

Decision No. 85341**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  
 and October 10, 1975)

FINAL 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 California, and British Columbia and Ontario in Canada. In 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.

Interim Decision No. 84598 dated June 24, 1975 authorized United to increase its coach fares by 6.5 percent between points competitive with Pacific Southwest Airlines (PSA). A like increase was authorized in United's LAX-SFO first class fare. The coach fare increases between points competitive with PSA are the same as those authorized to PSA on an interim basis by Decision No. 84544 dated June 17, 1975 in Application No. 55160. By Decision No. 84845 dated August 26, 1975 in Application No. 55857, United was authorized to extend the 6.5 percent increase to United's fares not increased by Decision No. 84598. In addition, Decision No. 84845 authorized United a 1.92 percent fuel cost increase in all fares comparable to that authorized to PSA by Decision No. 84767 dated August 5, 1975 in Application No. 55160.

In the second amendment to its application, United seeks authority to further increase its intrastate fares (1) to the level of those authorized to PSA on a permanent basis in further proceedings in Application No. 55160 as to PSA's competitive rates and classes of service, and (2) by a corresponding percentage amount on other routes and classes of service.

By Decision No. 85339 issued today, PSA was authorized to establish increased fares, which produce additional revenue in the amount sought in the Third Amendment to Application No. 55160.

United's amended application states that during the twelve months ended March 31, 1975, it carried 1,218,433 intrastate passengers between 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 \$2,236,088. United alleges that it has for some time conducted its California intrastate operations at a net loss, which losses have been documented in prior fare applications. During the twelve months ended March 31, 1975, United asserts that it incurred a loss of \$14,190,099 for interstate and intrastate operations within California, as developed in Exhibit C to the application as originally filed, and referred to in Interim Decision No. 84845. Intrastate fares produce an average yield of 66.5 percent of corresponding interstate fares; intrastate passengers represent 48.9 percent of total California passengers. Therefore, intrastate fares contribute disproportionately to United's losses on its intra-California operations. United alleges that the additional revenues granted in this application and in Application No. 55857, together with the additional revenue sought herein, will not cause its California operations to be profitable.

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 first class, jet coach, and standby fares in its other California markets 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 a final increase in its air fares averaging 9 percent greater than its interim fares.

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 twelve months ended March 31, 1975, 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. A further increase in United's air fares by the same percentage amount (9 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 permanent authority to increase its fares to the extent found reasonable above.

FINAL ORDER

IT IS ORDERED that:

1. United Air Lines, Inc. is authorized to establish the increased commuter and coach air fares set forth in Appendix A attached hereto and made a part hereof, and to increase other fares as set forth in Exhibit A to the Second Amendment to Application No. 55615. ✓

2. 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 13th day of JANUARY, 1976.

*Sabitan*  
*Chon*

*[Signature]*  
President  
*William J. Agnew Jr.*  
*Vernon L. Sturgeon*  
*[Signature]*  
Commissioners

## APPENDIX A

## UNITED AIR LINES, INC.

Schedule of Authorized Fares

<u>Between</u>	<u>And</u>	<u>Authorized Fare Excluding Tax</u>	<u>Authorized Fare Including Tax</u>
<u>Adult Fares</u>			
<u>Coach or Commuter</u>			
Fresno	Los Angeles	\$18.52	\$20.00
	San Diego	28.24	30.50
	San Francisco	14.82	16.00
	Stockton	11.34	12.25
Los Angeles	San Diego	11.34	12.25
	San Francisco/ Oakland	23.61	25.50
	Stockton	23.61	25.50
San Diego	San Francisco/ Oakland	29.63	32.00
	Stockton	29.63	32.00
San Francisco	Stockton	11.34	12.25

Children's Fares

Fifty percent of adult fare.