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Decision No. 83814

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC SOUTHWEST AIRLINES for an ex parte order or expedited authority to increase its intrastate fares.

Application No. 54387  
(Filed October 16, 1973;  
amended 11/20/73, 1/4/74,  
2/13/74, 5/10/74, 6/17/74,  
7/16/74, 8/22/74, and 9/10/74)

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

Application No. 54534  
(Filed December 24, 1973;  
amended 1/9/74, 1/24/74,  
2/19/74, 4/17/74, 6/28/74,  
8/2/74, and 10/16/74)

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

Application No. 54546  
(Filed December 31, 1973;  
amended 1/8/74, 2/19/74,  
4/11/74, 5/28/74, 6/10/74,  
7/8/74, and 8/5/74)

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

Application No. 54549  
(Filed January 2, 1974;  
amended 1/17/74, 1/18/74,  
4/17/74, 6/17/74, 7/10/74,  
8/1/74, and 10/11/74)

Brownell Merrell, Jr., Attorney at Law, for  
Pacific Southwest Airlines; Boris A. Lakusta,  
Attorney at Law, for Air California; and  
Robert M. Lowry, Attorney at Law, for United  
Air Lines, Inc.; applicants.  
Wilmer J. Garrett, for City of Fresno, interested  
party.  
Peter Arth, Jr., Attorney at Law, for the  
Commission staff.

FINAL OPINION

Pacific Southwest Airlines (PSA), Western Air Lines, Inc. (Western), Air California, Inc. (Air Cal), and United Air Lines, Inc. (United) by the above applications seek expedited authority to increase passenger air fares in order to offset the increased cost of fuel. Various amendments to the applications have been filed. Several orders have been issued granting emergency interim relief to increase fares to offset increases in the price of fuel.<sup>1/</sup>

Decision No. 83415 dated September 4, 1974 in the captioned proceedings granted further interim relief to applicants and set the latest amendments to the applications for hearing. Decision No. 83415 found:

"3. PSA and Air Cal have incurred further fuel cost increases not covered by the fare increases granted by previous interim orders and there is a need for additional revenues to recover the cumulative fuel cost increase through September 1, 1974.

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<sup>1/</sup> PSA was granted interim fare increases in Decisions Nos. 82280, 82389, 82752, 82906, and 83415 dated December 18, 1973, January 22, April 16, May 29, and September 4, 1974, respectively.

Air Cal was granted interim fare increases in Decisions Nos. 82353, 82389, 82847, 82997, and 83415 dated January 15, January 22, May 7, June 18, and September 4, 1974, respectively.

United was granted interim fare increases in Decisions Nos. 82354, 82413, 82908, 82978, 83137, and 83415 dated January 15, January 29, May 29, June 7, July 16, and September 4, 1974, respectively.

Western was granted interim fare increases in Decisions Nos. 82352, 82389, 82450, 82907, and 83415 dated January 15, January 22, February 5, May 29, and September 4, 1974, respectively.

"4. The Commission staff estimates of the revenue increase necessary to recover increases in PSA's and Air Cal's operating costs resulting from recent escalation in fuel prices as set forth in Tables 1 and 2 of the preceding opinion are reasonable for the purposes of this interim decision. Table 1 shows that for PSA a net additional 4.0% increase is required to provide sufficient additional revenues to cover fuel cost increases. Table 2 shows that for Air California a net additional 5.8% increase is required to provide sufficient additional revenues to cover fuel cost increases."

That decision also found:

"8. Historically United and Western intra-California passenger operations have been conducted at a loss and the fare increases sought in the August 1, 1974 amendment to United's Application No. 54549 and in the August 2, 1974 amendment to Western's Application No. 54534 would not eliminate their intra-California deficit.

"9. In view of the foregoing, the increases resulting from the establishment by United and Western of air fares no greater than the fares maintained by PSA and Air Cal between competing points are justified provided such increased fares do not violate the long haul-short haul requirements of Section 21 of Article XII of the California Constitution."

Decision No. 83415 authorized:

1. PSA to establish an interim increase in fares of 4 percent applied to its present passenger air fares on file with the Commission (exclusive of passenger screening and armed guard surcharges) but not to exceed the fares sought in the seventh amendment to Application No. 54387 filed August 22, 1974.

