

ORIGINAL

Decision No. 84821

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AIR CALIFORNIA for
an ex parte order to increase its
intrastate passenger fares and
cargo rates.

Application No. 55784
(Filed July 2, 1975;
amended August 1, 1975
and August 18, 1975)

INTERIM OPINION

Air California, a passenger air carrier operating wholly within California, seeks ex parte authority to increase its fares and freight rates.

The application states that Air California's last general fare increase was authorized by Decision No. 82687 dated April 2, 1974 in Application No. 54546. Since that time Air California has received fare increases to offset the increased cost of fuel. Air California assertedly has experienced other increased operating expenses, such as labor costs, repair and maintenance costs, and terminal rentals and landing fees.

In the second amendment to this application filed August 18, 1975, Air California seeks an ex parte order increasing air fares of 18 cents per passenger to offset recent increases in its fuel costs.

The application shows that Air California has experienced the following operating results in recent periods:

TABLE 1

Air California
Statement of Income

	<u>Year 1974</u>	<u>5 Months Ended May 31, 1975</u>
Revenues	\$32,795,000	\$13,636,000
Expenses	\$29,669,000	\$13,170,000
Income Taxes	\$ 562,000	\$ 210,000
Net Earnings	\$ 2,564,000	\$ 256,000
Operating Ratio (before taxes)	90.5%	96.6%
Operating Ratio (after taxes)	92.2%	98.1%
<u>Statistical</u>		
Passengers	1,431,452	558,905
Flight hours	19,139	7,772
Load factor	70.2%	68.5%
Break-even load factor	66.0%	67.3%

The application also contains estimates of operating results for a test year ending June 30, 1976. Those estimates show that Air California would experience net earnings of \$926,000 under present fares with a resulting operating ratio (after taxes) of 98.1 percent. Air California seeks as permanent relief, fare and rate increases designed to produce net earnings in the test year of \$2,102,000 resulting in an operating ratio (after taxes) of 95.3 percent.

In the second amendment to the application, Air California requests immediate relief authorizing it to increase its air fares in an amount equal to its increase in fuel costs. The second amendment shows that Air California experienced an annualized increase in fuel expense of \$257,591 resulting from higher fuel prices imposed by its major suppliers (Shell and Texaco). In order to recover that amount, fares must be increased by 18 cents per passenger (before tax) and 20 cents per passenger (after tax).

The application points out that the Commission recently granted Pacific Southwest Airlines (PSA) interim authority to raise its fares by 1.9 percent to offset fuel cost increases in Decision No. 84767 dated August 5, 1975 in Application No. 55160. The amount of fuel offset increase sought by Air California is 0.77 percent.

Notice of the filing of the application appeared in the Commission's Daily Calendar and notification of the filing was made in accordance with Commission rules. The Commission staff has advised that it intends to make an investigation of Air California's revenue requirements and will be prepared to present the results of that investigation at a public hearing. In the meantime, the Commission staff recommends that Air California be granted interim authority to raise its air fares to offset higher fuel costs.

After consideration, the Commission finds that interim increases in fares of 18 cents per passenger (before tax) and 20 cents per passenger (after tax) are justified, pending hearing. Interim relief should be authorized as set forth in the order which follows.

INTERIM ORDER

IT IS ORDERED that:

1. Air California is authorized to establish the increased air fares proposed in the second amendment to Application No. 55784 filed August 18, 1975.
2. 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.

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3. 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 26th
day of AUGUST, 1975.

~~President~~
William S. Harrison Jr.
George L. Stinson
L. H. ...
Commissioners