

Decision No. 82353**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AIR CALIFORNIA, INC.)
for an ex parte order to increase }
intrastate passenger fares. }

Application No. 54546
(Filed December 31, 1973;
amended January 8, 1974)

INTERIM OPINION

Air California is a passenger air carrier serving Oakland, Ontario, Orange County, Palm Springs, Sacramento, San Diego, San Francisco, and San Jose. Air California operates Boeing 737-200 jet aircraft in serving these points. In this application it seeks an immediate ex parte order increasing its air fares to compensate for the recent increases incurred by it for aircraft fuel.

The application alleges as follows: Increases in fuel amount to approximately 31 percent since February 1, 1973. The increases were caused by escalation in the posted prices of crude oil to applicant's fuel suppliers which, in accordance with existing contracts between applicant and its suppliers, resulted in increases in charges by the suppliers to applicant. The increases in aviation fuel prices are in compliance with the Federal Cost of Living Council's Phase IV regulations and will not be eliminated or decreased in the foreseeable future.

Air California estimates that, based on its January 1, 1974 fuel costs and its 1974 projected levels of passengers, flight hours and fuel consumption, its fuel costs in 1974 will exceed its 1973 fuel costs by \$557,200. In its amended application, Air California seeks an increase of 47 cents per passenger, which is estimated to produce \$560,700 in annual revenue, or \$3,500 in excess of the estimated fuel cost increase.

Decision No. 82280 dated December 18, 1973 in Application No. 54387 authorized Pacific Southwest Airlines (PSA) to increase its passenger fares by 23 cents per passenger on an interim basis pending hearing.^{1/} Public hearing in Application No. 54387 is scheduled for February 19, 1974. On January 3, 1974, the Commission instituted Case No. 9646 to inquire into methods of adjusting air common carrier fares to offset increased air aviation fuel costs. That investigation was consolidated for hearing with PSA's Application No. 54387, the application herein, and others filed by air common carriers seeking increased fares to offset fuel cost increases.

The airlines' applications point out that this Commission has historically considered PSA to be the rate-setting (low-cost) carrier in the California corridor and has permitted competing air carriers to raise their jet commuter air fares to levels not exceeding PSA's fares between directly competitive points. The level of PSA's fares has also been a determining factor in the establishment of fare levels between satellite markets served by other carriers.

It appears, and we so find, that applicant has incurred an unprecedented increase in its aviation fuel costs within the last six months resulting from the worldwide energy crisis and pricing policies permitted by the Federal Cost of Living Council; that such fuel cost increases are of such magnitude as to impair applicant's operations unless an immediate revenue increase is authorized to offset, in part, such fuel cost increases; that PSA is the fare-setting (low-cost) carrier in the markets served by applicant; that PSA has been authorized an interim increase in fares of 23 cents per passenger pending hearing; and that an immediate interim increase in the same amount per passenger as that granted to PSA is justified pending further action of the Commission.

^{1/} On January 4, 1974 PSA filed an amendment to Application No. 54387 seeking substitution of a 70-cent increase in its LAX-SFO and related fares, in lieu of the interim increase of 23 cents.

The Commission concludes that interim relief should be granted as provided in the following order.

INTERIM ORDER

IT IS ORDERED that:

1. Air California is hereby authorized to increase each of its published passenger air fares by 23 cents per passenger (exclusive of security and armed guard charges and transportation tax).
2. Tariff publications authorized to be made as a result of this order shall be filed on or after the effective date hereof and may be made effective on five days' notice to the Commission and 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 is the date hereof.

Dated at San Francisco, California, this 15th
day of JANUARY, 1974.

Thomas L. Stinson
President
William J. Synovae
William J. Synovae
William J. Synovae
William J. Synovae
Commissioners