2. Air Cal to establish an interim increase in fares of 5.8 percent applied to its present passenger air fares on file with the Commission, but not to exceed the fares sought in the seventh amendment to Application No. 54546 filed August 5, 1974.

3. United to establish interim passenger air fares equal to those fares authorized herein for PSA for those airport pairs that are served by both carriers.

4. Western to establish interim passenger air fares equal to those fares authorized herein for PSA and/or Air Cal for those airport pairs that are served by Western and PSA or Air Cal.

The findings and conclusions set forth in Decision No. 83415 are without prejudice to the findings and conclusions which may be reached in a final order in this proceeding.

Adjourned public hearings in the captioned applications were held before Examiner Mallory at San Francisco on September 11 and 12, 1974.<sup>2/</sup> The matters were submitted upon receipt of concurrent briefs filed October 16, 1974. Evidence was presented on behalf of PSA, Air Cal, United, the city of Fresno, and the Commission staff. No evidence was adduced on behalf of Western. However, a brief was filed by Western and the seventh amendment to its application was filed October 16, 1974.

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<sup>2/</sup> Original hearings in these applications (and other applications seeking similar relief) were held on a consolidated record with Case No. 9646 - Commission Investigation into Methods of Adjusting Air Common Carrier Rates to Offset Aviation Fuel Cost Increases. Case No. 9646 has been reopened for the receipt of additional evidence.

Commission Staff Evidence

The staff introduced an exhibit which contained estimates of the additional revenues necessary to offset the most recent increases in fuel costs experienced by PSA and Air Cal. The staff exhibit states that, for both PSA and Air Cal, the anticipated September 1, 1974 increase of 5 cents per gallon did not materialize; both carriers were notified by Shell Oil Company (Shell) that a portion of this increase was concessionally waived,<sup>3/</sup> resulting in an actual increase of 1.86 cents and 2.286 cents per gallon for PSA and Air Cal, respectively.

The staff estimates that PSA experienced a net fuel cost increase of \$13,520,000 through September 1, 1974. After giving effect to the interim revenue adjustments of 12.3 percent authorized in Decisions Nos. 82752 and 82906, the staff estimated that PSA requires an additional revenue increase of 1.4 percent ( in lieu of the 4 percent authorized by Decision No. 83415) to offset the increased net fuel expense to date.

The following table sets forth the staff computations. Column 1 below is the same as Table 1 in Decision No. 83415. Column 2 below is the revised staff computation based on the fuel cost increase actually experienced on September 1, 1974 by PSA.

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<sup>3/</sup> "Concessionally waived" means that a proposed price increase by a fuel supplier will not be implemented at a particular time, but may be instituted at a later date at the discretion of the supplier.

TABLE 1

Commission Staff's  
Development of Estimated Cost  
To Offset Pacific Southwest Airlines  
Fuel Cost Increases Through September 1, 1974

	Reflecting Assumed \$.05 Increase 9-1-74 <u>(1)</u>	Reflecting Actual Av. \$.0186 Increase 9-1-74 <u>(2)</u>
<u>Statistics</u>		
Passenger revenue based on D.81793, A.53525 (6,481,000 passengers)	\$98,589,000	\$98,589,000
Adjusted flight hours	56,800	56,800
Gallons of fuel for airline operations	88,040,000	88,040,000
<u>Fuel Cost Adjustments</u>		
Increased cost per gallon (includes sales tax)	\$ 0.2106	\$ 0.18238
Additional increase in fuel expense	18,541,000	16,057,000
Additional travel agency commissions	501,000	434,000
Total Fuel Cost Adjustments	<u>\$19,042,000</u>	<u>\$16,491,000</u>
<u>Expense Adjustments</u>		
Flying operations due to flight hour reduction	\$ 1,885,000	\$ 1,885,000
Direct and indirect maintenance due to flight hour reduction	1,086,000	1,086,000
Total Expense Adjustments	<u>\$ 2,971,000</u>	<u>\$ 2,971,000</u>
Net Additional Expense Increase to be Offset by Revenue Increase	\$16,071,000	\$13,520,000
Percent of Passenger Fare Increase	16.3%	13.7%
Percent of Passenger Fare Increase to Offset Fuel Cost Increases Granted by D.82752	12.3%	12.3%
Additional Percent of Passenger Fare Increase	4.0%	1.4%

The staff recommends that the interim increase of 4 percent granted to PSA in Decision No. 83415 be reduced.

