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ORIGINAL

Decision No. 83345

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AMERICAN AIRLINES, INC. for authority to increase intrastate passenger fares.	Application No. 54993 (Filed June 25, 1974; amended August 5, 1974)

O P I N I O N

American Airlines, Inc. (American) is a common carrier by air of passengers, property, and mail operating between points located in various states of the United States, including California, in Mexico, Canada, and points in the Caribbean. In California, American operates in intrastate as well as interstate commerce, providing local service between San Diego and Los Angeles, between Palm Springs and Los Angeles, and between Oakland and San Francisco, as well as service between those cities and points in other states, Mexico, and Canada.

In this application American proposes to make the fare changes described below:

a. American Airlines, Inc. Passenger Fares Tariff No. 4-P, Cal. P.U.C. No. 30, to increase first class and coach fares between Los Angeles and San Diego, to cancel first class and coach fares between Palm Springs and Los Angeles, and Palm Springs and San Diego, and to cancel the rule governing involuntary refunds of coach fares.

b. American Airlines, Inc. Passenger Fares Tariff No. 5-F, Cal. P.U.C. No. 31, to cancel youth standby fares and to increase military standby fares between Los Angeles and San Diego.

c. 5th Revised Page 3 and 8th Revised Page 4 of American Airlines, Inc. Passenger Rules Tariff No. 2, Cal. P.U.C. No. 6, to reduce the percentage discount applicable to the carriage of minor children and cancel family excursion fares.

American proposes to increase its one-way fares between Los Angeles and San Diego as follows (exclusive of security charges and tax):

	First Class	Coach
Present	$11.75	$ 8.00
Proposed	$16.85	$11.44

American estimates that its total annual intrastate revenue for the above segment will be $623,107 under the fares proposed herein, which represents an increase in annual revenue of $199,107. American estimates that its total passenger operations for this segment, including both interstate and intrastate passenger service, resulted in an operating loss of $5,826,000 in 1973 and that its operating loss in that period for its Los Angeles-San Diego intrastate operations was $1,356,000. American alleges that the increased fares proposed herein would not cause that segment to operate at a profit in the future.

American further alleges that its presently effective intrastate fares between Los Angeles and San Diego have been in effect since 1965; since that time various increases in local fares have been granted to other carriers by the Commission to accommodate increased carrier costs and the rapid escalation in the price of jet fuel.

The application states that American's youth and family fares for interstate transportation per Order No. 73-5-2 of the Civil Aeronautics Board expired on May 31, 1974 as the C.A.B. concluded in its order that youth and family fares are unjustly discriminatory and should be cancelled. Such fares also expired on the same date for intrastate transportation within all states where American provides service except within California. American desires to cancel these fares for intrastate travel within California to provide for consistency of application with other portions of American's routes.

The application shows that the proposal herein, with respect to children's discount fares, is based on the following circumstances. In its Order No. 72-8-50 the Civil Aeronautics Board found that:

> "...children's fares (for children ages 2 through 11) may be established at a maximum of 66-2/3 percent of the corresponding maximum first class (F), coach (Y)...fares..."

In order to avoid confusion in the minds of field personnel and the travelling public when confronted with varying percentage discounts applicable to the transportation of minor children in intrastate versus interstate travel and as a step toward the ability to computerize the issuance of intrastate tickets, American desires to establish a uniform 33-1/3 percent discount for these passengers on a domestic system basis.

Findings

1. American provides air passenger service between points in the United States (including California), Canada, Mexico, and the Caribbean area. In California American provides intrastate

air passenger service between Los Angeles/San Diego, Los Angeles/ Palm Springs, San Diego/Palm Springs, and Oakland/San Francisco. American currently maintains first class, coach, and certain standby and discount fares between the California points served by it.

2. In this application American seeks to increase its first class and coach fares between Los Angeles and San Diego, and to cancel first class and coach fares between Palm Springs and Los Angeles, and between Palm Springs and San Diego. It also seeks to revise or cancel its youth and military standby fares, its family plan fares, and children discount fares to conform to the corresponding provisions applicable to its interstate services.

3. The proposed fare increases for service between Los Angeles and San Diego will result in an annual revenue increase of approximately $199,000. Such revenue increase will not cause American's intrastate operations for this segment to be conducted at a profit.

4. In view of the foregoing, the increases resulting from the fare proposals of American will be reasonable and are justified.

5. A public hearing is not necessary.

Conclusion

The Commission concludes that the application should be granted.

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ORDER

IT IS ORDERED that:

1. American Airlines, Inc. is authorized to establish the increased fares proposed in Application No. 54993, as amended.

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 to 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 Francisco, California, this 27th day of AUGUST, 1974.

Vernon L. Sturgeon
President

William Symons Jr.

Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.