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Decision No. 83939

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of UNITED AIR LINES, INC., for authority to add a security charge to intrastate passenger fares.	Application No. 53967 (Filed April 16, 1973)
And Related Matters.	Application No. 53984 (Filed April 23, 1973) Application No. 53985 (Filed April 20, 1973) Application No. 53987 (Filed April 23, 1973) Application No. 53997 (Filed April 30, 1973) Application No. 54062 (Filed May 25, 1973) Application No. 54107 (Filed June 18, 1973)
Application of WESTERN AIR LINES, INC., for authority to impose a surcharge to defray the cost of providing armed guards at terminal areas.	Application No. 54043 (Filed May 17, 1973)
And Related Matters.	Application No. 54046 (Filed May 22, 1973) Application No. 54061 (Filed May 25, 1973) Application No. 54106 (Filed June 18, 1973) Application No. 54107 (Filed June 18, 1973) Application No. 54247 (Filed August 17, 1973) Application No. 54273 (Filed August 28, 1973)

(Appearances are listed in Appendix A.)

FINAL OPINION

These proceedings began, and must end, as they were described in a Civil Aeronautics Board (CAB) decision in a parallel case as a "conglomeration of approximations".[1/] For this reason, the Commission must strive to reach a result which does service to the public, the intrastate air network, and the integrity of the Commission's regulatory functions on less than a satisfactory record.

This state of affairs was caused primarily by the way the various charges for airlines security were instituted.

All the carriers in this proceeding, and in the CAB proceeding mentioned in footnote 1, were confronted with a rapidly deteriorating situation regarding the hijacking of commercial aircraft. Early in 1973, the U.S. Department of Transportation (DOT) adopted regulations requiring air carriers to screen and inspect all passengers and their carry-on articles, before boarding, in order to detect concealed weapons (Federal Aviation Regulations (FAR) 121.538, adopted January 5, 1973; 14 CRF 121.538). The regulations also required airport operators to station at least one armed guard at the final point of passenger inspection throughout the boarding process (FAR 107.4, adopted February 14, 1973, 14 CFR 107.4). Almost all airport operators immediately began to pass along the cost of armed guards to the carriers.

Ever since the start of the aforementioned programs, estimating the costs of them have been complicated by a number of factors, viz.: (1) the cost configurations of screening vary highly because of different types of equipment used and different

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1/ Airport Security Charges Proposed By Various Scheduled Air Carriers, CAB Docket 25315, initial decision of E. Robert Seaver, Administrative Law Judge, June 4, 1973, page 4.

passenger volumes at different airports, and (2) the methods used by various airport operators in passing along the costs of furnishing armed guards were seldom consistent.

As stated in our interim decision herein as to armed guard security charges (Decision No. 82190 dated December 4, 1973) the CAB chose to solve the problem of providing airlines some immediate relief for these additional costs in the form of surcharges which are collected from the passengers on a "per coupon" basis, that is, adding an amount for each segment of the trip. The levels of the surcharges set by the CAB[2/] were based upon rough national estimates and pro forma data.

This Commission issued various ex parte decisions[3/] awarding the applicants herein a 34-cent security charge to defray costs of screening passengers. This was the same level as set by the CAB.

The carriers then filed applications requesting a 25-cent surcharge for armed guard service (except for PSA which requested 12 cents based upon its own costs analysis). PSA's application requested in the alternative, that the Commission award it a 25-cent surcharge if the Commission wished to achieve complete uniformity with the CAB.

The Commission found after interim hearings (Decision No. 82190 dated December 4, 1973) that for Hughes Airwest, enough cost data had been furnished that it should be awarded the entire 25 cents. For the remaining carriers, we held that the costs should be based upon PSA's 12 cents per enplaned passenger figure. The decision commented that PSA's cost picture was "reasonably complete", and since PSA serves high volume airports with a low enplanement

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2/ Docket 25315, Order of Investigation and Suspension, Order 73-3-46 (Passenger Inspection and Screening), and Order 73-5-12 (Security Guards).

