

ORIGINAL

Decision No. 81923

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Air California
for an Ex Parte Order to
increase its intrastate
passenger fares.

Application No. 53308
(Filed May 3, 1972;
amended August 24, 1973)

INTERIM OPINION

Air California is a passenger air carrier and common carrier of property serving the airports of San Francisco, San Jose, Oakland, Sacramento, Orange County, Ontario, Palm Springs, Burbank, and San Diego. Air California utilizes Boeing 737-200 aircraft in performing its service.

In the amended application herein Air California seeks increases in its air fares to meet the authorized or proposed fares of its competitors. The application states that Decision No. 78207 dated January 19, 1971 in Application No. 52372 (unreported) authorized Air California to raise its San Diego - San Jose/Oakland fares to match the then prevailing fares of Pacific Southwest Airlines (PSA), Western Air Lines, Inc. (Western), and United Air Lines, Inc. (United).

The amended application asserts that Air California, like other air carriers serving California, has been affected by annual increases in labor costs. Attached as Appendix F to the amended application is a comparison of actual unit costs for the year 1972 and those estimated by Air California for a 1974 test year. Increases are estimated in almost all categories of unit costs.

Exhibit E to the amended application shows that Air California experienced an operating income of \$1,102,000 and a net income (after taxes and interest expense) of \$728,000 for the calendar year 1972, and an operating income of \$1,107,000 and net income of \$857,000 for the first six months of 1973. The operating ratios

(before income taxes) for these periods were 95.2 percent and 91.1 percent, respectively. In Appendix D, Air California estimates that its operating ratio for the 1974 test year will be 98.3 percent under present fares and 94.3 percent under proposed fares.

Of Air California's principal competitors only PSA has been authorized to increase its fares since the fares of Air California were last adjusted.^{1/} PSA's increased fares became effective September 5, 1973. In decisions issued today United and Western are authorized to increase their jet commuter air fares to levels authorized to PSA between directly competing points. Such decisions point out that prior orders of the Commission have found that PSA is the low-cost (rate-making) carrier in the California corridor, and that no air carrier operating in that corridor can maintain higher air fares than its competitors in the same markets. In the circumstances, Air California should be authorized on an interim basis to increase its air fares to levels not exceeding those granted to PSA between directly competing points, and the balance of the relief sought should be scheduled for public hearing.

The Commission's Transportation Division staff has analyzed the application and it recommends that interim increases be authorized on an ex parte basis between the following points:

SAN	-	SJC	\$ 23.50
SAN	-	OAK	23.50
SAN	-	SMF	23.97

(Fares are without tax and security surcharge.)

Findings

1. Air California seeks authority in amended Application No. 53308 to increase all of its air fares (except the fare between Orange County Airport and Ontario) by various amounts.

^{1/} Decision No. 81793 dated August 21, 1973 in Application No. 53525.

2. Historically, Air California has been authorized to maintain the same level of fares as other major airlines between directly competitive points (Decision No. 78207, supra).

3. PSA was authorized to increase its air fares pursuant to Decision No. 81793 dated August 21, 1973 in Application No. 53525. PSA historically has been considered to be the low-cost (rate-making) carrier in the California corridor, and other major air carriers have been authorized to raise their fares to PSA's level between directly competing points.

4. Air California competes directly with PSA between the following points:

Sacramento - Ontario
San Diego - San Jose/Oakland
San Diego - Sacramento

5. Air California seeks authority to increase its fares between Ontario and Sacramento to a higher level than authorized to PSA in Decision No. 81793 (supra). Between other points shown above Air California proposes slightly lower fares than PSA.

6. Interim increases in Air California's fares between the points described in Finding 4 to levels not exceeding those authorized to PSA in Decision No. 81793 will result in reasonable and non-discriminatory fares. Such action will be consistent with past decisions involving fares of Air California, PSA, and other competing carriers.

7. The balance of the relief sought in Application No. 53308 should be the subject of a public hearing.

The Commission concludes that increases in air fares as recommended by its staff should be authorized as interim fares without hearing, and that such increased air fares should be permitted to become effective on five days' notice to the Commission and to the public.

INTERIM ORDER

IT IS ORDERED that:

1. Air California is authorized to establish the following increased air fares (exclusive of tax and security charge):

San Diego - San Jose	\$ 23.50
San Diego - Oakland	\$ 23.50
San Diego - Sacramento	\$ 23.97

2. 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' notice to the Commission and to the public.

3. 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 27th
day of SEPTEMBER, 1973.

Vernon L. Sturgeon
President
William J. Spurgeon
Mark W. ...
...
Commissioners

Robertson

William J. Spurgeon, Commissioner