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ORIGINAL

Decision No. 77749

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AIR CALIFORNIA for authority to increase its intrastate passenger fares.	Application No. 51489 (Filed November 18, 1969; Amended December 1, 1969)

Graham & James, by Boris H. Lakusta and David J. Marchant, for Air California, applicant.
Darling, Hall, Rae & Gute, by Donald K. Hall, for Western Air Lines, Inc., interested party.
B. A. Peeters, Counsel, and Charles J. Astrue, for the Commission staff.

FINAL OPINION

Background

Following public hearing, Air California was authorized to establish as interim fares the increased air fares sought in the application, as amended, pending further review by the Commission. The interim fares, granted by Decision No. 76885, dated March 3, 1970, were scheduled to expire on July 16, 1970.

On May 1, 1970, Air California filed its "Petition For Ex Parte Order Making Interim Fares Permanent", following which public hearing was scheduled at the request of the Commission's Transportation Division. It appearing that the interim fares would expire before the Commission could issue its decision following hearing with respect to permanent fares, Air California filed its "Petition to Extend Period of Interim Fare Increase", on June 24, 1970. Decision No. 77446, dated June 30, 1970, extended the interim fares until further order of the Commission.

Public Hearing

Public hearing on Air California's request to make permanent the interim fares granted by Decision No. 76885 was held before Examiner Mallory on June 20, July 14 and 15, 1970, at San Francisco, and the matter was submitted. In addition to the interim fares sought to be made permanent, Air California seeks to increase its one-way fares between Palm Springs, on the one hand, and San Jose, Oakland, and San Francisco, on the other hand, from $20.00 to $24.00. No member of the public participated in the proceeding. The Commission's Transportation Division opposes the granting of the proposed permanent fares. The Commission's Finance & Accounts Division supports the request to make the interim fares permanent.

Evidence was presented on behalf of Air California by its Director of Market Services and Planning, and by its Treasurer-Controller, who is also its chief financial officer. A senior engineer presented evidence for the Transportation Division and a principal financial examiner presented evidence for the Finance and Accounts Division.

Recent Events

The record shows that the following events affecting, in some measure, the operations of Air California have occurred since Decision No. 76885 was issued:

1. Dismissal of the application jointly filed by Pacific Southwest Airlines (PSA) and Air California for approval of the acquisition by PSA of substantially all the assets and liabilities of Air California by PSA, following withdrawal by PSA from the agreement of acquisition. (Decision No. 77341, dated June 9, 1970, in Application No. 51736.)

2. An almost complete change in the principal officers and management of Air California following PSA's discontinuance of the merger agreement.

3. The acceptance by holders of a majority of shares of Air California's common stock of the formal tender offer of Westgate-California Corporation for the latter to acquire Air California's outstanding shares at a cash price of $8.00 per share.

4. The filing of Application No. 52036, on July 14, 1970, in which Westgate-California Corporation seeks, in the alternative, a disclaimer of the Commission's regulatory authority to approve acquisition of a controlling interest in Air California by Westgate, or approval of said acquisition.

5. Assumption by Westgate of two loans to Air California (by Allstate Insurance Company and Bankers Life of Nebraska) which were in technical default, but which had not been called by the lenders. Westgate waived all existing defaults following purchase of the loans.

6. Agreement by Westgate to purchase two of three 737-200 aircraft on order by Air California, and cancellation of Air California's agreement with the Boeing Company. The Westgate agreement provides for a waiver of claims for penalties against Air California and thus avoids the forfeiture of Air California deposits of $455,000 with Boeing. Said purchase agreement calls for delivery of the one aircraft in September and one in November of 1970.

7. Air California has discontinued its first class (Fiesta) service and now provides only commuter service.

<u>Applicant's Showing</u>

Applicant's operations witness presented exhibits showing comparisons of his traffic forecasts presented in the interim phase of this proceeding with actual passenger traffic; estimates of passenger traffic for the balance of 1970; a statistical summary of passengers, scheduled flight hours, scheduled block hours, scheduled departures and revenue passenger miles, under the interim and pre-interim fares for the balance of 1970; a comparison of fares applicable in major California intrastate markets with Air California's fares; and analysis of total ground and air trip costs to an airline passenger originating his trip at Orange County Airport (SNA) as compared with Los Angeles International Airport (LAX).

