

ORIGINAL

Decision No. 84345

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. 55857
(Filed August 12, 1975)

O P I N I O N

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 its intrastate passenger air fares to reflect (1) the extension generally to applicant's other markets in California of the 6.5 percent increase authorized to applicant on an interim basis by Decision No. 84598 dated June 24, 1975 in Application No. 55615 with respect to its jet coach or commuter service between city pairs served by Pacific Southwest Airlines (PSA) and with respect to applicant's first class Los Angeles-San Francisco/Oakland fares, and (2) an increase of 1.92 percent in all fares, including those proposed in (1) above, similar to that authorized on an interim basis to PSA by Decision No. 84767 dated August 5, 1975 in Application No. 55160.

The revenue effect of the proposed fares is determined as follows. United estimates that during the twelve months ended March 31, 1975 it carried 1,218,433 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 \$1,032,000.

Exhibit C to the application analyzes the revenue, expense, and operating income (or loss) for each city pair operated by United. Of the 19 city pairs analyzed, United incurred operating losses for the year ending March 31, 1975 for all but one market (Los Angeles-Monterey). The overall estimated operating results for United's nonstop combination service in its California intrastate markets for the year ended March 31, 1975 are as follows:

Operating Revenues	\$ 48,474,297
Operating Expenses	\$ 62,664,396
Operating Profit (Loss)	\$(14,190,099)

The application contains the following information in support of the requested fare increase: 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 ratemaking carrier. United has for some time conducted its California intrastate operations at a net loss. Those losses have been documented in earlier filings with the Commission and recognized by the Commission in the decisions authorizing the existing fares. That situation continues to prevail, as evidenced by the fact that during the twelve months ended March 31, 1975, United incurred a loss of \$14,190,099 from interstate and intrastate operations within California. While these losses are for interstate and intrastate operations within California combined, United's intrastate operations contribute disproportionately to the total. Exhibit B to the application shows that for the year ended March 31, 1975, United's average yield from California intrastate operations was \$.0725 per passenger mile. This yield is only 66.5 percent of the yield of \$.1090 per passenger mile from interstate traffic between points within the state.

The application further states that United, like PSA, has experienced substantial increases in its cost of jet fuel. In July 1974, United's average fuel cost per gallon was 23.14 cents (Application No. 54549, Exhibit A-1). In the month of May 1975, this

cost had increased to 26.047 cents, an increase of 2.907 cents or 12.56 percent (Civil Aeronautics Board Press Release CAB 75-111, July 9, 1975). During the year 1974, fuel costs represented 15.2 percent of United's operating expenses.

Applicant requests ex parte treatment in view of the operating losses now being incurred by United from its California intrastate operations. The application shows that it was served in accordance with Commission procedural rules. In addition, notice of the filing of the application appeared on the Commission's Daily Calendar. There are no protests or requests for public hearing.

Findings

1. United seeks authority to increase its first class, jet coach, jet commuter, standby, and children's airfares to reflect:

- (a) The extension generally to United's other markets in California of the 6.5 percent increase authorized to United on an interim basis by Decision No. 84598 dated June 24, 1975 in Application No. 55615 with respect to its jet coach or commuter service between city pairs served by PSA and with respect to United's first class Los Angeles-San Francisco/Oakland fares; and
- (b) An increase of 1.92 percent in all fares, including those proposed in (a) above, similar to that authorized on an interim basis to PSA by Decision No. 84767 dated August 5, 1975 in Application No. 55160.

2. The financial data submitted with Application No. 55615 shows that United's operations in the markets here under consideration were conducted at a loss in the year ended March 31, 1975, and if the proposed increased fares are authorized, such losses would not be eliminated.

3. 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.

4. An increase in United's air fares by the same percentage amounts authorized to PSA is reasonable and the resulting increases are justified. Such action is consistent with past decisions of the Commission involving fares of United and PSA.

5. A public hearing is not necessary.

Conclusion

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

O R D E R

IT IS ORDERED that:

1. United Air Lines, Inc. is authorized to establish the increased passenger air fares set forth in Application No. 55857.


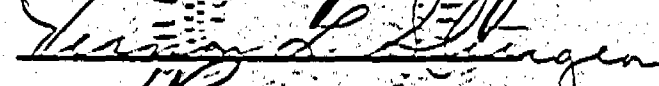
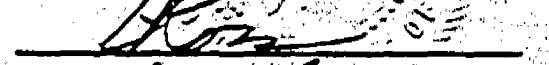

2. Experimental ninety-day promotional fares shall be constructed on the basis of the increased fares authorized in Ordering Paragraph 1 of this decision.

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 26th
day of AUGUST, 1975.


President



Commissioners