N I O N

Pacific Air Lines, Inc.^{1/} is a common carrier by air of passengers and property between points located in various states of the United States, including California. In the State of California, applicant operates in intrastate and interstate commerce, providing local service between various California cities, as well as between these cities and points in other states. Applicant uses the same aircraft or types of aircraft in its intrastate operation which it uses for its interstate operations, namely, Boeing 727's and Fairchild F-27's. It seeks authority to increase its California intrastate passenger fares. The application was served upon officials of the cities and the counties served by applicant and upon all airlines providing passenger service between the said cities. Notice of the filing of the application was provided in the Commission's Daily Calendar. There are no protests or requests that public hearing be held.

^{1/} By C.A.B. Order E 26665, effective April 17, 1968, the operating rights of Pacific Air Lines, Inc. were transferred to Air West, Inc., a new corporation resulting from a merger of Pacific Air Lines, Inc., West Coast Airlines, Inc., and Bonanza Air Lines, Inc. We take official notice of this change.

A. 50150 lm

On January 25, 1968, applicant filed with the Civil Aeronautics Board revised passenger tariffs which rounded all of applicant's interstate passenger fares, except those then so published, to even-dollar amounts. These tariffs were approved for effectiveness February 24, 1968. Said revisions have increased fares for distances 750 miles and under to the next higher even dollar, and reduced fares for distances over 750 miles to the next lower even dollar. All distances with respect to applicant's California intrastate fares are under 750 miles.

Applicant proposes to increase its intrastate fares by rounding them upward to the next higher even dollar so that they will conform to its interstate fares now in effect. It asserts that maintaining intrastate fares on a basis different from interstate fares between the same points results in confusion and that better passenger service and passenger relations are afforded by simplification and standardization of the fare structures.

A detailed analysis was made by applicant of the latest survey published by the Civil Aeronautics Board, i.e., the 1966 Annual Domestic Origin and Destination Survey of Airline Passenger Traffic. From this analysis, it was determined that 502,150 passengers (approximately 60 percent of applicant's total traffic) producing \$6,748,000 revenue (55 percent of applicant's total gross revenue) were carried in California intrastate travel in that year. Applying these percentages to applicant's traffic in the year 1967, it is estimated that 565,420 passengers at a gross revenue of \$7,114,574 were carried in intrastate travel. By rounding all fares to even-dollar amounts for the total 1967 traffic and applying the 55 percent factor applicable to intrastate traffic, an increase in gross revenue of \$181,449 (or 2.6 percent of intrastate revenues) is estimated by applicant.

The effect of the proposal upon individual fares varies widely; for example: where the present fares are in even-dollar amounts, such as the present \$20 jet coach fare between Los Angeles and Monterey, there would not be any increase; whereas when the present fares are only slightly in excess of even-dollar amounts, such as the \$19.04 jet coach fares between San Francisco, on the one hand, and Bakersfield and Santa Barbara, on the other hand, the increase would approximate \$1.00. Applicant estimates an average increase in fare of 32.09 cents per intrastate passenger carried based upon its analysis of its 1967 traffic.

Financial statements appended to the application set forth results of applicant's operations for the calendar years 1966 and 1967, which are summarized below:

RESULTS OF OPERATIONS OF PACIFIC AIR LINES, INC.
FOR THE CALENDAR YEARS SHOWN

	<u>1967</u>	<u>1966</u>
Operating Revenues		
Passenger transportation	\$12,961,204	\$12,274,373
Other transportation	1,435,022	771,554
Nontransportation	542,547	131,087
Federal subsidy	<u>3,163,683</u>	<u>3,595,586</u>
Total	18,102,456	16,772,600
Operating Expenses	<u>21,516,756</u>	<u>16,480,409</u>
Operating Income (Loss)	(3,414,300)	292,191

Considering (a) the substantial volume of intrastate passenger service provided by applicant between California points, (b) that most of its revenues are from passenger service, (c) that fifty-five percent of passenger revenues are derived from California intrastate transportation, and (d) that system operating expenses for 1967 exceeded revenues, excluding federal subsidy, by more than \$6,000,000, it is readily apparent that additional passenger revenues

A. 50150 lm

of \$181,449 will not provide intrastate transportation revenues in excess of reasonable intrastate operating expenses.

We find that the proposed increases are justified. The application should be granted. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Pacific Air Lines, Inc. is authorized to establish the increased fares proposed in Application No. 50150. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than thirty days after the effective date hereof on not less than thirty days' notice to the Commission and to the public.

2. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 2nd day of JULY, 1968.

[Signature]
President
[Signature]
[Signature]
[Signature]
[Signature]
Commissioners