Applicant's financial witness presented a passenger revenue forecast for the period June 1 through December 31, 1970; estimates of operating results for the year ended December 31, 1970; a comparison of actual operating results for the five months ended May 31, 1970 with applicant's forecast for said period; and a statement of estimated cash flow for the year 1970 at pre-interim fares.

Applicant's evidence shows that in the period following the establishment of the interim fares the total number of passengers handled by it was less than it had estimated would be handled in the initial phase of this proceeding, and less than handled in the corresponding months of the prior year (1969). Applicant's witness attributed the decline to various factors, including diversion from applicant because of the fare increase. The witness testified that considering all factors, the maximum diversion from increased fares involved in the traffic decrease was 6.9 percent. The witness stated that if diversion was the sole reason for year-to-year decline in traffic or differences between actual and estimated traffic, traffic would have been down in all markets following the fare increase. The traffic data shows some markets down and others up in the period following the fare increase.

The following table depicts applicant's estimate of operating results under pre-interim and interim fare levels for the year 1970; the first five months represent actual operations as recorded on applicant's books, and the last seven months are estimated. The estimate includes known increases in operating costs resulting from wage contracts with union employees.

TABLE 1

AIR CALIFORNIA

Estimate of Operating Income or Loss
For the Year 1970
($000)

	At Proposed Fares	At Interim Fares For 5 Months and Pre-interim Fares For 7 Months
Passenger Revenues		
Commuter	$16,304	$14,873
Charter	370	370
Other	271	276
Total	$16,945	$15,519
Operating Expenses		
Total Direct Expenses	$ 8,799	$ 8,799
Total Indirect Expenses	7,079	7,092
Total	$15,878	$15,891
Net Operating Income	$ 1,067	$ (372)
Non-Operating Income and Expenses (Net)	$ (631)	$ (631)
Write-off of Expenses related to PSA Acquisition	$ (341)	$ (341)
Net Income	$ 95	$(1,344)
Operating Ratio	93.7%	102.4%

( ) = Red Figure

The financial witness endeavored to show that, at pre-interim fares, applicant will exhaust its cash during the fourth quarter, and thereafter would have insufficient cash to meet its current obligations.

Evidence Adduced by Commission's
Finance & Accounts Division

The witness appearing for the Commission's Finance & Accounts Division testified that in the period subsequent to Decision No. 76885, and in connection with Application No. 51736, the staff of that division has completed its examination of Air California's books and records. The witness concluded, based on such examination, that pre-interim fares resulted in large losses, even with all reasonable, even extraordinary, efforts on the part of Air California to maximize revenues and minimize expenses over which it had control. The witness indicated that such losses would continue without a fare increase. The witness further concluded that earnings as estimated by Air California under proposed fares would not be excessive.

Also incorporated in the report of the witness (Exhibit 27) was an analysis of assumed ownership costs of the six leased aircraft now operated by Air California with corresponding actual lease costs. The witness testified that, assuming an imputed rate of return of 10.3 percent (the same as authorized to PSA), the assumed ownership costs for the current year including depreciation and a return on investment would exceed actual lease costs.[1/] Based on this analysis, the witness concluded that:

a. Lease costs for aircraft and engines are valid for fare setting purposes, meeting all necessary criteria of Commission policy and precedent as a legitimate, reasonable and actual cost negotiated and incurred in an arm's length transaction.

b. Adjusting lease costs to a lower imputed ownership cost is contrary to Commission policy and precedent unless affiliation between lessor and lessee is found to be a fact, and the lease payment to the affiliate proved to be excessive.

c. The lease cost adjustment contained in the findings in Decision No. 76885 is improper and as not being in accord with Commission policy and precedent, and is further erroneous in considering only depreciation as ownership cost, ignoring the larger cost of capital which is a basic prerequisite to ownership.

The following recommendations appear in the report of the financial examiner:

1. It is recommended that Air California's petition to have the interim increased fares made permanent be granted, and that favorable consideration be given to the proposed adjustment of its promotional fare for Palm Springs destination routes.

1/ The following tabulation appears in Exhibit 27:

SUBSTITUTED OWNERSHIP COST:

Depreciation:	Aircraft	$1,476,000
	Engines	96,000
Return (10.3% x $22,990,000)		2,368,000
Imputed Ownership Cost		$3,940,000
Actual Leasing Cost (1969)		3,206,000
Difference[a/]		$ 734,000

a/ Imputed ownership cost exceeding actual lease cost.