3/ Decisions Nos. 81390 dated May 15, 1973, 81697 dated July 31, 1973, and 81752 dated August 14, 1973.

cost per passenger, it was a fair inference that no other carrier enplaning intrastate traffic would realize costs of less than 12 cents per enplaned passenger. In commenting upon this result we stated (Decision No. 82190 pg. 9):

> "While, admittedly, uniformity with interstate charges allowed by the CAB would be highly desirable from a convenience standpoint, arguments in favor of convenience and uniformity cannot be stretched to award interim relief in excess of that necessary to reimburse the most efficient carrier for its expenses, when the cost picture presented by the remaining carriers is, to say the least, incomplete and no financial emergency is shown. Maximum fares, historically, have been set at the upper limit of the zone of reasonableness. (Pacific Southwest Airlines (1969) 69 CPUC 739, 750.) With the cost information available at the interim hearing, it is not possible to find, except for Hughes Airwest, that the zone of reasonableness for interim relief is above 12 cents. Interim relief is generally considered an extraordinary remedy. (Citizens Utilities Company (1971) 72 CPUC 181.) More solid information as to costs is necessary to grant the carriers the full relief requested in this matter.
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> "Hughes Airwest's operations differ significantly from the carriers in that, as stated previously, it serves 28 airports in California of varying sizes. Airwest developed detailed enplanements for two months and either invoices or estimates based on discussions with airport officials for the same period. It is reasonable to infer from Airwest's evidence that the full 25 cents requested may not reimburse Airwest for its security guard expenditures. It is therefore reasonable to grant Airwest interim relief of 25 cents per passenger."

The total result of all our interim orders was to give the applicants in these consolidated proceedings total relief in the amount of 46 cents for enplaned passenger, while the CAB had awarded a greater amount on a "per coupon" basis.

In Decisions Nos. 82190 and 82191, the Commission established accounting procedures requiring both armed guard and passenger screening surcharge revenues and costs to be recorded in a separate set of accounts, and requiring that differences between such revenues collected and related costs incurred not be closed to income, but deferred for consideration and disposition by the Commission. Rehearing on the issue of these accounting procedures was denied by Decision No. 82568 dated March 12, 1974.

After holding full evidentiary hearings, the CAB issued an initial decision of the Administrative Law Judge on June 4, 1974 (see Footnote 1) which found its previous total charge of 59 cents unjust and unreasonable, and established a trunk-line security charge of 43 cents "per true origination".

This initial decision held that surcharges should be eliminated and that the 43 cents should be added to the terminal charge element in constructing the trunk-line coach fares (based upon certain formulae in phases 4 and 9 of the CAB's Domestic Passenger Fare Investigation, Docket 21866).

On September 23, 1974, the CAB issued its own decision which agreed with the Administrative Law Judge's conclusion that the security charges ought to be incorporated in the carriers' fare structure to the extent practicable. It disagreed with the inclusion of certain anticipatory costs increases and utilized an "enplanement" basis rather than a "true origination" basis for applying the charge. The Board's order resulted in the charge being reduced to 34 cents.4/

4/ This 34 cents was based upon the average costs of the trunk-line carriers. Higher average costs were found for the intra-Hawaiian carriers and the intra-Alaskan carriers, and separate levels were set for these two groups.

Because the Board wished further briefing on technical aspects of incorporating the security charges into the fares, it continued the surcharge method on an interim basis, pending further briefs on this and certain other issues, mainly concerning armed guard expenses (CAB Docket 25315, Order 74-9-82, September 23, 1974).

From the foregoing background discussion, it can be seen that the rapidly developing problems of security, and the DOT orders, placed both the CAB and this Commission in the position of awarding carriers recoupment of costs based upon the best information available in a given amount of time. The CAB's order still is not final, but it is clear that the CAB has adopted a policy of ultimate elimination of the surcharge method of collecting such costs.

The result of the foregoing in dollars and cents is to establish a charge for interstate travel considerably below the present California intrastate charge, which still totals 46 cents (34 cents for screening; 12 cents for armed guards).

The aforedescribed background of the cases before us and the CAB proceeding illustrates all too well the difficulty, or perhaps the impossibility, of achieving any sort of exact determination of proper surcharge levels for security expenses. Our interim order regarding armed guard expenses shows clearly the approximate nature of the evidence submitted up to that time. The problem is compounded by the fact that certain CAB carriers operating in California experienced difficulty in breaking out their intrastate costs from their general costs.

