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Decision No. 83601

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of TRANS WORLD AIRLINES, INC., for authority to increase certain intrastate passenger fares. }

Application No. 55199
(Filed September 23, 1974)

O P I N I O N

Trans World Airlines, Inc. (TWA) is engaged in intrastate and interstate air transportation of passengers, property, and mail. It also performs international air service between the United States and various points in Europe, the Near East, and Asia. Its intrastate services in California include service to and from Los Angeles, San Francisco, and Oakland.

In this application TWA seeks to increase its intrastate jet commuter passenger fares to the level authorized to Pacific Southwest Airlines (PSA) in Application No. 54387. In support of this request, TWA alleges as follows:

In Decision No. 82909 dated May 29, 1974 in Application No. 54861, TWA was authorized to increase its jet commuter air fare between Los Angeles and San Francisco/Oakland to the level concurrently authorized to PSA (Decision No. 82752). Subsequently, PSA was authorized a further increase in said air fares (Decision No. 83415 dated September 4, 1974). TWA seeks to establish fares on the same level as PSA in recognition of the fact that this Commission has historically considered PSA to be the ratemaking carrier in the California intrastate jet commuter market, and that the Commission has held that competition between TWA and other CAB certificated

carriers and PSA will not permit one of them to maintain commuter air fares substantially different from those of its competitors.^{1/}

The application states that, by reason of the relatively short distance involved and the effect of PSA's fares upon TWA's fares, TWA's services within California have been conducted at an operating loss. Attached to the application (as Exhibit 2) is a summary of the applicant's losses from operations, both interstate and intrastate, on this route for the year ended December 31, 1973, which is set forth in the following table:

TABLE 1

TRANS WORLD AIRLINES, INC.
Profit and Loss Statement
Domestic Scheduled Service - Passenger
Los Angeles - San Francisco
Year Ended December 31, 1973

	Amount (\$000)
<u>Operating Revenues</u>	
Passenger	\$ 6,690
Cargo	680
Other ^{a/}	584
Total Operating Revenue	<u>\$ 7,954</u>
<u>Operating Expenses</u>	
Capacity (Except Fuel & Oil)	\$ 5,469
Fuel & Oil	3,105
Noncapacity	2,577
Total Operating Expense	<u>\$11,151</u>
Operating Profit (Loss)	\$(3,197)

a/ Includes excess baggage and incidental revenue.

(Operating expenses and revenues, as shown, are actual and have not been normalized so as to eliminate the impact of the TWA work stoppage which occurred during the period November 4, 1973 to December 18, 1973. However, had such data been adjusted, the operating loss, as shown, would not have been materially affected.)

^{1/} See Decisions Nos. 81921 (Western Air Lines, Inc.) and 81922 (United Air Lines, Inc.) wherein the Commission noted that PSA is the faremaking carrier in the California corridor.

See Decision No. 78206 in Application No. 52361 (Western Air Lines, Inc.); Decision No. 75899 in Application No. 50847 (PSA); and Decision No. 82909 in Application No. 54861 (TWA) concerning fare competition in the California air corridor.

On the basis of traffic handled during the 12 months ended December 31, 1973, TWA estimates that application of the proposed fare to the intrastate passengers on its Los Angeles-San Francisco/Oakland route segment would have resulted in an annual revenue increase of \$39,378. The revenue increase would not materially improve the profitability of this segment.

TWA urges that the public interest would be served by maintaining uniformity of fares among air carriers offering similar commuter services in the affected market. Such uniformity of fares would maintain historical fare relationships among the major carriers providing intrastate service within California.

TWA requests that, in view of the operating losses now being incurred from its California intrastate jet commuter/coach operations over the routes involved herein and the desirability of maintaining a parity of jet commuter fares by TWA and PSA, the application be acted upon without hearing and that the fares be permitted to become effective on less than statutory notice.

Findings

1. TWA provides passenger air service between points in the United States (including California) and various points in Europe, the Near East, and Asia. Within California TWA maintains service between Los Angeles and San Francisco/Oakland.

2. TWA seeks to increase its jet commuter air fares for its service between Los Angeles and San Francisco/Oakland to the level authorized to PSA in Application No. 54387. Commuter air fares heretofore authorized to TWA between such points are not higher than the corresponding fares authorized to PSA.

3. PSA has been authorized further interim adjustments in air fares to offset increased costs of aviation fuel which became effective September 1, 1974. Although TWA will not incur increased fuel costs in the same amount as PSA, it seeks increased air fares in order to maintain the historical parity of air fares in the markets in which TWA competes with PSA.

4. Data appended to the application show that TWA's intra-California operations were conducted at a loss in 1973. The proposed fare increases sought in this application will not be sufficient to eliminate that annual loss if such increased fares are granted.

5. In view of the foregoing, the increases resulting from the establishment of the fares sought herein are justified and will be reasonable to the extent such fares do not exceed those concurrently authorized to be maintained by PSA.

6. A public hearing is not necessary.

Conclusion

The relief sought in the application herein should be granted.

O R D E R

IT IS ORDERED that:

1. Trans World Airlines, Inc. is authorized to establish increased commuter air fares between Los Angeles and San Francisco/Oakland as follows:

AUTHORIZED FARES

<u>Fare</u>	<u>Security Surcharge</u>	<u>Tax</u>	<u>Total</u>
\$18.75	\$0.46	\$1.54	\$20.75

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 two days' notice to the Commission and the public.

3. The authority granted herein will expire unless exercised within ninety days after the date of this order.

The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 16th
day of OCTOBER, 1974.

Vernon L. Steyer
President
William Spence
[Signature]
[Signature]
Commissioners

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