Similarly, the staff estimates that the revenue increase necessary to offset the September 1, 1974 fuel cost increase actually experienced by Air Cal will be less than that authorized by Decision No. 83415. The staff estimated Air Cal will require a revenue increase of 4.1 percent (in lieu of 5.8 percent) in addition to the prior offset increases authorized by Decisions Nos. 82847 and 82997 amounting to 6 percent. The staff also recommends that the increase granted to Air Cal in Decision No. 83415 be reduced.

The staff further recommends that United and Western be authorized to establish fares on the same levels as those authorized herein to PSA and Air Cal between competitive airport pairs.

City of Fresno

The transportation director of the city of Fresno (Fresno) testified as follows: Fresno recognizes that increased fuel costs have necessitated passenger fare increases. Fresno does not quarrel with the additional revenue authorized by Decision No. 83415 to PSA and United, which serve Fresno. However, Fresno questions the method of distributing such additional revenue between city pairs as set forth in PSA's fare schedule effective September 11, 1974.

The witness developed comparisons to show that PSA's current fares, in many instances, bear little or no relationship to the distance between city pairs, resulting in higher percentage increases accorded to some city pairs as compared with others. The comparison shows that the fare between San Diego and Fresno increased by \$4.18 or 17.2 percent between October 16, 1973 and September 11, 1974, whereas fares between San Diego and Stockton, San Francisco, and Sacramento were increased by 1.5, 11.3, and 11.3 percent, respectively. Similar comparisons were made for Los Angeles and San Francisco fares and Fresno, in relation to other points. These comparisons show that the cost per mile for Fresno fares exceeds the cost per mile between other city pairs of similar length.

Fresno requests that the Fresno-Los Angeles and Fresno-San Diego fares be adjusted downward to make them more equitable on a unit cost per passenger mile basis in relationship to the Stockton-Los Angeles fare and the Sacramento-San Diego fare. Specifically, the witness requested that the Fresno-San Diego fare not exceed the cost per mile of the Los Angeles-Stockton fare, and that a closer relationship be established with respect to the cost per mile of the Fresno-Los Angeles and San Diego-Sacramento fares.

Air California, Inc.

The executive vice president of Air Cal presented that company's estimate of the additional revenue required to offset the increases in aviation fuel incurred by it. The estimate reflects the actual price of fuel made effective September 1, 1974 by Shell, Air Cal's major supplier. The exhibit shows that Air Cal has experienced a composite increase of 14.1077 cents per gallon in the period January 1973 through September 1, 1974 or 82.9 percent. Air Cal estimates that it will require a 10.9 percent increase, of which 6 percent was authorized by Decisions Nos. 82847 and 82997. Air Cal seeks to substitute a further increase of 4.9 percent in lieu of the interim 5.8 percent granted in Decision No. 83415.

The principal difference between the staff showing and that of Air Cal is that Air Cal estimates that it will use a slightly greater number of gallons of fuel in 1974.

The vice president of marketing for Air Cal testified that the fares established pursuant to Decision No. 83415 were less than those authorized in that decision. Assertedly none of Air Cal's fares were increased by an amount greater than the 4.9 percent now sought by it. Most of the holddowns were made in order to maintain fares competitive with PSA in the same markets. For example, the San Diego-San Jose/Oakland fare was established on the same level



as PSA's fare in the same markets. The same fare differentials between Air Cal and PSA as formerly obtained were reestablished in other markets. The specific fares now sought to be established by Air Cal are set forth in its Exhibit A-1 in Application No. 54546. United Air Lines, Inc.

The witness for United presented exhibits designed to show that United's operations within California have been and are now being conducted at a loss and that the size of that loss justifies the increases proposed in its application, as amended. The witness stated that, in addition to its basic loss situation, United also has experienced substantial and regular increases in the cost of its jet fuel. Assertedly, these two factors fully justify increasing fares for those segments which are competitive with PSA and Air Cal and also other segments served exclusively by United within California. Decision No. 83415 authorized United to increase only those fares which are directly competitive with PSA.

