

ORIGINAL

Decision No. 76450

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AIR CALIFORNIA
for an ex parte order or
expedited authority to increase
its intrastate fares.

Application No. 51295
(Filed August 5, 1969)

O P I N I O N

In this application Air California, a corporation operating as a passenger air carrier, seeks authority to increase its fares. The following table sets forth Air California's present and proposed fares:

	<u>Present Fare</u>	<u>Proposed Fare</u>	<u>Percent Increase</u>
<u>Between Santa Ana and</u>			
San Francisco	\$16.19	\$16.90	4.38
San Jose	16.19	16.90	4.38
Oakland	16.19	16.90	4.38
<u>Between Ontario and</u>			
San Jose	16.19	16.19	NC
Oakland	16.19	16.19	NC
<u>Between Burbank and</u>			
San Jose	14.52	15.00	3.30
Oakland	14.52	15.00	3.30

NC = No Change.

Applicant was granted an interim increase in fares by Decision No. 75487, dated March 25, 1969, in Application No. 50770, which was made final by Decision No. 75907, dated July 8, 1969. Decision No. 75487 found that the increased revenues sought in that application were insufficient to cover applicant's operating expenses and return a profit to applicant.

In this proceeding, applicant alleges that it has incurred additional increases in operating expenses not reflected in the record in Application No. 50770, and seeks an additional increase in revenues to offset said increases in expenses. The application contains an estimate of revenues, expenses and net profit for the year ending June 30, 1970, which reflects applicant's increased expenses and revenues based on present and proposed fares. Said operating results are depicted in the following table:

TABLE I

Air California Projected Statement of Income (Loss)
For the Period July 1, 1969 - June 30, 1970
 (\$ Thousands)

Revenues

Passenger	\$14,284	(1)
Passenger	14,789	(2)
Other	741	
Total Revenue	15,025	(1)
Total Revenue	15,530	(2)

Operating Expenses

Flying Operations	3,693	
Direct Maintenance	1,348	
Aircraft Lease Cost	3,096	
Depreciation	238	
Total Direct	8,375	
Maintenance Burden	714	
Passenger Services	1,107	
Aircraft Services	983	
Traffic Services	1,178	
Sales and Promotion	1,655	
General Administration	999	
Amortization and Depreciation	83	
Total Indirect	6,719	
Total Operating Expenses	15,094	
Operating Profit (Loss)	(69)	(1)
Operating Profit	436	(2)

(Red Figure)

- (1) Present Fares.
- (2) Proposed Fares.

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Operating ratios calculated from the above table are 100.5 percent under present fares and 97.2 percent under proposed fares.^{1/}

Applicant alleges that increased operating expenses amounting to \$614,339 will be incurred in the test year which were not reflected in Decision No. 75487. The fare increases sought herein are estimated to produce increased revenues of \$504,530 annually; thus, the estimated increased revenues fall short of meeting the estimated increased expenses by \$109,809.

The application states that the Commission has found that Pacific Southwest Airlines (PSA) is the rate-making carrier in the California corridor, and that fares authorized to PSA thus become the maximum for all air carriers operating in said corridor. (Decision No. 75899, dated July 8, 1969, in Application No. 50847.) Applicant requests an ex parte order of the Commission authorizing it to increase its fares concurrently with fare increases sought by PSA in Application No. 51278. In a decision issued today in that proceeding, PSA has been authorized to increase its fares.

Detailed analyses of applicant's intrastate revenues, expenses and rate base do not appear necessary in the instant proceeding for the following reasons: Applicant's fares were recently considered in a proceeding involving a public hearing, at which evidence was presented by applicant and the Commission staff. The only material changes in circumstances surrounding the services of applicant are the increased expenses resulting from higher costs of wages and materials and supplies occurring since the last fare adjustment. Moreover, the present time does not appear to be

^{1/} In a decision issued today in Application No. 51278, Pacific Southwest Airlines was authorized fare increases resulting in an operating ratio of 85.8 percent. However, the operating results of the two carriers are not comparable as PSA owns its aircraft and Air California leases its aircraft.

appropriate for the initiation of in-depth studies of airline operations because of the unsettled situation resulting from (a) recent acquisitions of new aircraft, and (b) applications by applicant to serve additional points, either recently granted or now pending before the Commission. Further, it is clear that the increases sought herein will not result in excessive earnings for applicant, nor will the resulting fares change the present competitive situation in the California corridor. No protests to the application have been received. From the foregoing, the Commission concludes that a public hearing in this application is not necessary.

The Commission finds as follows:

1. Applicant's fares were last adjusted pursuant to Decision No. 75487, in Application No. 50447. Since the close of the record in that proceeding applicant has incurred a substantial increase in operating expenses.
2. Applicant seeks authority to increase fares to offset said increases in operating expenses. Based on estimates for a test year ending June 30, 1970, as set forth in the application herein, applicant will incur increases in operating expenses of \$614,339. Applicant estimates that the increased fares sought herein will produce increased annual revenues of \$504,530.
3. The test year results of operations set forth in Table I of the preceding opinion showing applicant's operating results under present and proposed fares for the year ending June 30, 1970, are adopted as reasonable for the purposes of this proceeding.
4. Said test year operating results indicate that applicant's operations would be conducted at a loss (operating ratio 100.5 percent) under present fares, and at a slight profit (operating ratio 97.2 percent) under proposed fares.

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5. Pacific Southwest Airlines, the carrier heretofore found to be the rate-making carrier in the California corridor, is concurrently being authorized to increase its competing air fares.

6. The increased fares sought herein will be reasonable and are justified.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Air California, a corporation, is authorized to increase its fares as proposed in Application No. 51295. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of the order herein 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 granted herein shall expire unless exercised within ninety days after the effective date hereof.

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

Dated at San Francisco, California, this 18th day of NOVEMBER, 1969.

William J. ...
President

...

J. P. ...

Verna L. Stinger
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.