The issues remaining to be decided in these consolidated proceedings are: (1) Whether surcharges should be continued or whether the costs of providing passenger security should be recovered through the base fares. (2) The level of the recovery to

be allowed, which includes subsidiary issues of (a) whether each airline should have its own level of recovery set separately or whether, in the alternative, a uniform charge should exist, and (b) whether the determination of the level of recovery should be made on a "per coupon" or a "per passenger" basis.

Elimination of the Surcharges

This was a major issue at the beginning of these proceedings. Now, however, the parties agree that surcharges should be eliminated. The discussion of this issue may therefore be abbreviated.

The main reason for this agreement is that it is now generally recognized that anti-hijacking measures are an ordinary expenditure in the course of doing business as an air passenger carrier. These expenses are recognized as permanent and are not simply instituted for a period of years to cope with a short range problem. The public has accepted this as a fact and there is no longer any active consideration of a federal government subsidy to defray any of such costs.

Surcharges have a number of disadvantages. They cause difficulty in ticketing. They require special proceedings each time it is necessary to change the level of surcharge because of a change in the expenditures. It is difficult to apply standard ratemaking and accounting procedures to items which are special surcharges rather than simply expenditures which may be considered part of the basic fare structure in an ordinary rate increase application. They lead to difficulties in apportioning security and nonsecurity costs. For example, there were questions presented to us as to whether the time of a particular supervisor should be allocated in some manner between his security and nonsecurity functions.

Lastly, there is much difficulty in considering how to allocate security costs for the CAB certificated carriers in California between interstate expenses and intrastate expenses.

Questions arise about whether it is possible to award a permanent surcharge which would be uniform for all airlines, notwithstanding the fact that security costs vary widely from airline to airline and from airport to airport.

As mentioned, the CAB has now determined that its policy will be to eliminate surcharges, although it has retained them temporarily.

Additionally, this Commission has decided in two previous decisions to incorporate security charges into basic fares because the applicants essentially presented cases for general rate relief to the Commission based upon total costs, without allocating security and nonsecurity airport terminal functions. The Commission having considered the security charges as an unsegregated part of the general expenses, ordered such airlines to cancel the surcharges concurrently with the establishment of the increased fares authorized in the decisions. (Holiday Airlines Corporation, Decision No. 83000 dated June 18, 1974 (Application No. 54630); Air California, Inc., Decision No. 82687 dated April 2, 1974 (Applications Nos. 53308, 54546, 53987, and 54106).) The Air California decision also ended the accounting procedures required by our Decisions Nos. 82190 and 82191 for security charges.

"Per Passenger" or "Per Coupon" Computation

If surcharges are to be ended, it will not be necessary to discuss the method of collection of the surcharges in the future; however, we still must consider briefly whether the level of surcharges should be established based upon a per coupon or per passenger computation.

The Commission believes that the "per passenger" method is the most accurate. At the beginning of this proceeding the carriers suggested the Commission use a per coupon basis to achieve uniformity with the CAB. Some evidence was introduced during the course of the hearings in an attempt to show that this method was the most accurate.

At the same time, however, none of the carriers urged it in their briefs at the end of the case, and Hughes Airwest urged a 43-cent "per true origination" basis. It is unnecessary to consider the "true origination" method, which has to do specifically with CAB fare formulas developed in its Domestic Passenger Fare Investigation, (Docket 21866). This Commission does not have any corresponding formulas, nor are there any intrastate joint fares which must be considered in determining the application of the surcharge.

We believe a per passenger computation of the surcharge levels is the most accurate because, as this Commission stated in Decision No. 81390, which granted temporary authority to charge 34 cents per passenger to offset screening costs:

> "The number of flight coupons issued a passenger may exceed the number of required security checks and is not an appropriate basis for assessing a security charge for intrastate travel."

No evidence was produced at the hearings in these proceedings to convince the Commission that this is still not the case. While there are occasions in which through passengers may leave the secured area and return later, to be screened again, the more typical situation is one in which a through passenger remains briefly in the secured area to board a connecting flight. In such a situation the checked baggage is, of course, moved from one plane to the other and not rescreened.

