

Decision No. 82354

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of UNITED AIR LINES,
INC., for authority to increase
intrastate passenger fares.

Application No. 54549
(Filed January 2, 1974)

INTERIM OPINION

United Air Lines, Inc. (United) is a common carrier by air serving Oakland, Sacramento, San Diego, San Francisco, Bakersfield, Fresno, Merced, Modesto, Santa Barbara, Stockton, Visalia, and Monterey-Salinas. United operates various types of 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 states as follows: Applicant has incurred increased fuel cost in the same amounts as other air carriers. 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.

United has not yet determined the specific impact of the fuel cost increases in its operating costs within California. United has for sometime conducted its intra-California operations at a net loss. United estimates that it carried 1,069,374 passengers in its California intrastate services in the year ended November 30, 1973. United proposes an increase of 23 cents per passenger in its fares, which it estimates will yield additional annual revenue of \$245,956. Such revenue increase would not cause United's California operations to be conducted at a profit.

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.

United's application points 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. United Air Lines, Inc. is hereby authorized to increase each of its published California intrastate 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.

Vernon L. Sturgeon
President
William J. Symon
William J. Symon
James M. [illegible]
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Commissioners