The exhibits introduced by United in this phase of Application No. 54549 show that of the nineteen city pairs served by it in California, operations for the year 1973 were profitable between only three city pairs. United estimates that its total operations within California were conducted at a loss of \$9,363,325 in the year 1973; that its corresponding loss in 1974 would be \$8,367,716 without the fare relief sought herein; and that its 1974 operating loss would be reduced to \$4,476,071 if the fare increases sought herein had been in effect during the full year.

Pacific Southwest Airlines

The senior vice president of finance, the assistant controller, and an airline marketing consultant testified on behalf of PSA. Their testimony was designed to show that the calculations of the staff were in error.

A. 54387 et al. eak

The assistant controller testified as follows: The intent of Decision No. 83415 appears to have been to grant to PSA fare relief for the scheduled fuel increases through September 1, 1974 without effect for the last minute concession as to the implementation of the total increase by PSA's major fuel supplier. Such concession gave rise to the \$2,784,000 of fuel contract price increases which are now pending. In issuing its latest opinion, the Commission again (as in Decision No. 82752) adopted the conclusion of the Transportation Division that PSA is benefiting from certain fuel related efficiency gains and that these gains should be offset against any proposed fare relief. As shown by Exhibit F to PSA's seventh amendment to Application No. 54387, \$21,199,000 of rate relief would be needed to offset the increased fuel costs for the level of operations adopted by the Commission in PSA's last general fare increase (Decision No. 81793). PSA estimates that to carry, under present circumstances, the same number of passengers as shown in that decision (annual total - 6,481,000) it would incur a fuel cost increase of \$20,581,000 based on consumption of 97,214,000 gallons. The Transportation Division staff asserts that only 88,040,000 gallons of fuel are needed to carry the same number of passengers. In addition the staff concludes that since PSA's systemwide load factor has increased, it necessarily follows that PSA is not operating certain flights that it otherwise would operate and that any resultant savings in cost should be offset against PSA's total increased fuel costs (computed on a lower consumption base). The Transportation Division analysis results in PSA only being allowed \$16,071,000 of fare relief against PSA's total increased cost of \$20,581,000, or a difference of over \$4,500,000. The witness noted that the above theory was not applied to Air Cal which received a 5.8 percent increase compared to PSA's 4 percent in spite of greatly increased load factors at Air Cal.

A. 54387 et al. eak

Concerning fuel consumption, the witness stated that with the granting of additional fuel by the Federal Energy Administration (see late-filed Exhibit 29), PSA has been re-instituting flights it had previously eliminated because of the fuel shortage. The witness stated that, with receipt of the additional allocation, PSA's position that it would utilize 97,214,000 gallons of fuel was reinforced since fuel for non-airline operations is now available over and above the 97,214,000 gallon level. The witness testified that further support of PSA's projection of usage is the actual current consumption. The total flight hours and consumption for airline operations (scheduled operations and internal training) for April through August of 1974 are as follows:

<u>Month</u>	<u>Flight hours</u>	<u>Consumption Gallons of fuel</u>
April 1974	4,572.4	7,210,000
May 1974	4,835.2	7,657,000
June 1974	4,745.2	7,616,000
July 1974	4,988.1	8,135,000
August 1974	5,104.7	8,444,000*

\*Preliminary - estimated amount.

The witness averred that such consumption totals show that since July 1974 PSA's fuel usage has been at an annual rate of approximately 99,500,000 gallons per year. This assertedly indicates that with PSA's new schedule, which was implemented on August 1, 1974, consumption will be in line with PSA's estimate. The witness stated that PSA's future estimated traffic levels for the 97,214,000 gallon consumption level was 6,481,000 passengers (annually). The witness testified that PSA's traffic has actually been declining and is below this 6,481,000 annual figure. Recent annual traffic totals assertedly are as follows:

<u>Year ended</u>	<u>Total passengers</u>
May 31, 1974	6,383,609
June 30, 1974	6,366,420
July 31, 1974	6,334,937
August 31, 1974	6,309,000 estimate

The witness stated that the staff estimated that PSA will fly 56,800 flight hours instead of 61,500 because of the fuel crisis. The witness asserted that based on this, the staff apparently offset the cost of the hours not flown as a reduction of the increased fuel cost. The witness testified that recent flight hour totals indicate that total annual flight hours will be closer to 60,000 than to the staff figure of 56,800 hours. That difference assertedly would eliminate a large part of any supposed efficiency gains.