Individual Versus Across-The-Board Charges

The carriers proposed that charges should be uniform and preferably identical with those instituted by the CAB. Most of the carriers requested that the surcharge be based upon an average. The Transportation Division proposed separate levels for the different carriers, based upon each carrier's intrastate costs. All parties are in agreement that the Commission should not vary the charge from airport to airport, because of the accounting and ticketing complexities that would result.

The discussion of this issue may also be simplified since it is the Commission's decision that surcharges should be eliminated, and one of the chief problems in setting different levels for different carriers would be the ticketing problems resulting from actual surcharges of different levels.

We believe there are difficulties with imposing, on a permanent as distinguished from an interim basis, a charge which is uniform for all airlines, and we believe that to do so would be inconsistent with our opinion that henceforward, each airline should consider the security costs as an unsegregated part of its total costs, as has already been done in the previously mentioned Holiday Airlines and Air California decisions.

Additionally, to set an average cost figure would allow some airlines to recoup an excessive amount of security costs, while others would be awarded an insufficient recovery.

We recognize that, as pointed out by several of the applicants, setting different levels for different carriers may force the high cost carriers to adopt a lower figure in the corridor markets in order to maintain fare parity with the low cost carriers. This, however, has been standard practice with every other cost in recent history. Since 1969, we have recognized that the low cost

carrier in the San Francisco-Los Angeles corridor is in effect the ratemaking carrier. (Pacific Southwest Airlines (1969) 69 CPUC 739.) Argument on the part of the carriers in this proceeding that an average cost would be within the zone of reasonableness stretches the zone of reasonableness concept to the breaking point. The cost pictures of the different carriers are so widely divergent that to set an average would allow the low cost carrier or carriers a substantial windfall.

We therefore decide that each carrier will be awarded its own level of surcharge based upon its own particular cost picture. Our order herein will permit carriers to file tariffs reflecting additional amounts not in excess of their own security costs. This will mean that, in the alternative, carriers flying in competition with lower cost carriers in corridor markets may file tariffs which will be equal to those of the low-cost carrier (in this case, TWA). This will allow competition to continue within the corridors while at the same time a high cost carrier serving many small airports, such as Hughes Airwest, may file tariffs correctly reflecting the costs for the low volume non-corridor markets.

Level of Charges - Generally

The parties to this proceeding have not made the Commission's work in setting levels of charges for the various carriers easy. The briefs dwell almost exclusively on generalities. The exhibits of the carriers reflect estimates of costs intended to result in showing the Commission that the applied-for "average" charges are within the zone of reasonableness. The staff filed two reports on screening expenses, since the Transportation Division and the Finance and Accounts Division did not agree upon depreciation and the method of determining which screening costs have already been recovered in existing fare levels (without surcharges).

We are thus left with a record that can do no more than produce a reasonable rough estimate for the costs of each airline. A finer result, however, will ultimately obtain without surcharges; that is, henceforward we can consider, in an ordinary rate increase case, the total costs of terminal personnel and security guards and equipment, without assigning dollar amounts to specific functions.

In the discussions which follow, no further reference will be made to Air California and Holiday Airlines. As stated previously, those two carriers have already been afforded rate relief which discontinued the surcharges and included security costs as part of the basic fares. Their applications herein will, for this reason, be dismissed.

Unrecovered Costs

PSA (and apparently the other carriers) feel they should recover costs connected with the 100 percent screening from the date of its institution until the date of interim relief. This would violate the well-established rule against retroactive rate relief. (Pacific Tel. and Tel. Co. v Public Utilities Commission (1965) 62 Cal 2d 634.) The CAB reached a similar result in Docket 25315, Order 73-3-46. The Board's later decision did not modify this part of the initial decision.

Passenger Projections

The staff used the same passenger projections for both surcharges. The carriers claim these forecasts predict an excessive number of passengers because they did not consider the effect of fuel shortages, which caused a curtailment of flights and the necessity for offset rate relief.

The testimony of staff witness Katz (Tr. 468-482) shows that in spite of the fuel problem, passenger growth continued, based upon originations from California airports. The witness' testimony

indicated he tested his projections against recorded information for the early months of 1974. Those tests indicated, in certain instances, an increase in passengers notwithstanding a decrease in operations.

We believe that the validity of those projections has been sufficiently established and they will be adopted for this proceeding.

