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Decision No. S2451

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of HUGHES AIR CORP.,)
d/b/a HUGHES AIRWEST, for)
authority to increase intrastate)
passenger fares.)

Application No. 54599
(Filed January 28, 1974)

INTERIM OPINION

Hughes Air Corp., d/b/a Hughes Airwest (Airwest), is a common carrier by air of passengers and property between points located in various states of the United States, including California, Canada, and Mexico. In California, Airwest operates in intrastate as well as interstate commerce providing local service between various California cities, as well as between these cities and points in other states. Airwest uses the same aircraft or types of aircraft in its intrastate operation which it uses for its interstate operations; namely, Douglas DC9's and Fairchild F27's.

In this application Airwest seeks authority to increase its intrastate passenger fares on an ex parte basis to offset increased costs of aviation fuel. The proposed increases parallel those authorized to Pacific Southwest Airlines (PSA) in Decision No. 82389 dated January 22, 1974 in Application No. 54387.^{1/} The present and

^{1/} That decision also authorized increased air fares to Air California, Inc., Golden West Airlines, Inc., Western Air Lines, Inc., and Swift Aire Lines, Inc.

proposed intrastate fares, excluding the authorized security surcharges and without the applicable federal tax, are set forth in Exhibit A to the application. In each instance the proposed increase is 70 cents, except in those instances where Airwest has lowered the amount to round the fare including applicable federal tax to the nearest nickel.

The application states that the requested intrastate fare increase proposed herein is in addition to that requested in Application No. 53766 dated December 27, 1972 wherein Airwest requested authority for an approximate 2.7 percent intrastate fare increase to cover increased operating costs. Decision No. 82396 in that application was issued January 29, 1974. Furthermore, the requested fare increase does not include the latest 5 percent increase granted by the CAB in Order 73-11-93 adopted on November 20, 1973. The application alleges that Airwest's current intrastate fare level, even with the increases proposed herein, is substantially below its fares for comparable services in other states.

In support of the request for higher fares, the application alleges as follows:

Airwest has incurred increases in the cost of aviation fuel similar to those incurred by PSA. Airwest's 1974 projected aviation fuel price (per gallon) is 47 percent higher than its experienced 12 months ended June 30, 1973 costs. In the 12 months ended June 30, 1973, Airwest's system cost per gallon was 14.9 cents per gallon. As of January 1, 1974, that system cost has risen to 19 cents per gallon.

Airwest's 1974 projected cost for aviation fuel is slightly over 22 cents per gallon. While Airwest has not yet determined the full impact of the fuel cost increases in its operating cost per passenger within California, it is seriously concerned over the impact of these cost increases on its operations. Airwest estimates that it carried 319,871 passengers in its California intrastate services in the calendar year 1973. The proposed 70 cents per passenger increase in fares would have produced additional revenue for that period of \$223,910 or an increase of approximately 3.4 percent. A statement of Airwest's rate of return on investment from system operations for the 12 months ended September 30, 1973 is attached as Exhibit B to the application. As Airwest's operations within California are conducted at an operating loss, no separate rate of return for these operations has been determined. A balance sheet as of September 30, 1973 and an income statement for the 12 months ended on that date are attached as Exhibit C to the application. In view of the operating losses now being incurred by Airwest from its California intrastate operations and the action of the Commission in granting comparable increases in fares to PSA, Air California, Inc., Golden West Airlines, Inc., United Air Lines, Inc., and Western Air Lines, Inc., Airwest requests that its application be acted on promptly and without a hearing.

In the circumstances, we find that Airwest, as well as other intrastate airlines, has incurred an unprecedented increase in its aviation fuel costs within the last six months resulting from the worldwide energy crisis and the pricing policies permitted by the Federal Cost of Living Council; that the fuel cost increases are of such magnitude as to impair Airwest's California operations unless an immediate revenue increase is authorized to offset such fuel cost increases; that PSA is the fare-setting (low-cost) carrier in the California intrastate markets served by Airwest; and that Airwest should be authorized an interim increase in fares not exceeding the amount per passenger granted to PSA pending further action.

INTERIM ORDER

IT IS ORDERED that:

1. Hughes Air Corp., d/b/a Hughes Airwest, is authorized to establish increased air fares by adding 70 cents per passenger (exclusive of security and armed guard surcharges and transportation tax) to the increased fares (exclusive of security and armed guard surcharges and transportation tax) authorized in Decision No. 82396 issued January 29, 1974 in Application No. 53766.

2. Tariff publications authorized to be made as a result of the order herein shall be filed on or after the effective date of this order and may be made effective on five days' notice to the Commission and the public.

3. The authority granted herein will 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 Diego, California, this 5th
day of FEBRUARY, 1974.

Vermon L. Sturgeon
President
William Lyndon

[Signature]
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Commissioners

Sub Tan
[Signature], Commissioner