2. It is further recommended that Decision No. 76885 be modified to correct those findings and ordering paragraphs flowing therefrom relating to lease payments which are erroneous in both concept and application and in conflict with Commission policy and precedent, and contrary to staff practice in determining the validity and reasonableness of lease payments as an expense in rate and fare increase proceedings.

Transportation Division Evidence

A senior transportation engineer presented exhibits containing analyses of percentagewise increases and decreases of traffic of Air California and PSA for the years 1968, 1969 and the first five months of 1970. The witness also presented Exhibit 25, which contained his analyses of the effect of the interim fare increase on Air California's traffic; a comparison of fares and service in the California Corridor; a projection of Air California revenue passengers at pre-interim fares and at interim fares for a test year ending July 31, 1971; estimates of passenger revenues based on his traffic estimates; and the conclusions of the witness.

The witness estimated that traffic for the year ending July 31, 1971 would be from 16 to 30 percent less under the interim fares than if the pre-interim fares were in effect in this period.2/

2/ The following is extracted from Exhibit 25:

Airport Pairs Col(1)	Passengers at: Pre-Interim Fares Col(2)	Passengers at: Interim Fares Col(3)	% Col(3) of Col(2)
Orange Co.-San Fran.	318,000	267,100	84.0
Orange Co.-Oakland	156,000	131,000	84.0
Orange Co.-San Jose	204,000	171,400	84.0
Ontario-Oakland	90,000	72,900	81.0
Ontario-San Jose	108,000	75,600	70.0
Palm Springs-Bay Area	45,000	45,000	100.0
Total	921,000	763,000	17.2%

The witness relied heavily upon the decline in patronage in the 2-1/2-month period following the effective date of the interim fare increase in arriving at his traffic estimates under interim fares. The witness attributed all of the decline in traffic to diversion resulting from the fare increase. He stated that he used PSA's monthly traffic data as a "control", in the same period. PSA's traffic had increased in this period.

The witness testified that, based on his passenger projections and the pre-interim and interim fares, he estimated that passenger revenue in the test year at pre-interim fares will be $14,477,000 and at the interim fares will be $14,192,000 or $285,000 more revenue at pre-interim fares than at interim fares. Said revenue estimates assume that Air California would operate the same number of flights and would operate the same number of flying hours, whether it handled 921,000 or 763,000 passengers annually. The witness made no projection of expenses and net operating revenues at either fare level. The witness did not state whether, in his opinion, operations would be profitable under either fare level.

Based upon his analysis of current fares, his projection of passengers for the test year ended July 31, 1971, and of his revenue estimates, the witness reached the following conclusions:

1. Considerable air service between the Los Angeles area and the San Francisco Bay area is being conducted at lower fares than Air California by a number of competing passenger air carriers.

2. A continuation of Air California's interim fares, in effect since March 18, 1970, will be adverse to its future revenues because of traffic loss and diversion.

3. With less revenues, any estimate comparison of future operating results for this carrier under pre-interim fares would be more favorable than that determined with the increased fares.

4. The increased fares requested in Application No. 51489 are not justified.

The witness also reached the following conclusions based on evidence presented by him in the interim phase of this proceeding:

5. An expense analysis of Air California is shown in Exhibit 12 of this proceeding. This exhibit, and Finding No. 10 of Decision No. 76885, support the conclusion a rate study for Air California should not be based on equipment lease cost and that reasonable costs for rate making should be on the basis of ownership cost substitution.

6. As shown by Exhibit 12, costs of Air California support the pre-interim fare level, as well as the differential of $1.90 between SNA and LAX Airports. This is sustained by Finding No. 15 of Decision No. 76885.

The witness recommended that the request to make the interim fares permanent be denied and that the pre-interim fares be reestablished.

Applicant's Rebuttal Testimony

Applicant's operations witness presented rebuttal testimony to the conclusions and recommendations of the Transportation Division witness.

Applicant's witness disagreed with the staff engineer's traffic projections. Applicant's witness asserted that the linear method used by the staff in projecting passengers under pre-interim fare levels is more appropriate for use when the data covers a long period of years, rather than for the relatively short period of operations of Air California, and such method is not accurate to measure new markets. Air California's passenger projections are developed from an economic forecast for the two major metropolitan areas served by it, from which potential passengers are then estimated. The witness asserted that for the first five months of 1970, Air California's actual traffic is within 2.2 percent of its traffic forecast for this period, and that this difference is well within the standard range of deviation for statistical material.