Passenger Screening

Costs in this category relate to personnel and equipment necessary to search passengers and baggage prior to boarding.

Before discussing charges for the different carriers it is necessary to consider the depreciation period which should be allowed for the X-ray machines and other equipment and installations at various airports. We adopt a five-year period. This period is applicable to the partition installed by PSA in Los Angeles which will be altered or removed in the near future to rearrange the boarding area to accommodate L-1011 aircraft; however, it appears to be constructed in such a way that it can be moved and used elsewhere; hence we believe it should also have a five-year life and a $10,000-salvage value. We consider the fifteen-year life for this partition suggested by the Finance and Accounts witness to be too long.

Western Airlines points out that an additional x-ray machine has been ordered and is intended for installation in the near future. We agree that the inclusion of this additional machine is appropriate, and this should also be assigned a five-year depreciation period.

Estimates on depreciation varied from eight years (so that, according to the Finance and Accounts witness, Mr. Chow, full use of investment tax credit could be made) to three years (by the Transportation Division witness). With constant improvement in technique

and in the design of X-ray equipment, we believe that eight years is excessive, notwithstanding the financial advantage of 100 percent use of investment tax credit. The three-year figure was based in part (according to Transportation Division witness, Mr. Ohanian) on possible hazards connected with present X-ray equipment and rapid obsolescence. The latest information available during the hearings indicated the probability of resolving at least some of the safety problems. We therefore select a five-year depreciation period as a reasonable judgmental figure. This period was adopted by the CAB in its security charges investigation (Docket 25315) and thus the CAB carriers will be able to use the same rate interstate and intrastate.

The Transportation Division and the Finance and Accounts Division differed on the method of determining screening costs already recovered in existing fare levels (without surcharges). This accounted for most of the difference in the estimates of the two divisions. The table below shows these differences, after adjustment to reflect a five-year depreciation period (including the salvage value of PSA's Los Angeles partition):

Carrier	Transportation Division	F&A Division
Airwest	20¢	10¢
PSA	17	16
TWA	13	7
United	21	7
Western	17	11

There is no change to the Finance and Accounts estimate for Airwest because no X-ray machines were included in the costs, and therefore there is no depreciation adjustment. Because of PSA's large number of estimated passengers (over 7 million) the adjustment due to the change in depreciation is less than one cent. In some other instances, there is no difference between the figures appearing in

the exhibits of the two divisions and those in this table because all figures have been rounded to the nearest cent, and the difference in the estimates before and after the aforementioned adjustments is not enough to raise or lower the figures to the next whole cent.

The Transportation Division included a salary increase for PSA Antihijacking, Inc. employees effective January 1, 1974 which should be reflected in the level of charge.

The witness for Finance and Accounts estimated the cost for each airline by first determining a preexisting cost level for screening costs which he felt were already recovered. This was ascertained from data available regarding the costs of outside services for screening, and it did not include any estimate of the use of the airlines' own personnel, since, according to the witness, making a proper apportionment was not possible from data available. TWA's and United's data were not included in determining this level because of unavailability of records in California. The preexisting cost level was subtracted from what in the witness' opinion was the total cost level for 1974.

The total cost level was calculated by using third quarter 1973 screening costs (since 100 percent screening was fully operational by that time) and annualizing such costs. The carriers were critical of this method because they felt it resulted in the use of 1973 costs against 1974 traffic projections. According to the witness, this did not occur because after he computed the 1973 third quarter costs and annualized them, he then added what he believed to be all the verified estimated cost increases for 1974 (as previously discussed, he disallowed one X-ray machine for Western, which we are including).

The Finance and Accounts estimates exclude certain amounts for salaries paid to airline employees hired at or after the termination of certain "contract" screening services (meaning outside personnel hired from security guard companies for this purpose).

The Transportation Division witness attempted to disallow costs not relevant to screening, or those already recovered,[5/] but differed from the Finance and Accounts witness in that it was the Transportation Division witness' opinion that upon the termination of the contract services for screening, some of the hiring of additional airline counter and ramp personnel would have to be apportioned to screening functions. He made a survey regarding the screening at various major airports, by personal observation in some cases, and also by telephone, and arrived at an apportionment.

