

**ORIGINAL**Decision No. 76231

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of UNITED AIR LINES,  
INC., for authority to increase  
certain intrastate passenger  
fares.

Application No. 51075  
(Filed May 15, 1969;  
Amended August 11, 1969)

O P I N I O N

United Air Lines, Inc. (United) seeks authority to increase its fares applicable to its California intrastate passenger service, other than its California commuter service for which increased fares were authorized pursuant to Decision No. 75898, dated July 8, 1969, in Application No. 50464.

Between the points for which fare increases are sought herein, United operates jet aircraft, and maintains the following types of fares: jet first class, jet coach, round-trip excursion, local standby, and military leave reservation. United proposes to cancel its propellor coach and commuter fares (except the coach fare between San Francisco and Oakland) since it no longer operates propellor aircraft between points in California, other than between San Francisco and Oakland. United seeks to increase its one-way jet coach fares generally by \$2.00, and its one-way jet first class fares generally by \$3.00. Proportional increases are sought in its military leave fares and round-trip excursion fares. The application states that the sought increases correspond to the increased fares authorized by the Civil Aeronautics Board (CAB) as part of a general adjustment of the fares of interstate trunk-line carriers and placed in effect in February, 1969. United estimates that its 1969 California intrastate revenues

for non-commuter traffic will be \$7,538,000 under present fares and \$8,907,000 under proposed fares; the projected increase in revenues is \$1,369,000.

The application alleges that the following circumstances exist which are relied upon as support for the sought fare increases: Using cost allocation methods heretofore presented to the Commission, United's California intrastate non-commuter operations will be conducted at a projected loss of \$1,152,000 during 1969. If the sought fare increases are granted, said operations would be conducted at a profit before income taxes of \$217,000. The projected operating profit of \$217,000 will produce a return, before taxes, of only 2.3 percent on the allocated investment in aircraft devoted to the service involved. Said rate of return does not include the allocated portion of other operating property devoted to California intrastate non-commuter operations, and said return would be lower if other operating property was included in said computation.

In addition to the increased fares applicable to passengers carried on Jet First Class/Coach aircraft included in the aforementioned projections, first class fares for additional passengers carried on Jet First Class/Commuter aircraft also would be increased. United estimates the latter passengers will amount to 5.8 percent of the total of those carried from whom fare increases are sought herein. The application states that no attempt has been made to show the profit or loss on first class fares for passengers handled on Jet First Class/Commuter aircraft as such a showing would require a cost allocation for which United has not determined appropriate allocation procedures.

The following table sets forth United's estimated operating results for the year 1969, based upon allocation procedures used in prior applications for fare increases:

CALIFORNIA INTRASTATE REVENUES AND EXPENSES

<u>Column (a)</u>		<u>Non-Commuter (000) Column (b)</u>	<u>Commuter (000) Column (c)</u>	<u>Total (000) Column (d)</u>
<u>Revenues</u>				
Passenger Revenue, Present Fares	(1)	\$ 7,538		
Passenger Revenue, Proposed Fares	(1)	8,907	\$20,325	\$29,232
<u>Expenses</u>				
Flying Operations		\$ 1,856		
Maintenance		1,296		
Depreciation and Amortization		945		
Passenger Service		900		
Aircraft and Traffic Servicing		2,786		
Sales and Reservations		368		
Advertising and Publicity		141		
General and Administrative		398		
Total Operating Expense	(1)	\$ 8,690	\$19,970	\$28,660
Net Profit (Loss) - Present Fares	(2)	\$ (1,152)		
Net Profit (Loss) - Proposed Fares	(2)	\$ 217	\$ 355	\$ 572
Operating Ratio - Present Fares	(2)	115.3%	-%	-%
Operating Ratio - Proposed Fares	(2)	97.6	98.3	98.0

(Red Figure)

Note: (1) Figures shown do not include revenues and expenses pertaining to first-class passengers carried on through flights in first-class/commuter configured aircraft.

(2) Before income taxes.

A financial examiner from the Commission's Finance and Accounts Division and an engineer from the Transportation Division have prepared reports in connection with this application, which reports are received herein as Exhibits 1 and 2. Said exhibits recommended that the requested fare increase be granted on an ex parte basis.

The application and amendment show that they were served in accordance with the Commission's procedural rules. In addition, notice of the filing of the application appeared on the Commission's Daily Calendar of May 16, 1969, and notice of the amendment appeared on the Calendar of August 12, 1969. There are no protests.

The Commission finds as follows:

1. United's projected operations for its California intrastate non-commuter air passenger services will be conducted at a loss in 1969.

2. Under the fare increases proposed herein said operations will result in an estimated profit before taxes of \$217,000 and total intrastate operations will result in an estimated profit before taxes of \$572,000 with an operating ratio of 98.0 percent before taxes. The increased revenues sought herein are necessary to provide a profit on the operations in question.

3. The sought increases in fares are justified.

4. A public hearing is not necessary.

The Commission concludes that the application should be granted.

#### O R D E R

IT IS ORDERED that:

1. United Air Lines, Inc. is authorized to establish the increased fares proposed in Application No. 51075. Tariff publications authorized to be made as a result of the order herein shall be

filed not earlier than the effective date of this order and may be made effective not earlier than five days after the effective date hereof on not less than five 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 ten days after the date hereof.

Dated at San Francisco, California, this 30th day of SEPTEMBER, 1969.

William J. Quinn, Jr.  
President

J. B. Quinn

John Quinn

Vernon L. Stinson  
Commissioners

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.