

ORIGINAL

Decision No. 84063

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of UNITED AIR LINES, INC.,
for authority to increase intrastate
air freight rates.

Application No. 55254
(Filed October 17, 1974)

O P I N I O N

United Air Lines, Inc. (United) is a common carrier by air of passengers and property between points in the United States, including the State of California. In this State United operates in intrastate as well as in interstate commerce, providing local service between various California cities.

United requests authority to increase its California intrastate air freight rates. United seeks to increase the general commodity minimum charge to \$10.00 (from \$6.00) and to raise the per 100-pound rate to \$7.10. The present per 100-pound rates range from \$6.90 for shipments over 100 pounds to \$4.95 for shipments of 10,000 pounds or more. Between Los Angeles and Oakland/San Francisco the present rates range from \$4.38 to \$3.23 per 100 pounds. United seeks to eliminate rate differentials by length of haul and to cancel all commodity rates. No change is proposed for the rates in

United's Intrastate Local Air Freight Small Package Tariff No. UPS-1. The present and proposed general freight rates are set forth in the margin.^{1/}

Exhibit C to the application is an income statement for United's operations for year ended December 31, 1973. The operating results for United's California operations are based on allocation methods approved by the Civil Aeronautics Board (CAB) and used by United in prior applications to this Commission. Using CAB allocation methods, United's California operations were conducted at a loss in the year ended December 31, 1973.

The application contains the following justification for the sought freight rate increases: Applicant's California intrastate freight revenue in 1973 was \$732,253. Its allocated cost for the same period was \$1,007,314. The result was an operating loss on California intrastate air freight operations of \$275,061. At proposed rates, the revenue for the same traffic in 1973 would have been \$959,212 and the operating loss would have been \$48,102. There

^{1/} United's present and proposed general freight rates in California intrastate service:

	<u>Present Rate</u>	<u>Proposed Rate</u>
Minimum Charge	\$6.00	\$10.00
<u>Rates Per Hundred Weight</u>		
100 Pounds	6.00 ^{1/}	7.10
1,000 Pounds	6.00 ^{2/}	7.10
2,000 Pounds	5.65	7.10
3,000 Pounds	5.30	7.10
5,000 Pounds	5.05	7.10
10,000 Pounds	4.95	7.10

- ^{1/} \$6.90 between San Diego and Oakland, San Francisco, and Sacramento.
\$6.75 between San Diego and Stockton.
- ^{2/} \$6.15 between San Diego and Oakland, San Francisco, Sacramento, and Stockton.

have been substantial increases in the cost of operations in 1974, particularly in the price of jet fuel. Hence, even greater operating losses on intrastate air freight would be expected in 1974.

The lower large volume and special commodity rates in applicant's present Tariff 12-A were instituted for the purpose of generating large volume movements from surface transportation to air freight. Experience has shown that these rates have not accomplished their desired objective. Because of applicant's fleet characteristics, there are no significant economies in large volume shipments, and the present lower rates for 1,000 pounds and larger shipments should be discontinued. The proposed basic rate of \$7.10 per 100 pounds is the same as that provided in the intrastate tariff of Continental Air Lines, Inc., and the minimum charge of \$10.00 equals that provided in the intrastate tariff of Trans World Airlines, Inc. Length of haul differences within California are minor. Experience with the existing rates has shown that the higher rates for longer hauls, applicable only to certain traffic to and from San Diego, only serve to unnecessarily complicate the rate structure. Applying the proposed blanket rate for all intrastate traffic without regard to origin and destination does not unduly burden short-haul traffic since the proposed rates do not fully recover all distance related costs even for the shorter lengths of haul.

The application was served in accordance with Commission rules. Notice of the filing of the application appeared on the Commission's Daily Calendar. In addition, service was made on November 19, 1974 to California Brewers Association, California Farm Bureau Federation, California Manufacturers Association, California Retailers Association, and Cannery League of California. No protest to the granting of the application or request for public hearing has been received.

In the circumstances, the Commission finds:

1. United's California intrastate passenger and freight operations were conducted at a loss in 1973.
 2. The increased revenue from the freight rates sought herein would not cause United's California intrastate operations to be profitable.
 3. Simplification of applicant's tariff structure as proposed herein will provide reasonable rates.
 4. The increased freight rates proposed herein are justified.
 5. A public hearing is not necessary.
- The application should be granted.

O R D E R

IT IS ORDERED that:

1. United Air Lines, Inc. is authorized to increase its California intrastate air freight rates as proposed in Application No. 55254.
2. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and may be made effective not less than ten days after the effective date of this order on not less than ten days' notice to the Commission and the public.

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

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

Dated at San Francisco, California, this 11th
day of FEBRUARY, 1975.

Vernon L. Stinger
President
William L. Lyons
Edward Ross
Commissioners