The rebuttal witness asserted that other factors than diversion because of the fare increase affected the downturn in Air California's traffic in the first four months of 1970. The witness stated that the "sick-out" of air traffic controllers for a ten-day period in April caused some diversion of traffic; also the general economic downturn in the period January through May has caused a general traffic diminution. The witness presented Exhibits 31 and 32 to illustrate the latter point. Exhibit 31 shows the traffic of eleven trunk airlines for the months of January through April 1969, as compared with the same months in 1970. Except for strikes and other unusual circumstances, the traffic of these carriers generally is down in March and April of 1970, as compared with 1969. For United Air Lines, Inc. and Western Airlines, Inc., the two trunk airlines having extensive intra-California operations, the following is shown in Exhibit 31, as compared with corresponding data for Air California in Exhibit 30:

	AC	UAL	WAL
March 1970	66,737	2,146,815	482,998
1969	61,184	2,303,292	485,807
% growth	+ 9.1%	- 6.8%	- 0.6%
April 1970	54,378	1,908,387	421,304
1969	59,791	2,143,852	449,211
% growth	- 9.1%	- 11.0%	- 6.2%

The witness concluded that Air California's pattern of traffic followed that of major trunk lines in the period compared, in that generally all such carriers incurred sharp downturns in traffic in 1970 vs. 1969; that PSA growth in traffic in the same period is contrary to the general industry pattern; that PSA therefore should not be the "control" for Air California's traffic in said period; that the staff engineer overestimated the decline in Air California's traffic resulting from diversion because of the fare increase, as much of the traffic decline reasonably can be attributed to economic downturn in the same relative proportion as the trunk airlines.

The rebuttal witness also challenged the staff engineer's assumption that no reduction in service would be made by Air California if there was a differential in the numbers of its passengers as great as that estimated by the staff under pre-interim and interim fare levels.

The witness testified that it currently is the practice for Air California to schedule on the basis of a 60 percent load factor; that Air California actually obtained a 55 percent load factor in the first six months of 1970; and that a 55 percent load factor gives adequate coverage of its markets without turning away potential customers, and also gives effect to economy of flight operations. The witness prepared estimated results of operations to reflect a 55 percent load factor and the number of passengers estimated by the staff. Said results of operation (Table B of Exhibit 29) show that variable operating expenses would be reduced in proportion to the traffic decrease. The exhibit further shows that Air California's operating net loss would be less under proposed fares than under pre-interim fare levels.[3/] The witness concluded that Air California's net earning position would be better under the increased fares than under the former fare level, even if the staff's traffic estimates were correct. The rebuttal witness did not agree with the staff witness' estimate of yield under interim fares, and the rebuttal witness adjusted revenue estimates accordingly. With said adjustment in revenues, Air California's operations would be profitable in the test year under interim fare levels.

The witness urged that airline operations in the California Corridor are not identical; PSA, UAL and WAL serve between the two principal airports, San Francisco International (SFO) and Los Angeles International (LAX), as well as between satellite airports; whereas Air California serves only the satellite airports. The great majority of passengers in the Corridor are handled by PSA, UAL, and

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3/ Exhibit 29 (Table B) indicates the following:

	Pre-Interim Fares	Interim Fares
Passenger Forecast	921,000	763,000
Revenues	$15,056,080	$14,759,680
Expenses	$16,998,550	$15,713,894
Operating Ratio	112.9%	106.5%

WAL between SFO and LAX. In recent months UAL and WAL have discontinued or reduced service at satellite airports in the Corridor. UAL discontinued service between San Jose and LAX on March 4, 1970; formerly, it scheduled as many as 10 round-trip flights per day. WAL discontinued service between Long Beach and Oakland in December, 1969. Also WAL has reduced service at Ontario. The witness asserted that the San Francisco-Los Angeles air fare is the lowest of its kind anywhere in the world; therefore, such fare should not be the standard for a maximum reasonable fare in all California markets. The witness stated that comparison of Air California's proposed fares with the lowest air fares maintained in California markets (other than with the LAX-SFO commuter fare) shows that the proposed fares are not excessive on a revenue-per-mile basis.

The witness summarized his rebuttal testimony in the following conclusions:

1. Air California's markets are unique in character and should not be compared to the high-volume low-yield Los Angeles market.

2. The experienced diversion since the fare increase (March 18, 1970) has not been the 17.2% forecast by the staff.

3. Based on the staff's own traffic figures, Air California would be better off financially with a 17.2% diversion and the higher fare.

