

ORIGINAL

Decision No. 85342

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WESTERN AIR LINES,
INC., for authority to increase
certain intrastate passenger
fares.

Application No. 55604
(Filed April 8, 1975;
amended August 11, 1975)

THIRD INTERIM OPINION

Western Air Lines, Inc. (Western) is a common carrier by air of passengers and property between points in various states of the United States, including California, and Canada and Mexico, pursuant to certificates of public convenience and necessity issued by the federal government. Within California, Western serves San Francisco, Oakland, San Jose, Sacramento, Los Angeles, Ontario (San Bernardino), Palm Springs, and San Diego.

Interim Decision No. 84597 issued June 24, 1975 in this proceeding authorized Western to increase its published California intrastate passenger fares by 6.5 percent on an interim basis in order to match similar interim increases authorized by the Commission to Pacific Southwest Airlines (PSA) by Decision No. 84544 issued June 17, 1975 in Application No. 55160. Second Interim Decision No. 84846 issued August 26, 1975 authorized Western to further increase its fares by 1.92 percent in certain intra-California passenger fares to match a similar increase in competitive markets granted to PSA in Decision No. 84767 dated August 5, 1975. Western was also granted authority in Decision No. 84846 to increase its passenger fares in intrastate markets where it competes with Air California (Air Cal) by the amounts granted to Air Cal in Decision No. 84821 dated August 26, 1975 in Application No. 55784. Air Cal was authorized in that decision to increase its fares by 18 cents per passenger to offset fuel cost increases.

The foregoing increases were granted to Western in recognition of the Commission's prior findings that PSA and Air Cal are the ratemaking carriers in their respective intrastate markets where they compete with Western. The fare increases heretofore granted to Western in those competitive markets correspond to the increased fares granted to PSA and Air Cal. In noncompetitive markets, Western's authorized fares correspond to the percentage increase granted to PSA on the premise that increases found lawful for competitive routes should be authorized for noncompetitive routes with similar trip lengths, and therefore comparable costs. ✓

Decision No. 85339 issued today in Application No. 55160 authorized PSA a further increase in its fares averaging 9 percent, and to establish such fares on a permanent basis. Decision No. 85340 issued today in Application No. 55784 authorized Air Cal an interim increase of 47 cents per passenger pending a further hearing on January 28, 1976. |

Interim Decision No. 84846 indicated that Western's operating losses for its intra-California operations, after the increases authorized therein, amounted to \$7,692,000. An additional increase in fares of 9 percent would reduce Western's losses, but would not cause its intra-California operations to be profitable.

The Commission has found in prior fare application proceedings involving Western, PSA, Air Cal, and United Air Lines (United) that PSA and Air Cal are the low-cost and fare-setting carriers in the California corridor; and that interstate air carriers whose intra-California operations are conducted at a loss should be granted fare increases paralleling those granted to PSA and Air Cal so that the revenues required by the fare-setting carriers would not be diluted because of lower fares maintained by interstate carriers over competitive routes. In the circumstances, Western should be authorized ✓ ✓ ✓

to establish competitive fares at the levels authorized to PSA by Decision No. 85339 and Air Cal by Decision No. 85340. Corresponding increases in fares are concurrently being authorized to United. Western also should be authorized to increase its first class, deluxe night coach, coach, night coach, and military air fares by 9 percent to correspond to the increase in such classes of fares concurrently authorized to United.

Findings

1. Western seeks authority in the amendment to Application No. 55604 filed August 11, 1975 to increase its coach, commuter, and night coach; its first class and deluxe night coach; and its military fares by the same amounts authorized to PSA in Application No. 55160 or to Air Cal in Application No. 55784.

2. Western was authorized in Decision No. 84597 to establish an interim increase in its air fares of 6.5 percent. Western subsequently was authorized in Decision No. 84846 to match the further fuel offset increase of 1.92 percent granted to PSA in Decision No. 84767 in Application No. 55160.

3. Decision No. 85339 issued today in Application No. 55160 authorized PSA to increase its fares by an average of 9 percent. Decision No. 85340 issued today in Application No. 55784 authorized Air Cal to increase its fares by 47 cents per passenger.

4. The financial data submitted with the amendment to Application No. 55604 shows that Western's intra-California operations were conducted at a substantial loss in the 12-month period ended June 30, 1974, and under the increase in fares hereinafter authorized that loss would be reduced, but not eliminated.

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

6. A further interim increase in Western's air fares to the same level as PSA or Air Cal, whichever is lower, is reasonable and the resulting increases are justified. Such action is consistent with past decisions of the Commission involving fares of Western, PSA, and Air Cal. ✓✓✓

7. A public hearing is not necessary.

Conclusion

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

THIRD INTERIM ORDER

IT IS ORDERED that:

1. Western Air Lines, Inc. is authorized to establish the increased commuter air fares set forth in Appendix A attached hereto, and Western is authorized to increase fares for other classes of service by 9 percent. |

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.

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Commissioner

William J. ...
President
Vernon L. ...

Robert ...
Commissioners

APPENDIX AWESTERN AIRLINES, INC.COACH, COMMUTER AND NIGHT COACH FARES

(All fares below apply via the routings now shown for present fares, except as noted)

<u>Between/And</u>	<u>Authorized Fares</u>	
	<u>Excluding Tax</u>	<u>Including Tax</u>
Los Angeles - Oakland	\$23.61	\$25.50
Los Angeles - Ontario	16.62	17.95
Los Angeles - Palm Springs	22.50	24.30
Los Angeles - Sacramento	24.54	26.50
Los Angeles - San Francisco	23.61	25.50
Los Angeles - San Jose	23.61	25.50
Los Angeles - San Diego	11.34	12.25
Oakland - Ontario	24.96	26.96
Oakland - Palm Springs	30.29	32.71
Oakland - San Diego	29.17 <u>2/</u>	31.50
Oakland - San Jose	14.07 <u>2/</u>	15.20
Ontario - Palm Springs	16.20 <u>2/</u>	17.50
Ontario - Sacramento	25.88 <u>2/</u>	27.95
Ontario - San Diego	11.34	12.25
Ontario - San Diego <u>1/</u>	19.21	20.75
Ontario - San Francisco	24.54	26.50
Palm Springs - Sacramento	30.75	33.21
Palm Springs - San Diego	21.30	23.00
Palm Springs - San Francisco	30.29	32.71
Sacramento - San Diego	29.68 <u>2/</u>	32.05
San Diego - San Francisco	29.63	32.00
San Diego - San Jose	29.17 <u>2/</u>	31.50
San Francisco - San Jose	14.07 <u>2/</u>	15.20

Children's fares 50 percent of proposed fares.

1/ Lower fare applies direct; higher fare applies via Los Angeles.

2/ No change in fares.