The witness also showed that PSA's employee totals have increased since the height of the fuel crisis. Total current employment compared to March 1974 and October 1973 is as follows (including security personnel):

<u>Category</u>	<u>Number of Employees (full time)</u>		
	<u>Current</u>	<u>March 1974</u>	<u>October 1973</u>
Flight Department			
Crew & Training	392	350	406
Flight Attendant	469	417	486
Maintenance	390	331	492
Operations	766	693	867
Reservations	320	319	326
Sales and G & A	209	215	210
	<u>2,546</u>	<u>2,325</u>	<u>2,787</u>

#### Discussion

The differences between the staff's showing and Air Cal's showing with respect to current fuel costs are minor. Both indicate that Air Cal will require a lesser revenue increase to offset fuel costs actually incurred on September 1, 1974 than was authorized in Decision No. 83415. Air Cal's estimates will be adopted herein and the fare schedule set forth in Air Cal's Exhibit A-1 in Application No. 54546 will be authorized.

The differences between the staff's showing and that of PSA herein are of greater magnitude. The staff's latest estimates reflect the same adjustments to historical data as were used in the initial exhibits which were introduced by it in these proceedings. Since that time, reductions in service due to fuel allocations have been restored because adequate fuel is now available to PSA to perform its full common carrier service. The schedule now maintained by PSA provides annual flight hours greater than estimated by the staff. Therefore, the flight hours and fuel consumption based on such level of service, as estimated by the staff, are not currently valid.

PSA's permanent fares were established in the general fare increase proceeding culminating in Decision No. 81793 dated August 21, 1973 in Application No. 53525. The results of operation for a test year ending December 31, 1973 adopted for the purposes of that proceeding were based on transportation of 6,481,000 passengers. Those passenger statistics are reasonable for the purposes of developing a fuel offset. Adjustments of expenses other than for fuel, as urged by PSA, are not reasonable nor appropriate for the purposes of this proceeding.

PSA urges that 97,214,000 gallons of aircraft fuel are available and will be used in its airline operations. That usage is not confirmed by the fuel consumption data supplied by PSA. Those data for the months of April through August 1974, when annualized, show that PSA would have a consumption of 93,750,000 gallons. That figure will be reasonable for the purposes of this proceeding.

The following table depicts the estimate adopted for the purposes of this proceeding of PSA's additional cost of aircraft fuel through September 1, 1974. That table reflects the actual fuel costs incurred by PSA through September 1, 1974 and does not include the portion of Shell's announced increase that was concessionally waived.

TABLE 2

PACIFIC SOUTHWEST AIRLINES  
Adopted Estimate of Additional Cost of  
Aircraft Fuel Incurred Through September 1, 1974

Statistics

Passenger revenue based on D.81793 (6,481,000 passengers)	\$98,589,000
Gallons of fuel for airline operations	93,750,000

Fuel Cost Adjustments

Increased cost per gallon (includes sales tax)	\$0.18238
Additional increase in fuel expense	\$17,098,000
Additional travel agency commissions	462,000
Total Fuel Cost Adjustments	<u>\$17,560,000</u>

Additional Expense Increase to be Offset by Revenue Increase	\$17,560,000
Percent of Total Passenger Revenue	17.8%
Percent Offset Increase in Passenger Revenue Heretofore Granted by D.82752	12.3%
Additional Percent Required to Offset September 1, 1974 Fuel Costs	5.5%

Of the further revenue increase of 5.5 percent required to offset the September 1, 1974 increase in fuel costs actually incurred by PSA, 4.0 percent was granted in Decision No. 83415. An increase of 5.5 percent in addition to the increase authorized to PSA by Decision No. 82752 dated April 16, 1974 in Application No. 54387 should be authorized herein (in lieu of the 4.0 percent granted in Decision No. 83415). The fare schedules attached as Exhibit A to the eighth amendment to Application No. 54387 are designed to produce \$18,470,000 in additional revenue over the fares established pursuant to Decision No. 81793. That fare schedule should give recognition to the request of the city of Fresno herein by establishing the San Diego/Fresno fare at \$23.61 (\$26.00 including tax and surcharge), and the Fresno/Los Angeles fare at \$16.01 (\$17.75 including tax and surcharge). The revenue increase developed in PSA's proposed fare schedule will be reduced to the amount of \$17,560,000 found reasonable in Table 2 above through the lower fares between Fresno and Los Angeles and San Diego and through lower fares between San Diego and Los Angeles area points, and other pairs of points on the same fare level.