Issues

The principal issues raised herein are the following:

1. Which of the estimates of passenger traffic is the more reliable as a basis for estimating passenger revenues for a future year.

2. Whether net operating revenues will be greater under proposed fares or under pre-interim fares.

3. Whether it is reasonable to base Air California's operating expenses on actual lease costs of aircraft, or upon substituted ownership costs.

4. Whether the cost comparisons set forth in Exhibit 12 (introduced in the initial phase of this proceeding) are a valid test of the efficiency of Air California's operations.

5. Resolving the foregoing, what are the reasonable revenues and expenses of Air California for a test year and, based upon such projections, what are Air California's revenue requirements for a test year.

Discussion

We shall rely herein upon the estimates of future traffic as developed by applicant. Its estimates have been tested in the crucible of actual operations, and have proven to be accurate within reasonable limits. It appears that the staff engineer has relied upon PSA's operations as being indicative of traffic patterns for all operations in the California Corridor. This does not appear to be the case. The trunk airlines have discontinued or reduced service between satellite airports. Also, the trunk airlines have suffered declines in overall traffic similar to those of Air California. We conclude from this that Air California's decline in patronage in April and May from prior months was not solely due to diversion because of the fare increase, as contended by the staff engineer, but was for a combination of reasons including, but not limited to, the fare increase. In adopting applicant's projections of traffic as reasonable, we also adopt its estimates of revenues based on such projections.

Assuming that the staff's estimates of passengers and passenger revenues were the more reliable, applicant has shown that its net operating revenues would be more favorable under the proposed fare levels than under the pre-interim fare levels, for the reason that variable operating expenses would be reduced in proportion to the lesser number of passengers to be transported. Stated conversely, even though passenger revenues may be greater under the lower pre-interim fares, net operating revenues would be less. In the circumstances, Air California would be better off under the proposed fares.

We agree with the staff accounting witness that the proper measure of ownership costs of aircraft should include return on investment. In a test period covering the year 1970, ownership costs, including return on investment, exceed lease costs. It is our conclusion based upon further consideration of the facts and circumstances surrounding the leasing of aircraft by Air California that Findings 9 and 10 of Decision No. 76885 should be rescinded.4/ We should find in lieu thereof that aircraft lease costs of Air California are not improper for rate-making purposes for Air California under current conditions, having been arrived at through arm's length negotiation with the lessor. Furthermore, the additional evidence introduced herein shows that for Air California imputed ownership costs, which include return on investment as well as depreciation, would exceed the actual lease costs in the test year.

4/ Said findings read as follows:

"9. Applicant does not own its aircraft and spare engines. Its lease expense includes depreciation and return on investment for the lessor of this equipment. The excess of lease expense over reasonable depreciation expense is approximately $1,634,000 per year (Exhibit AC106).

"10. The estimated loss in Finding 8 adjusted to reflect ownership expense of its equipment is $19,000. Lease expenses should be adjusted by the Commission to an ownership basis in the determination of permanent fares."

Exhibit 12, introduced in the interim phase of this proceeding by the staff engineer, is a comparison of the expenses of PSA and Air California to develop a total cost per passenger for the main route segment of each carrier (SFO-LAX for PSA; SFO-SNA for Air California). Cost per flight hour and per passenger were computed. The per passenger costs of Air California were adjusted to eliminate lease costs and to substitute depreciation costs in lieu thereof. The per passenger costs for Air California, as adjusted, were $13.05 and for PSA were $12.39. The witness concluded from this study "that (the then) existing differential of Air California's fare between San Francisco and Orange County over the fare of PSA between San Francisco and Los Angeles is adequate to cover reasonable cost differences and that increased fares in Application No. 51489 are not justified." Finding 15 of Decision No. 76885 found:

> "15. Based on applicant's testimony that its operations are as efficient as its major competitor and on the cost comparisons in Exhibit 12 there is no justification for a permanent increase in applicant's fares."