This was not done with PSA since that airline used PSA Antihijacking, Inc. personnel and therefore costs were directly ascertainable (both staff witnesses ascertained directly the PSA costs because of this).

While both approaches are within the zone of reasonableness, we believe we should adopt the Transportation Division's estimates. The Finance and Accounts Division's figures, though they include PSA's costs for screening on a continuing basis, appear to exclude all or almost all of the screening functions performed by the airlines' own personnel as of the cancellation of outside service contracts for the screening function. We think it more accurate to assume that, as of that time, some percentage of the hiring of additional counter and ramp personnel must be attributed to the necessity for screening, although, admittedly, this percentage cannot be calculated with nice accuracy.

5/ The Transportation Division's exhibit indicated a total disallowance for X-ray machines. Witness Ohanian corrected this to indicate that this referred to the small hand-held magnetometers, which were paid for by the FAA.

In Pacific Southwest Airlines, Decision No. 81793 dated August 21, 1973 (Application No. 53525), which was the most recent general rate increase case for that carrier, the Commission stated (p. 11):

> "During the course of the hearings, plans for airline antihijacking measures were announced by the Federal Government, but such plans had not been finalized. As a consequence, the staff did not include any additional expense in its test-year estimate for additional security measures. After the close of the hearings, the several airlines that conduct California intrastate operations with jet aircraft applied to this Commission and were granted authority to establish, on an interim basis, an increase of $0.34 in the amount collected from each passenger transported within California to cover security costs.[3/] Applications have also been filed to assess a charge of $0.25 per passenger for armed guards required by Federal regulations. Inasmuch as security and armed guard expenses are the subjects of other proceedings, such expenses and the increased revenues necessary to offset such expenses will not be considered herein."

Nothing in the record in that proceeding suggests that those costs were not, in fact, excluded; therefore, we must assume for the purposes of this decision that PSA is entitled to recover its security costs which antedate that decision (subject to the "retroactive ratemaking" prohibition, discussed above).

Expenses for Armed Guards

Our previous interim order herein established a uniform charge of 12 cents (Decision No. 82190 dated December 4, 1973). The guards are not airline employees, but are furnished by the airports. The airports (except as discussed below) bill the carriers for what the airports consider to be each carrier's fair share. The methods of determining what the carriers should be billed vary from airport to airport. These costs are directly ascertainable.

The Finance and Accounts and Transportation Divisions filed a joint report regarding these expenses, which used Mr. Katz's passenger projections as a basis for determining the "per passenger" costs.

All but very minor differences between the airlines' estimates and the staff's are due to differences in estimated passengers. Since we have adopted the staff's projections, we will adopt the staff's recommended levels for these charges.

The only other mathematically significant difference between the staff's and the carriers' estimates which should be noted is caused by the staff's disallowance of estimated charges at San Diego Airport, since that airport had rendered no bills and the best evidence was to the effect that San Diego did not intend to bill the airlines for guards in the near future (apparently because the present landing fees were adequately covering guard expenses). This disallowance is appropriate.

The staff exhibit sets out the level of charge for each carrier for armed guards as indicated in the column "armed guards" below. The table indicates our adopted levels for the total security charges to be added to intrastate air fares.

Adopted Levels - Security Charges

Airline	Passenger Screening	Armed Guards	Total
Airwest	20¢	26¢	46¢
PSA	17	10	27
TWA	13	11	24
United	21	13	34
Western	17	10	27

Accounting Provisions

As mentioned, Decisions Nos. 82190 and 82191 established accounting provisions for revenues and expenses. Since these have previously been abolished for Holiday Airlines and Air California, they should, by this decision, be abolished for the remaining airlines concurrently with the filing of tariffs which will incorporate the increases into the basic fares and eliminate the surcharges. There is no showing that during the period of the intrastate surcharges, any carrier who is a party to this proceeding earned an excess rate of return; therefore, it is not necessary to require any applicant herein to hold or make any special use or distribution of the difference between revenues and expenses, or the difference between the interim and the final charge.

