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Decision No. 84598

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of UNITED AIR LINES, INC.,)
for authority to increase intrastate)
passenger fares.)

Application No. 55615
(Filed April 10, 1975;
amended April 15, 1975)

INTERIM OPINION

United Air Lines, Inc. (United) operates as a common carrier by air of passengers and property between points located in various states of the United States, including the State of California, and British Columbia and Ontario in Canada. In the State of California, applicant operates in intrastate as well as interstate commerce providing local services between various California cities, as well as service between these cities and points in other states.

In this application United seeks authority to increase by 8.2 percent its intrastate coach and commuter air fares between Los Angeles, San Diego, San Francisco/Oakland, Stockton, and Fresno; and to increase its first class fares between Los Angeles and San Francisco/Oakland. Children's fares are sought to be established at 50 percent of the corresponding full fare. The application states that in those markets where United competes directly with Pacific Southwest Airlines (PSA), the proposed increased jet commuter or jet coach fares are the same as those requested by PSA in its request for interim fare relief contained in the Second Amendment to its Application No. 55160. United seeks authority to increase its first class Los Angeles - San Francisco fare by 8.2 percent in order to maintain and improve existing fare relationships.

The application contains the following statements in support of the relief sought: In many of its intrastate markets, United's fares have been approved by the Commission on the basis of PSA's operations, considering PSA to be the fare-making carrier. United has for some time conducted its California intrastate operations at a net loss. These losses have been documented in earlier filings with the Commission and recognized by the Commission in the decisions authorizing the existing fares. This situation continues to prevail, as evidenced by the fact that during the 12 months ended June 30, 1974, United incurred a loss of \$10,052,653 from interstate and intrastate operations within California. As shown by Exhibit C to the application, United's operations during that period over the route segments to which the increased fares would apply were conducted at a loss of \$6,080,897. By matching the fare increases sought by PSA, United seeks to maintain the historical parity between the competitive fares of these carriers and to reduce in some measure the operating losses incurred by United from its California operations.

Decision No. 84544 issued June 17, 1975 in Application No. 55160 authorized PSA to increase its fares on an interim basis by 6.5 percent.

United estimates that during the 12 months ended December 31, 1974, it carried 745,928 intrastate passengers between the points and in the classes of service which would be subject to the proposed increased fares. Applying the proposed increased fares to this volume of traffic would produce estimated additional annual revenue of approximately \$1,056,000, as more fully set forth in Exhibit B to the application.

Fares based on the interim fares authorized to PSA would produce approximately \$837,000 additional annual revenue for United. Such additional revenue would not eliminate United's losses for its operations in the California markets in which fare increases are sought herein.

United requests that the Commission issue its order finding that the fares proposed herein are reasonable and authorizing them to become effective on five days' notice.

Findings

1. United seeks authority in Application No. 55615, as amended, to increase its commuter and coach fares in California markets directly competitive with PSA and its Los Angeles - San Francisco/Oakland first class fare by amounts similar to those authorized to PSA in Application No. 55160. It also seeks to establish its children's fares at 50 percent of the corresponding full fare.

2. PSA was authorized an interim increase in its air fares of 6.5 percent.

3. The financial data submitted with Application No. 55615 show that United's operations in the markets here under consideration were conducted at a loss in the year 1974, and if the proposed increased fares were authorized, such losses would not be eliminated.

4. The Commission historically has considered PSA to be the low-cost ratemaking carrier in the California corridor and, in the past, has authorized other passenger air carriers to raise their commuter air fares to the levels authorized to PSA between competitive points, and also has authorized proportionate increases in fares for other classes of service.

5. An interim increase in United's air fares by the same percentage amount (6.5 percent) authorized to PSA will be reasonable and the resulting increases are justified. Such action is consistent with past decisions of the Commission involving fares of United and PSA.

6. A public hearing is not necessary.

Conclusion

The Commission concludes that United should be granted interim authority to increase its fares to the extent found reasonable above.

INTERIM ORDER

IT IS ORDERED that:

1. United Air Lines, Inc. is authorized to establish the increased passenger air fares set forth in Appendix A attached hereto and made a part hereof.
2. Experimental ninety-day promotional fares shall be constructed on the basis of the increased fares authorized in Ordering Paragraph 1 of this decision.
3. Tariff publications authorized to be made as a result of this order 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.
4. The authority granted herein shall expire unless exercised within ninety days after the date hereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 24th
day of JUNE, 1975.

*I dissent for
reasons stated
in my dissent to
the PBA application
Leonard Ross*

Commissioner

Vernon L. Sturgeon
President
[Signature]
Robert H. [Signature]
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

UNITED AIR LINES, INC.

Schedule of Present and Authorized Fares

<u>Between</u>	<u>And</u>	<u>Present Fare* Excluding Tax</u>	<u>Authorized Fare Excluding Tax</u>	<u>Authorized Fare Including Tax</u>
<u>Adult Fares</u>				
<u>First Class</u>				
Los Angeles	San Francisco/ Oakland	\$27.18	\$28.94	\$31.25
<u>Coach or Commuter</u>				
Fresno	Los Angeles	16.25	17.31	18.70
	San Diego	23.84	25.37	27.40
	San Francisco	12.73	13.56	14.65
	Stockton	9.95	10.60	11.45
Los Angeles	San Diego	9.95	10.60	11.45
	San Francisco/ Oakland	19.21	20.46	22.10
	Stockton	19.21	20.46	22.10
San Diego	San Francisco/ Oakland	26.85	28.61	30.90
	Stockton	26.85	28.61	30.90
San Francisco	Stockton	9.95	10.60	11.45

Children's Fares

Fifty percent of adult fare.

*Includes a 27-cent security cost component authorized by Decision No. 83939.