The intra-California operations of CAB certificated carriers (United, Western, TWA, and Delta) continuously have been operated at a loss. United and Western have shown that they have also incurred substantial increases in operating expenses assignable to their intra-California operations resulting from increased fuel costs. Decision No. 83415 permitted United and Western to raise only their commuter fares which are directly competitive with PSA and Air Cal. United and Western should be authorized to maintain commuter fares between city pairs which are also served by PSA and/or Air Cal at levels authorized herein to those carriers. First class, coach, discount, and other fares maintained by United and Western should be authorized to be increased as shown in the latest amendments to their applications. Such fare schedules will not cause United or Western's intra-California operations to be profitable.

The proceedings herein should be made final inasmuch as it appears that airline fuel allocations have been lifted and the rapid acceleration in airline fuel costs occurring in late 1973 and in 1974 will no longer persist. A decision should be forthcoming in Case No. 9646 with respect to a fuel offset formula. PSA filed, on September 11, 1974, Application No. 55160, which seeks permanent increases in fares to cover known cost increases in all phases of its operations.

#### Findings

1. PSA, Air Cal, United, and Western provide air passenger service between points in California.
2. Interim fare increases have been granted to PSA in Application No. 54387 and to Air Cal in Application No. 54546 to cover increased costs of operations resulting from aviation fuel cost increases.

3. Historically United and Western's intra-California passenger operations have been conducted at a loss. Although United and Western have not incurred increased fuel costs of the same magnitude as PSA and Air Cal, United and Western have been authorized by interim orders in Applications Nos. 54549 and 54534, respectively, to raise their intra-California fares by amounts not exceeding the increases authorized to PSA and Air Cal.

4. Decision No. 83415 dated September 4, 1974 in Applications Nos. 54387, 54534, 54546, and 54549 authorized further interim increases in air fares designed to reflect further fuel cost increases incurred by PSA and Air Cal effective September 1, 1974. That decision, issued ex parte, was made without prejudice to the findings and conclusions which may be reached in a final order in those proceedings.

5. The increases in fuel costs actually incurred on September 1, 1974 by PSA and Air Cal were less than the fuel cost increases described in Decision No. 83415 because Shell Oil Company, the major supplier for both airlines, concessionally waived a portion of the increase scheduled to become effective on that date. The portion of the fuel cost increase so concessionally waived has not been reinstated as of this date.

6. The Commission staff and PSA presented different estimates of the effect of the fuel cost increases actually incurred effective September 1, 1974 by PSA. Table 2 sets forth the estimates of the effect of that increase found reasonable for the purposes of this proceeding.

7. Table 2 shows that revenues of \$17,560,000 in excess of the revenues resulting under the fares established by PSA pursuant to Decision No. 81793 are required to offset current fuel costs. The fare schedule set forth as Exhibit A to the eighth amendment to Application No. 54387 is designed to produce \$18,470,000 (on a comparable basis to Table 2).



8. The city of Fresno has shown that certain inequities exist with respect to fares maintained between Fresno and Los Angeles and San Diego in comparison to fares maintained between other points. The discrimination resulting from such inequities can be ameliorated by the establishment of the Fresno/Los Angeles and Fresno/San Diego fares authorized herein.

9. The fare schedule in Exhibit A to the eighth amendment to Application No. 54387, as modified by the lower fares applicable between Fresno/Los Angeles; Fresno/San Diego; San Diego/Los Angeles, Burbank, Ontario, and Long Beach; San Francisco/Sacramento and Stockton; Fresno/Stockton; and Oakland/Sacramento; as hereinafter authorized, will produce revenues not in excess of the total found necessary to offset PSA's fuel cost increase through September 1, 1974, or \$17,560,000 (Table 2). The increased fares set forth in that schedule, as amended above, are justified.

