

ORIGINAL

Decision No. 76661

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of TRANS WORLD
AIRLINES, INC., for authority to
increase intrastate passenger
air fares.

Application No. 51511
(Filed November 26, 1969)

O P I N I O N

Trans World Airlines, Inc. (TWA) seeks authority to increase fares applicable to its California intrastate passenger service. TWA seeks to increase its commuter air fares between San Francisco and Los Angeles to \$15.00, the fare authorized to be established by competing airlines by the Commission in decisions issued November 18, 1969.^{1/} TWA seeks to increase its San Francisco-Los Angeles and San Francisco-Oakland first class, coach and military standby fares to levels recently authorized to be maintained by Western Air Lines, Inc. and United Air Lines, Inc.^{2/}

The application alleges that TWA carried 93,144 intrastate commuter passengers and 14,845 intrastate noncommuter passengers between San Francisco and Los Angeles in 1968. It projects that in 1969 it will carry 93,000 commuter and 15,000 noncommuter passengers

^{1/} Pacific Southwest Airlines, Decision No. 76447, in Application No. 51278; United Air Lines, Inc., Decision No. 76448, in Application No. 51372; Western Air Lines, Inc., Decision No. 76449, in Application No. 51398; and Air California, Decision No. 76450, in Application No. 51295.

^{2/} Western Air Lines, Decision No. 75897, issued July 8, 1969, in Application No. 50888; and United Air Lines, Decision No. 76231, issued September 30, 1969, in Application No. 51075.

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between those points. The load factors on California flight segments during the year ended June 30, 1969, were 14.45% for first class, 47.03% for coach/commuter services and 39.23% overall. The application asserts that an overall load factor in excess of 72% would be necessary for TWA to break even in operating its intra-California passenger services at proposed fares.^{3/}

The following table shows revenues and allocated expenses as presented by TWA for its California intrastate operations for the year ended June 30, 1969, and its estimate of the annual revenue increase sought herein as set forth in exhibits attached to the application.

TABLE 1

TRANS WORLD AIRLINES, INC.
Operating Results for
Intra-California Passenger Service
(Fiscal Year Ended June 30, 1969)

	Passenger and Baggage			
	Total	First Class	Coach	Commuter
<u>Operating Expense</u> (Excluding Return Element)				
Capacity Expense	\$ 1,811,171	\$ 377,525	\$ 99,476	\$ 1,334,170
Noncapacity Expense	937,223	73,543	62,792	800,888
Total Capacity, Non- capacity Expense	\$ 2,748,394	\$ 451,068	\$162,268	\$ 2,135,058
Intrastate Passenger Revenue	\$ 1,307,581	\$ 143,255	\$ 70,736	\$ 1,093,950
Intrastate Profit or (Loss)	\$(1,440,813)	\$(307,813)	\$(91,892)	\$(1,041,108)
Additional Revenue at Proposed Fares (1)	\$ 139,746	\$ 17,887	\$ -	\$ 121,859
Estimated (Loss) at Proposed Fares (2)	\$(1,301,067)	\$(289,926)	\$(91,892)	\$(919,249)
Actual Passenger Load Factor (2)	39.23%	14.45%	47.03%	

- (1) The additional revenue represents the number of passengers carried during the year ended June 30, 1969 at the following proposed fares: LAX-SFO - First Class \$32.00, Commuter \$15.00; SFO-OAK - First Class \$9.00. Experienced discounts have been assumed for proposed fares.
- (2) Intrastate and interstate load factors each assumed to be same as total on-board load factor.

^{3/} The application shows that all California intrastate operations are conducted on flights having origin or termination outside California.

Table 1 shows a net operating loss on intra-California passenger service by TWA of \$1,440,813 during the year ended June 30, 1969. The proposed fares will produce additional revenues of \$139,746, leaving a net loss at proposed fares of \$1,301,067 for the period. The application states that wage-increase negotiations between TWA and its employees are pending and the company expects to incur increased labor costs in 1970. The projected level of operations by TWA in California is the same in 1970 as for the year ended June 30, 1969. The application alleges that based on the projected level of operations in California, and the fact that wages will increase, a substantial loss is expected for California interstate service in 1970, but no reasonable estimate of its magnitude can now be made.

The application further alleges that the proposed fares for TWA would do no more than meet the general level of fares previously authorized by the Commission for other airlines providing the same services and, with the continuing net operating losses for TWA at the proposed fares, no public purpose would be served by requiring a public hearing on this application. The application requests ex parte action by the Commission in order to permit prompt relief to reduce TWA's operating losses within California.

The application was listed on the Commission's Daily Calendar on November 28, 1969. No protests have been received.

The Commission finds as follows:

1. TWA provides intrastate air passenger service averaging six round-trip flights daily between San Francisco and Los Angeles and one round-trip flight daily between San Francisco and Oakland. Said flights are legs of longer flights originating or terminating outside California.

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2. TWA heretofore has maintained fares between Los Angeles and San Francisco and between San Francisco and Oakland on the same levels as competing air carriers. Competing air carriers recently have been authorized to increase their intrastate fares, as indicated in the preceding opinion. TWA seeks to increase its intrastate fares to maintain parity of fares with its competitors.

3. TWA's intrastate passenger operations were conducted at a loss for the year ended June 30, 1969; and such loss would not have been eliminated if the increases in fares sought herein had been in effect during that period (Table 1 of the preceding opinion).

4. The fares sought herein will be reasonable and the increases are justified.

5. A public hearing is not necessary.

The Commission concludes the application should be granted.

O R D E R

IT IS ORDERED that:

1. Trans World Airlines, Inc. is authorized to establish the increased fares proposed in Application No. 51511. 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 the public.

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2. The authority granted herein 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 13th
day of JANUARY, 1970.

William J. Quinn
President

Arthur J. ...
J. B. ...

Thomas L. ...
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.