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Decision No. 84427

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of TRANS WORLD AIRLINES, INC., for authority to increase certain intrastate passenger fares. }

Application No. 55582  
(Filed March 24, 1975)

O P I N I O N

By this application, Trans World Airlines, Inc. (TWA) seeks authority to increase its intrastate first class and military standby passenger fares. The increased fares for which authority is sought correspond to those applicable between competitive points authorized to United Air Lines, Inc. (United) and Western Air Lines, Inc. (Western) by Decision No. 83814 dated December 10, 1974.

The present and proposed intrastate first class and military standby fares, the applicable tax, and the resulting amount of increase proposed are set forth in Appendix A attached hereto.

In support of this application applicant alleges as follows:

Applicant is engaged in intrastate and interstate air transportation of passengers, property, and mail. It also performs international air service between the United States and various points in Europe and the Near East. Its intrastate services in California include service to and from Los Angeles, San Francisco, and Oakland. Applicant utilizes for its California intrastate passenger operations Boeing 727, 707, and 747 equipment, as well as L-1011 equipment.

Applicant's present intrastate first class fare between Los Angeles, San Francisco, and Oakland became effective October 26, 1974.<sup>1/</sup> Applicant's intrastate military standby fares between Los Angeles, San Francisco, and Oakland were authorized by Decision No. 76661 and became effective January 28, 1970. By Decision No. 83939 dated December 30, 1974 applicant's intrastate first class and military standby fares were increased to enable the applicant to recover the costs of special security precautions required by the Federal Aviation Agency.

By Decision No. 83814 dated December 10, 1974, the Commission granted PSA (as well as Western and United) authority to increase intrastate jet fares between Los Angeles and San Francisco based on the increased cost of aviation jet fuel. It is well settled that the Commission has historically considered PSA to be the ratemaking carrier in the California intrastate jet commuter market.<sup>2/</sup> In addition, the Commission has noted in prior decisions that competition between Western, PSA, United, and the applicant, will not permit one of them to maintain commuter air fares substantially different from those of its competitors.<sup>3/</sup>

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1/ On that date TWA eliminated its executive class fare and decreased its first class fare to the level offered by United and Western in the markets involved.

2/ In Decisions Nos. 81921 (Western Air Lines, Inc.), 81922 (United Air Lines, Inc.), and 83814, the Commission noted that PSA is the faremaking carrier in the California corridor.

3/ Decision No. 78206 in Application No. 52361 (Western Air Lines, Inc.), Decision No. 75899 in Application No. 50847 (PSA).

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Additionally, by Decision No. 83814 the Commission granted to United and Western increases in first class and military standby fares in the markets in which applicant offers service.

On the basis of applicant's estimate of intrastate traffic during the 12 months ended December 31, 1974, application of the proposed fares to the Los Angeles-San Francisco route would have resulted in a revenue increase as set forth in Table 2 below.

TABLE 2  
TRANS WORLD AIRLINES, INC.  
Domestic Scheduled Service - Passenger  
Effect of the Proposed Fare Changes on  
Revenues for the Year Ended December 31, 1974  
Los Angeles-San Francisco/Oakland

	<u>First Class</u>	<u>Military Standby</u>	<u>Other</u>	<u>Total</u>
Present Fare (1)	\$26.62	\$13.24	\$19.21	
Proposed Fare (1)	27.18	15.37	-	
Revenue Increase per Passengers	0.56	2.13	-	
On-Board Passengers				384,357
% Intrastate of Total (2)	1.5%	(3)	18.6%	20.1%
Intrastate Passengers	5,708	81	71,370	77,159
Revenue Increase	\$3,196	\$172	-	\$3,368

(1) Present and proposed fares include \$0.23 security surcharge.

(2) Percentage of intrastate passengers to on-board passengers in these markets.

(3) Less than 1/2%.

NOTE: Passengers traveling Oakland-Los Angeles must travel over the San Francisco-Los Angeles segment and are included as on-board passengers. Thus revenue increases from fares in the Oakland market are included in the above calculation. Also, company records indicate that Oakland-San Francisco O&D passengers are negligible and thus there is no revenue impact from fare increases between Oakland and San Francisco.

Applicant asserts that the public interest would be served by maintaining uniformity of fares among air carriers offering similar services in the affected market, and that such uniformity of fares would maintain historical fare relationships among the major carriers providing intrastate service within California.

The application states that in view of the operating losses now being incurred by applicant from its California intrastate operations over the routes involved and the desirability of maintaining a parity of intrastate first class and military standby fares published by applicant and United and Western, respectively, the Commission is requested to act on this application without a hearing.

The application was served in accordance with Commission rules and notice of the filing of the application appeared on the Commission's Daily Calendar. There are no protests.

#### Findings

1. TWA is a common carrier of passengers by air serving points in California.
2. TWA seeks to increase its intrastate first class and military standby fares to levels heretofore authorized to competing air carriers.
3. The increased annual revenue that will result from the higher fares sought herein is estimated to be \$3,368.
4. The increases in fares proposed in the application are justified.

#### Conclusion

TWA should be authorized to establish the increased fares proposed in the application.

O R D E R

IT IS ORDERED that:

1. Trans World Airlines, Inc. is authorized to increase its passenger air fares as proposed in Application No. 55582. 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 five days after the effective date of this order 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.

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.

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

Dated at San Francisco, California, this 13<sup>th</sup>  
day of MAY, 1975.

Vernon L. Sturgeon  
President  
William J. Sullivan  
James H. Sullivan  
John H. Sullivan  
Commissioners

APPENDIX A  
 TRANS WORLD AIRLINES, INC.  
 Domestic Scheduled Service - Passenger  
 TWA's Present and Proposed  
Intrastate Fares

		FIRST CLASS					
<u>Between</u>	<u>And</u>	<u>Present Fare</u>			<u>Proposed Fare</u>		
		<u>Fare</u>	<u>Tax</u>	<u>Total</u>	<u>Fare</u>	<u>Tax</u>	<u>Total</u>
Los Angeles	Oakland	\$26.62	\$2.13	\$28.75	\$27.18	\$2.17	\$29.35
	San Francisco	26.62	2.13	28.75	27.18	2.17	29.35
Oakland	San Francisco	9.17	0.83	9.90	11.11	0.89	12.00

		MILITARY STANDBY					
<u>Between</u>	<u>And</u>	<u>Present Fare</u>			<u>Proposed Fare</u>		
		<u>Fare</u>	<u>Tax</u>	<u>Total</u>	<u>Fare</u>	<u>Tax</u>	<u>Total</u>
Los Angeles	Oakland	\$13.24	\$1.06	\$14.30	\$15.37	\$1.23	\$16.60
	San Francisco	13.24	1.06	14.30	15.37	1.23	16.60
Oakland	San Francisco	7.22	0.58	7.80	8.89	0.71	9.60