

Decision No. 85718**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of
 HUGHES AIR CORP.
 d/b/a HUGHES AIRWEST
 for authority to increase
 intrastate air freight rates.

Application No. 56125
 (Filed December 17, 1975)
 (Amended February 5, 1976)

O P I N I O N

Hughes Air Corp., d.b.a. Hughes Airwest, (Airwest) is a common carrier by air of passengers and property between points in the United States, including the State of California. In this State, Airwest operates in intrastate, as well as in interstate, commerce, providing local service between various California cities.

Airwest requests authority to increase its California intrastate air freight rates as follows:

<u>Mileage</u>	<u>Present Rates*</u>		<u>Proposed Rates</u>
	<u>1 LB.</u>	<u>CWT</u>	<u>CWT</u>
1-350	\$0.08	\$ 5.00	\$ 7.10
351-400	0.09	5.75	8.20
401-450	0.09	6.50	9.25
451-500	0.09	6.50	10.30
501-550	0.10	7.25	10.30
551-600	0.11	8.00	11.40
601-650	0.12	8.75	12.45
651-700	0.12	8.75	12.45
701-750	0.14	10.25	14.60
Minimum Charge		\$5.00	\$10.00

*Point - to-point rates shown in appropriate mileage brackets.

The proposed rates represent a 42 percent average increase in the applicant's California intrastate freight rates. There has been no increase in these rates since 1971. The applicant has agreed to eliminate the pound rates. The minimum charge or the 100 pound rates would apply in most instances, and for tariff simplicity the pound rates were excluded. Now the minimum charge will apply for most shipments under 100 pounds.

Exhibit "C" of the application sets forth Airwest's California operating results for the year ended March 31, 1975. The operating results for Airwest's California operations are based on allocation methods approved by the Civil Aeronautics Board (CAB). Using CAB allocation methods, Exhibit "C" indicates Airwest's California operations were conducted at a loss in the year ended March 31, 1975. Its California freight revenue was \$583,421. The allocated revenue was \$21,629,301 and operating expense was \$28,967,962 which results in an operating loss on California allocated operations of \$7,338,661 before subsidy. At the proposed increased California intrastate rates for the year ended March 31, 1975, the allocated revenue would have been \$21,754,154, an increase of \$124,853, and the operating loss would have been \$7,213,802 before subsidy.

There have been substantial increases in the cost of operations in 1975, particularly in the price of jet fuel, and applicant expects these costs to continue to escalate. Hence, even greater operating losses on intrastate air freight would be expected in 1976.

The application was served in accordance with Commission rules. Notice of the filing of the application appeared on the Commission's Daily Calendar. No protest to the granting of the application or request for public hearing has been received.

Under the circumstances, the Commission finds:

1. Airwest's California freight operations were conducted at

a loss for the year ended March 31, 1975.

2. The increased revenue from the freight rates sought herein would not cause Airwest's California operations to be profitable.

3. The proposed increase in freight rates is justified.

4. A public hearing is not necessary. The application should be granted.

O R D E R

IT IS ORDERED that:

1. Hughes Airwest is authorized to increase its California intrastate air freight rates as proposed in Application 56125, as amended.

2. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and may be made effective not less than ten days after the effective date of this order on not less than ten days' notice to the Commission and the public.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 20th day of APRIL, 1976.

William Sproule President
Leon L. Sturgeon
Don
Robert B. Balm Commissioners

- 3 - Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.