10. The estimates of the Commission staff and Air Cal are not materially different. The estimates of Air Cal are accompanied by a proposed fare schedule which is designed to maintain competitive relationships with fares sought by PSA. The fares established by Air Cal pursuant to interim Decision No. 83415 were less than those authorized therein. The evidence of the staff and Air Cal in this phase of Application No. 54546 shows that Air Cal requires a lesser increase in revenues than authorized in Decision No. 83415. Air Cal's proposed schedule attached as Appendix A (revised) to the seventh amendment to Application No. 54546 will not produce additional revenues in excess of those required to offset the fare increases actually incurred by it on September 1, 1974. The increased fares set forth in that schedule are justified.

11. The increases in fares proposed by Western in its seventh amendment to Application No. 54534 and by United in its eighth amendment to its Application No. 54549 will not eliminate the deficits from their intra-California operations. The sought fares are for the purpose of maintaining the historical parity of air fares in markets in which United and Western compete with PSA and Air Cal. The increases resulting from the establishment by United and Western of fares proposed in the latest amendments to their respective applications are justified, except that commuter and coach fares not exceeding those authorized to PSA are justified.

Conclusions

1. The increased fares found justified herein should be authorized to be established as permanent fares.
2. This decision should become the final order in Applications Nos. 54387, 54534, 54546, and 54549, and those proceedings should be terminated.
3. The findings and conclusions herein are without prejudice to any different method of adjusting air fares to offset fuel cost increases that may be found reasonable in Case No. 9646.

FINAL ORDER

IT IS ORDERED that:

1. Pacific Southwest Airlines is authorized to establish as permanent fares the increased air fares set forth in Appendix A hereto.
2. Air California, Inc. is authorized to establish as permanent fares the increased air fares set forth in Appendix B hereto.

A. 54387 et al. cak

3. United Air Lines, Inc. is authorized to establish as permanent air fares the increased air fares sought in the eighth amendment to Application No. 54549, except for the following jet coach fares:

Authorized Jet Coach Fares

<u>Between Fresno and</u>	<u>Excluding Tax and Security Surcharge</u>	<u>Including Tax and Security Surcharge</u>
Los Angeles	\$16.01	\$17.75
San Diego	\$23.61	\$26.00
Stockton	\$ 9.72	\$11.00
<u>Between Sacramento and</u>		
San Francisco/Oakland	\$ 9.72	\$11.00
<u>Between Stockton and</u>		
San Francisco/Oakland	\$ 9.72	\$11.00
<u>Between San Diego and</u>		
Los Angeles	\$ 9.72	\$11.00

The increased passenger air fares established as a result of this ordering paragraph shall not violate the long- and short-haul requirements of Section 21 of Article XII of the California Constitution.

4. Western Air Lines, Inc. is authorized to establish as permanent air fares the increased air fares sought in the seventh amendment to its Application No. 54534, except that the San Diego/Ontario and San Diego/Los Angeles fares shall not exceed \$9.72 (\$11.00 including tax and security surcharge).

5. Tariff publications authorized to be made as a result of this order 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.

6. The authority granted herein shall expire unless exercised within ninety days after the effective date of this order.

A. 54387 et al. eak

7. Except as authorized the applications are denied.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 10<sup>th</sup>  
day of DECEMBER, 1974.

Vernon L. Sturgeon  
President  
William J. Simpson  
James Moran  
Robert E. McLeod  
Commissioners

APPENDIX A  
Page 1 of 2PACIFIC SOUTHWEST AIRLINES  
Schedule of Fares (Present and Authorized)

