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Decision No. 84238

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

APPLICATION OF EUREKA AERO INDUSTRIES, INCORPORATED, FOR AN EX-PARTE ORDER TO INCREASE ITS INTRASTATE PASSENGER FARES.

Application No. 55278
(Filed October 29, 1974; amended December 13, 1974)

O P I N I O N

Eureka Aero Industries, Incorporated is a passenger air carrier providing service between Eureka, Red Bluff, Chico, Marysville, Sacramento, Oakland, and Santa Rosa. It here requests authority to increase fares from and to all points except Santa Rosa and from Red Bluff to Eureka via Sacramento as follows:

From/To	Present Fares		Proposed Fares		Increase
	Base	With Tax	Base	With Tax	(Before Tax)
Eureka-Oakland	$24.76	$26.74	$29.63	$32.00	$4.87
Eureka-Sacramento	23.15	25.00	27.78	30.00	4.63
Eureka-Marysville	20.37	22.00	25.00	27.00	4.63
Eureka-Chico	18.52	20.00	23.15	25.00	4.63
Eureka-Red Bluff	16.67	18.00	21.30	23.00	4.63
Red Bluff-Oakland	18.52	20.00	23.15	25.00	4.63
Red Bluff-Sacramento	17.59	19.00	21.30	23.00	3.71
Red Bluff-Marysville	12.96	14.00	16.67	18.00	3.71
Red Bluff-Chico	7.41	8.00	9.26	10.00	1.85
Chico-Oakland	16.67	18.00	21.30	23.00	4.63
Chico-Sacramento	15.74	17.00	19.44	21.00	3.70
Chico-Marysville	9.26	10.00	11.11	12.00	1.85
Marysville-Oakland	15.74	17.00	20.37	22.00	4.63
Marysville-Sacramento	9.26	10.00	11.11	12.00	1.85

Applicant has not adjusted the above fares since it commenced operations in August 1972. Applicant sets forth the following reasons for the requested increase:

1. Aviation fuel costs have increased roughly 40 percent since August 1972.

2. Applicant is now flying a DeHavilland DHC-6 Twin Otter Turboprop, which requires 90 gallons of fuel per hour as contrasted with the aircraft formerly used, which required 30 gallons of fuel per hour. The Twin Otter Turboprop also necessitates two crew members instead of one, and landing fees at the various airports are higher due to a higher gross weight factor.
3. Applicant has incurred higher investment costs in servicing the route because of the purchase of the Twin Otter Turboprop and, in fact, investment costs are approximately three times what they were in August 1972 although the Twin Otter Turboprop has only 15 passenger seats, as contrasted with the aircraft formerly used, which had nine passenger seats.
4. Salaries of pilots, crewmen, and maintenance men have gone up a minimum of 5-1/2 percent per year since August 1972.
5. Insurance premiums have increased substantially since August 1972.
6. Revenue produced by service to Loomis Courier has decreased $1,643.00 per month, due to loss of United California Bank media.

A statement of projected income and expenses for the period November 1, 1974 to October 31, 1975 inclusive (Exhibit B of the Amendment to Application), discloses anticipated operating losses in passenger service of over $34,000.

In a report dated January 22, 1975, which is hereby received as Exhibit 1, the Commission's Transportation Division staff has informed us that under present fares for the period November 1, 1974 to October 31, 1975 applicant would incur a loss of $24,900. The staff adjusted applicant's figures so as to eliminate interest expense. The report projects that under the fares proposed, applicant will realize net income before taxes of $19,800 and an operating ratio of 93.1 percent. The Commission's Transportation and Finance and Accounts Divisions recommend that the application be granted.

Notice of the filing of the application was made pursuant to the Commission's Rules of Practice and Procedure. No protests have been received.

Findings

1. Applicant has not adjusted the fares for which it here seeks an increase since August 1972.

2. Applicant is now utilizing a larger aircraft which requires a larger crew, uses more fuel, and incurs higher landing fees.

3. Applicant's costs have increased since commencement of operations in August 1972.

4. The proposed fares will result in an increase in gross revenues of approximately $44,700 annually.

5. The fare increases proposed are justified.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Eureka Aero Industries, Incorporated is authorized to establish the increased fares proposed in amendment to Application No. 55278. 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 earlier than ten days after the effective date of this order on not less than ten 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.

3. The tariff filings made pursuant to this order shall comply with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order No. 105-Series.

4. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its terminals a printed explanation of its proposed fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 25th day of MARCH, 1975.

Vernon L. Sturgeon
President

William Symons Jr.

Leonard Ross
Commissioners