Further consideration of Exhibit 12 and the premises upon which it is based indicates that Finding 15 should be rescinded. We find herein that lease costs are proper for rate making-purposes, thus the adjustment to Air California's expenses in Exhibit 12 is not proper. Without said adjustment, Air California's cost per passenger is $15.63; and therefore the difference between that figure and PSA's per passenger cost exceeds the then existing differential in air fares, and thus the conclusion expressed in Exhibit 12 is not valid. Moreover, the record indicates that PSA's operations between SFO and LAX are not comparable to Air California's operations between SFO and SNA; in that lesser capacity aircraft are operated by Air California because of restrictions on size of aircraft at SNA; and PSA can operate an unrestricted number of flights between SFO and LAX, while the number of flights which Air California can operate from and to SNA is restricted. These two factors permit PSA to achieve more efficient use of its aircraft than is possible by Air California. The record also shows that LAX-SFO is one of the highest density markets in the country, whereas traffic potential between SNA and SFO is only a small part of that available between LAX and SFO. We find that PSA's per passenger operating costs in its main route segment (SFO-LAX) are not a fair measure of the reasonable per passenger operating costs of Air California in its main route segment (SNA-SFO).

The only complete showing of revenues and expenses for a test year reflecting applicant's estimates of passengers is that set forth in Table 1 hereof. The estimates of expenses reflected therein are undisputed on this record. Therefore, the estimates set forth in Table 1, including revenues, expenses, net operating income and operating ratio will be adopted for the purposes of this proceeding. As indicated in Table 1, net operating income under pre-interim fares for the last seven months of 1970 and proposed fares for the first five months would be a loss of $372,000; while the proposed fares for a full year would produce a net operating income of $1,067,000, and a pre-tax net income after fixed charges of $95,000. It is apparent that the economic health of Air California requires that the interim fares be made permanent and that fare increases for Palm Springs service be granted.

Findings and Conclusions

We find as follows:

1. Air California was authorized to establish as interim fares the increased passenger fares proposed in the application, as amended,

pursuant to Decision No. 76885. Said interim fares, originally scheduled to expire July 16, 1970, were extended until further order of the Commission by Decision No. 77446.

2. Air California seeks to have the interim commuter fares made permanent, and also seeks to increase its Palm Springs commuter fares from $20.00 to $24.00.

3. Applicant's estimates of passengers under interim and pre-interim fares are reasonable, and estimates of passenger revenues for the last seven months of 1970, as set forth in Table 1 herein are reasonable.

4. In the current proceeding, it is reasonable for rate-making purposes to base the test year operating expenses on actual lease costs of the six aircraft operated by Air California. It would not be reasonable to adjust the test year operating expenses to substitute imputed ownership costs for such lease costs, because there is no affiliation between lessor and lessee, and because imputed ownership costs, which should include return on investment as well as annual depreciation, would exceed actual lease costs in the test year.

5. The results of operations, including operating revenues and expenses for 1970 which are partially recorded and partially estimated, as set forth in Table 1 hereof, are reasonable and are adopted for the purposes of this proceeding.

6. The adopted results of operation show that applicant's 1970 operations under sought fares will result in an operating profit as represented by an operating ratio (before taxes) of 93.7 percent. Net operating revenues, as measured by said operating ratio, are not excessive.

7. The adopted results of operations indicate that applicant's 1970 operations would be conducted at a loss under interim fares through May 31, and pre-interim fares thereafter, as represented by an operating ratio of 102.4 percent. Exhibit 24, reflecting estimated cash flow and cash position under pre-interim fare levels, shows that no cash would be available at the conclusion of the fourth quarter of 1970 for the payment of applicant's current obligations. Applicant is in need of the additional revenues sought herein on a permanent basis.

8. The sought increased air fares are justified.

The Commission concludes:

1. The petition to establish interim commuter fares as permanent fares should be granted.

2. The sought increases in Palm Springs commuter fares should be granted.

3. Applicant should be authorized to establish the authorized fares on five days' notice.

4. Findings 9, 10 and 15 of Decision No. 76885 should be rescinded.

<u>O R D E R</u>

IT IS ORDERED that:

1. Air California is authorized to establish as permanent fares the increased commuter air passenger fares authorized as interim fares in Decision No. 76885 in this proceeding.

2. Air California is authorized to increase its one-way commuter air passenger fares between Palm Springs, on the one hand, and San Francisco, Oakland, and San Jose, on the other hand, to $24.00.

3. 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.

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

5. In view of Finding 4 of the preceding opinion, Findings 9 and 10 of Decision No. 76885 are rescinded.

6. In view of Finding 5 and the finding concerning Exhibit 12 in the preceding opinion, Finding 15 of Decision No. 76885 is rescinded.

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

Dated at San Francisco, California, this 22nd day of SEPTEMBER, 1970.

Chairman

Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

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