Route/Between Points	Present Fare*			Authorized Fare			Increase (Decrease) Over Current Fare **
	Excluding Tax and Surcharge	Surcharge	Including Tax and Surcharge	Excluding Tax and Surcharge	Surcharge	Including Tax and Surcharge	
<u>Regular Fares:</u>							
San Diego Los Angeles Burbank Ontario Long Beach	\$ 7.41	\$.46	\$ 8.50	\$ 9.72	\$.46	\$11.00	\$ (.40)
San Francisco Sacramento Stockton	7.41	.46	8.50	9.72	.46	11.00	(.40)
Fresno Stockton	7.41	.46	8.50	9.72	.46	11.00	(.40)
Oakland Sacramento	7.41	.46	8.50	9.72	.46	11.00	(.40)
Fresno San Francisco	10.19	.46	11.50	12.50	.46	14.00	.25
Los Angeles Fresno	14.82	.46	16.50	16.01	.46	17.75	(2.20)
Los Angeles/Burbank San Francisco Oakland San Jose	16.20	.46	18.00	18.98	.46	21.00	.25
Ontario/Long Beach San Francisco	17.59	.46	19.50	20.84	.46	23.00	.40
Los Angeles Sacramento	17.59	.46	19.50	20.84	.46	23.00	.40
Los Angeles Stockton	18.52	.46	20.50	18.98	.46	21.00	.25
Burbank/Ontario/Long Beach Sacramento	20.37	.46	22.50	23.61	.46	26.00	.05
San Diego Fresno	22.22	.46	24.50	23.61	.46	26.00	(2.55)
San Diego San Francisco Oakland San Jose	23.61	.46	26.00	26.62	.46	29.25	.45
San Diego Sacramento	24.07	.46	26.50	27.09	.46	29.75	.40
San Diego Stockton	25.93	.46	28.50	26.62	.46	29.25	.45
Long Beach San Jose Oakland	19.68	.46	21.75	20.84	.46	23.00	.40

\* Excluding the interim relief granted in Decision No. 83415.

\*\* Current fare includes tax and surcharge and reflects all  
interim relief granted.

APPENDIX A  
Page 2 of 2PACIFIC SOUTHWEST AIRLINES  
Schedule of Fares (Present and Authorized)

<u>Route/Between Points</u>	<u>Present Fare</u>			<u>Authorized Fare</u>			<u>Increase (Decrease) Over Current Fare **</u>
	<u>Excluding Tax and Surcharge</u>	<u>Surcharge</u>	<u>Including Tax and Surcharge</u>	<u>Excluding Tax and Surcharge</u>	<u>Surcharge</u>	<u>Including Tax and Surcharge</u>	
<u>Special Fares-Midnight Flyer:</u>							
San Diego Los Angeles	\$ 6.48	\$.46	\$ 7.50	\$ 7.41	\$.46	\$ 8.50	\$(-.05)
San Francisco Sacramento	6.48	.46	7.50	7.41	.46	8.50	(.05)
Los Angeles San Francisco	11.11	.46	12.50	13.66	.46	15.25	.75
Los Angeles Sacramento	13.89	.46	15.50	16.67	.46	18.50	.60
San Diego Sacramento	15.74	.46	17.50	18.98	.46	21.00	.75
San Diego San Francisco	15.74	.46	17.50	18.98	.46	21.00	.75

\*\* Current fare includes tax and surcharge and reflects all interim relief granted.

APPENDIX B

AIR CALIFORNIA  
Comparison of Present and Authorized Fares

Market	Present Fare(1)		Authorized Fare(2)	
	Base	With Tax	Base	With Tax
SNA-SFO	\$22.08	\$23.85	\$24.31	\$26.25
-SJC	22.08	23.85	24.31	26.25
-OAK	22.08	23.85	24.31	26.25
ONT-SJC	22.08	23.85	24.31	26.25
-OAK	22.08	23.85	24.31	26.25
SMF-SNA	22.45	24.25	24.77	26.75
-ONT	22.45	24.25	24.77	26.75
SAN-SJC	24.77	26.75	26.67	28.80
-OAK	24.77	26.75	26.67	28.80
PSP-SFO	27.31	29.50	29.63	32.00
-SJC	27.31	29.50	29.63	32.00
-OAK	27.31	29.50	29.63	32.00
-ONT	11.57	12.50	12.22	13.20
SNA-ONT	6.48	7.00	8.33	9.00
-PSP	10.19	11.00	12.22	13.20
-SAN	9.72	10.50	11.48	12.40
SMF-SJC	9.72	10.50	11.48	12.40
-PSP	27.78	30.00	30.09	32.50
-SAN	25.23	27.25	26.85	29.00

(1) Decision No. 82687.

(2) Authorized fares are identical to the current interim fares.