

Decision No. 86452**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GOLDEN WEST AIRLINES,
INC. for ex parte authority to increase
its passenger air fares for certain
local intrastate Passenger Fares to
offset increased employee wages.

} Application No. 56527
} (Filed June 4, 1976;
} amended June 16, 1976)

O P I N I O N

Golden West Airlines, Inc. is a passenger air carrier engaged in commuter air service between airports in southern California. It here seeks authority to increase all of its adult one-way fares by 83 cents, which will result in an increase in passenger revenue of about 5 percent. The fare increases are intended to offset increases in costs resulting from contracts with labor unions that became effective on December 1, 1975 and on April 1, 1976. Notice of applicant's proposal to increase fares was made in accordance with the Commission's procedural rules. There are no protests.

Applicant's last general intrastate fare increase occurred in July 1975. On February 10, 1976 applicant was authorized to increase fares to offset fuel cost increases.

In its application applicant listed the payroll cost increases, including wages, fringe benefits, payroll tax, and workmen's compensation insurance, aggregating \$264,657, on an annual basis. Applicant applied the 83-cent proposed fare increase to the 327,240 passengers carried during the 12 months ended April 30, 1976 to estimate \$271,609 additional passenger revenues from the proposed fare increase without any allowance for fare dilution or diminution of patronage. Applicant estimated that the additional revenues

after dilution and diminution will be \$6,280 short of offsetting the increases in payroll costs. Exhibits attached to the application show that applicant incurred a \$899,133 loss from operations for the twelve months ended April 30, 1976.

The Commission's Transportation Division and its Division of Finance and Accounts made independent analyses of applicant's operations. Finance and Accounts' analysis is received as Exhibit 1. It states that applicant's calculations of the increased costs resulting from wage increases is conservative because they do not include increases in unemployment taxes which staff estimates will be in the amount of \$12,661. The report states that applicant has had a long prior history of operating losses, including one for the twelve months ended April 30, 1976, which have resulted in a cumulative deficit of \$29,667,266 through July 1976. Applicant's current liabilities exceed current assets at a ratio approaching two to one. The report recommends that expedited fare increase relief in the full amount requested be granted.

Transportation Division's analysis is received as Exhibit 2. It estimates that applicant will have for the rate year 1977 an operating loss of \$189,000 under present fares and an income before taxes of \$95,000 under the proposed increased fares for an operating ratio of 98.5 percent before income taxes. The staff estimates reflect an increase in passengers of 6.4 percent for future operations and as a result thereof the proposed increased fares will provide applicant with \$292,000 in additional revenues. The report states that a substantial portion of applicant's traffic consists of interstate travelers who have prior or subsequent flight via C.A.B. carriers and who travel under joint fares maintained by applicant and the C.A.B. carriers published in the Joint Fares Manual. This publication is printed quarterly and the deadline for the December 1976 issue is October 1. Staff recommends that applicant be granted the full amount of the proposed fare increases as soon as possible prior to October 1, 1976.

We find that:

1. By reason of labor contracts entered into by applicant and effective December 1, 1975 and April 1, 1976, the annual payroll costs to applicant will be increased by \$277,318.

2. Based upon the level of traffic for operations conducted during the twelve months ended April 30, 1976, the proposed 83-cent increase in passenger fares will provide applicant with \$271,609 additional passenger revenues. At such level of traffic future operations under the proposed fares will be at a loss.

3. Based upon applicant transporting 349,000 passengers during a future rate year (1977), a 6.4 percent increase in passengers over the twelve months ended April 30, 1976, the proposed 83-cent increase in passenger fares will provide applicant with \$292,000 additional revenues, an increase of 5.1 percent. At such level of traffic future operations under the proposed fares will result in an operating ratio of 98.5 percent before income taxes.

4. The proposed increases in passenger fares are justified.

5. A substantial portion of applicant's business is the transportation of passengers in interstate commerce under joint fares with other airlines. Applicant's joint fares are published quarterly in the Joint Fares Manual. The next issue is scheduled for December and the deadline for submitting fare information is October 1. Applicant will be at a disadvantage in marketing its connecting service for interstate passengers if its effective fares are not published in the December issue of the Joint Fares Manual.

6. There are no protests to the application to increase fares.

We conclude that applicant should be authorized to establish the proposed increased fares to become effective on not less than 5 days' notice, and that the authorization should be made effective this date. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Golden West Airlines, Inc., a corporation, is authorized to establish the increased fares proposed in Application No. 56527. Tariff publications authorized to be made as a result of this order may be made effective on not less than five days' notice to the Commission and to the public.

2. The authority shall expire unless exercised within ninety days after the effective date of this order.

3. The tariff filings made pursuant to this order shall comply with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order No. 105-Series.

4. In addition to the required posting and filing of tariffs, applicant shall give notice to the public posting in its terminals a printed explanation of its proposed fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 28th
day of SEPTEMBER, 1976.

[Signature]
President
William J. Agnew Jr.
Yvonne L. Stringer
Donald [Signature]

Commissioners

*I dissent to this
form of Rate making (G. PATE
labor effects)
although the increase
may be warranted.
Robert Batkinich*