Rounding of Fares

There were various proposals for rounding fares to avoid odd-cent fares which might result from surcharge levels set herein. The carriers are not uniform in the manner of rounding fares. Our order will provide for an optional rounding-down to the nearest even amount. Each carrier may determine for itself whether "nearest even amount" shall mean the nearest dime, quarter, half-dollar, or dollar. The carriers may consider inclusion of taxes required to be added to fares in determining the even amount.

We recognize the implications of the low-cost carrier problem (Pacific Southwest Airlines, supra) as applied to the "rounding down", and understand that certain carriers may elect to adopt a lower figure than simply called for by rounding down fares, in order to compete in certain markets with the low-cost carrier (in this case, TWA).

Findings

1. Federal Aviation Regulations require, and will continue indefinitely to require, 100 percent screening of passengers who board the aircraft of the applicants.

2. Federal Aviation Regulations require, and will continue indefinitely to require, the presence of armed guards at boarding areas.

3. The screening of the passengers and their baggage is required of the airlines themselves, who must bear their own costs for such screening.

4. Costs of furnishing armed guards are, for the most part, being passed on to the carriers by the airports.

5. These costs must now be considered as permanent and ordinary costs of doing business; therefore, the continuation of separately stated surcharges to recover these costs is inappropriate.

6. Mathematical computation of the amounts to be added to existing passenger fares should be done on a "per passenger" basis, and separately by carrier.

7. The level of the charges found reasonable to be included in the fares upon the cancellation of the surcharges is as set forth in the tabulation appearing on page 18, above, under the column entitled "total".

8. Rounding down of fares to even amounts should be permitted in the manner discussed in the opinion.

FINAL ORDER

IT IS ORDERED that:

1. The applications of Air California, Inc. (Applications Nos. 53987 and 54106) and of Holiday Airlines, Inc. (Applications Nos. 54062 and 54247) are dismissed.

2. The remaining applicants shall cancel their intrastate security surcharges and are authorized to file tariffs increasing intrastate fares in an amount which will reflect security costs on a per-passenger basis, as follows:

Hughes Air Corp., dba Hughes Airwest	46¢
Pacific Southwest Airlines	27
Trans World Airlines, Inc.	24
United Air Lines, Inc.	34
Western Air Lines, Inc.	27

3. The fares established as a result of this order may be rounded down to an amount which will reflect an even fare after taxes.

4. Carriers may reduce the amount of security charges to be included in fares to maintain fare parity with the low-cost carrier in any market, without recoupment by way of charging any amount greater than specified in Ordering Paragraph 2 in another market.

5. The accounting provisions required by our interim orders herein (Decisions Nos. 82190 and 82191) are terminated, effective with the cancellation of the surcharges by filing the tariffs specified herein.

6. Tariff publications authorized to be made as a result of this order shall be filed on or after the effective date of this order, shall be made effective on no more than five days' notice to the Commission and to the public, and shall be filed no later than January 24, 1975.

7. Such tariff filings shall comply with the long- and short-haul provision of Public Utilities Code Section 461.5.

8. The petition for a proposed report of the examiner is denied.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th day of DECEMBER, 1974.

President

Commissioners

APPENDIX A

LIST OF APPEARANCES

Applicants: Donald Keith Hall, Gerald P. O'Grady, and Ernest T. Kaufmann, Attorneys at Law, for Western Air Lines, Inc.; Gordon E. Davis and James Baum, Attorneys at Law, for United Air Lines, Inc.; Mark T. Gates, Brownell Merrell, Jr., Laurence Guske, Attorneys at Law, and Paul Barkley, for Pacific Southwest Airlines; Richard A. Fitzgerald and Parlen L. McKenna, Attorneys at Law, for Hughes Air Corporation d/b/a Hughes Air West; Philip D. Roberts and George W. Shiles, for Holiday Airlines Corporation; Robert Silverberg and Robert E. Lusk, Attorneys at Law, for Trans World Airlines; and Vincent P. Master, Edward J. Pulaski, and Frederick R. Davis, Attorneys at Law, for Air California.

Protestant: Raymond W. Schneider, Humboldt County Counsel, for County of Humboldt.

Interested Parties: Dave Zebo, for County of Humboldt, and Robert L. Pleines, Deputy County Counsel, for County of Sacramento.

Commission Staff: Elmer J. Sjostrom, Attorney at Law, William H. Well, A. L. Gieleghem, and Richard Brozosky.