

ORIGINALDecision No. 84145

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 VALLEY AIRLINES, INC., d.b.a.
 PNA-PACIFIC NORTHWEST AIRLINES
 for an ex parte Order or expedited
 authority to increase its fares.

Application No. 55415
 (Filed December 26, 1974)

INTERIM OPINION

Valley Airlines, Inc., dba PNA-Pacific Northwest Airlines, is a passenger air carrier. It here seeks authority to increase its passenger fares by approximately \$10,000 per year. Applicant commenced operations in 1968 and has not heretofore requested to increase its fares. Applicant asserts that increases in fares are necessary to compensate for unprecedented increases in the cost of aviation fuel. It also desires to revise its fare structure to provide the same fares from San Jose and Oakland to other points on its system. The present and proposed fares are tabulated in Appendix A.

In its application applicant set forth the effect of the increased fuel costs on operations between Fresno and San Jose during the first six months of 1974 as follows:

Flights operated between San Jose - Fresno	378
Total gallons fuel consumed	17,010
Cost of fuel @ 43¢ per gallon	\$7,314.30
Current cost of fuel @ 65¢ per gallon	\$11,056.60
Increase in fuel cost	\$3,742.30
Number of passengers carried	1,216
Increased cost per passenger	\$3.07

Applicant proposes a \$3.07 increase in its San Jose - Fresno fare to \$16.07 and to establish the \$16.07 fare between Oakland and Fresno, an increase of \$.79. The latter increase reflects only an increase in fuel costs of 6¢ per gallon. The other proposed fare increases reflect an increase in fuel costs of approximately 6¢ per gallon except in connection with the

San Jose - Monterey fare which is somewhat higher because of being adjusted to conform to the proposed Oakland - Monterey fare.

The application does not contain the statements required by Rule 23 of the Commission's Rules of Practice and Procedure. Applicant asserts that because of losses being sustained the authority to increase its fares is urgent.

The Commission has heretofore been made aware of operating and financial problems encountered by applicant. (Application of Swift Aire Lines, Inc., Decision No. 81968 dated October 2, 1973 and Decision No. 82380 dated January 22, 1974, and Application of Valley Airlines, Inc. and Ram Airlines, Application No. 54858.) We are also fully cognizant of the substantial increases in the costs of aviation fuel incurred by passenger air carriers. (Applications of Pacific Southwest Airlines et al., Decision No. 83814 dated December 10, 1974.) On September 5, 1973 applicant ceased operations pursuant to order of the Federal Aviation Administration. It reinstituted service on a substantially reduced basis on October 2, 1973. During a period in 1974 applicant's flight operations were conducted by Ram Airlines. It ceased its operations to Sacramento. Applicant has been incurring substantial increases in fuel costs and it is in urgent need of the revenues that the proposed fare increases will provide.

Copies of the application were served and notice of the filing of the application was made in accordance with the Commission's procedural rules. There are no protests. The requirements of Rule 23 of our Rules of Practice and Procedure are waived.

We take official notice of our order entered January 7, 1975 in Case No. 9852 instituting an investigation of whether any or all of Valley's certificated authority to conduct passenger air carrier operations should be suspended or revoked because of inability to perform all or part of the certificated services or to conform to the law and to the rules and regulations of the Commission. Our staff has informed us that it has received 29 letters of complaint stating that Valley has not refunded fares for canceled flights. Rule 8 of Valley Airlines Local Passenger Tariff No. 1 provides that it will make refund upon surrender of the ticket. Rule 6 of the Commission's General Order No. 105-A requires air transportation companies to observe the rates and rules specified in their tariffs.

Although the Commission has instituted an investigation of whether any or all of Valley's certificates should be revoked, public hearings have not yet been held to determine the truth of the matters reported or to permit the Commission to consider whether it should exercise its suspension and revocation powers. There is a reasonable possibility, however, that unless applicant obtains the additional revenues that would result from the proposed increased fares financial circumstances may necessitate its discontinuing operations prior to any determinations by the Commission of whether a discontinuance of applicant's service would or would not be in the best interest of the public.

The level of service of a common carrier and its rate practices are material to the issues of the reasonableness of the carrier's fares and the justification for proposed increases in fares. After consideration of all of the circumstances we are of the opinion that the unprecedented increases in fuel prices together with applicant's current financial condition provide an emergency situation justifying the granting to applicant authority to establish the proposed fares on an interim basis pending further proceedings. The authorized increase is approximately \$10,000 per year.

We place applicant on notice that if in proceedings in Case No. 9852 evidence is presented that will support the findings under which the Commission may exercise its powers under Section 2755 of the Public Utilities Code, failure by applicant to refund fares for canceled flights as required by the provisions of its tariff will be considered by us and may result in revocation of applicant's certificates.

INTERIM ORDER

IT IS ORDERED that:

1. Pending further order herein Valley Airlines, Inc. is authorized to establish interim fares equal to the increased fares proposed in Application No. 55415. Tariff publications authorized to be made as a result of this order shall be made effective on not less than five days' notice to the Commission and to the public.

2. The authority shall 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 4th day of MARCH, 1975.

William L. Stinson
President
William J. Quinn
Edna
Leonard Ross
Commissioners

APPENDIX A

VALLEY AIRLINES, INC.

Present and Proposed Fares

<u>Between</u>	<u>And</u>	<u>Present Fare No Tax</u>	<u>Proposed Fare No Tax</u>	<u>Proposed Increase In Fare</u>	<u>Proposed Fare With Tax</u>
San Jose	Bakersfield	\$26.39	\$27.54	\$1.15	\$29.75
San Jose	Monterey	10.00	13.66	3.66	14.75
San Jose	Santa Barbara	26.39	27.54	1.15	29.75
San Jose	Oakland	11.11	11.34	.23	12.25
San Jose	Fresno	13.00	16.07	3.07	17.35
Oakland	Fresno	15.28	16.07	.79	17.35
Oakland	Bakersfield	26.39	27.54	1.15	29.75
Oakland	Monterey	12.96	13.66	.70	14.75
Oakland	Santa Barbara	26.39	27.54	1.15	29.75
Bakersfield	Fresno	14.35	14.81	.46	16.00
Monterey	Santa Barbara	23.15	24.07	.92	26.00