

Decision No. 88182 NOV 29 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of TRANS WORLD AIRLINES, INC.)
for authority to increase intrastate
passenger fares.

Application No. 57317
(Filed May 17, 1977)

O P I N I O N

Trans World Airlines, Inc. (TWA) is engaged in intrastate and interstate air transportation of passengers, property, and mail. It also performs international air service between the United States and various points in Europe and the Near East. Its intrastate services in California include service to and from Los Angeles, San Francisco/Oakland, and San Jose.

TWA seeks authority to increase its intrastate first class, jet commuter, and military standby fares to correspond to those applicable between competitive points authorized to Pacific Southwest Airlines (PSA) by Decision No. _____ issued today in Application No. 56973.^{1/} The present and proposed intrastate first class, jet commuter, and military standby fares, applicable tax, and the resulting amount of increase proposed are set forth in Appendix A.

^{1/} United Air Lines, Inc. (United) (Application No. 57295) and Western Air Lines, Inc. (Western) (Application No. 57081) seek similar authority.

TWA states that it is well settled that the Commission has historically considered PSA to be the ratemaking carrier in the California intrastate jet commuter market.^{2/} In addition, the Commission has noted in prior decisions that competition between Western, PSA, United, and TWA will not permit one of them to maintain commuter air fares substantially different from those of its competitors.^{3/} Additionally, prior Commission decisions have granted to TWA and United related increases in first-class fares in the California intrastate markets in which they offer service. In so doing, the Commission noted that such fare increases would not cause the operations of TWA or United to be operated at a profit in the markets under consideration.^{4/}

As shown in exhibits appended to the application, approval of TWA's request will not cause its intra-California operations to be operated at a profit. Exhibit III attached to the application shows that the proposed fare increases will produce approximately \$410,000 increase in annual revenues. That exhibit also shows that TWA experienced a loss in excess of \$7,000,000 in serving the Los Angeles-Oakland/San Francisco/San Jose market in 1976. It is apparent that the sought revenue increase will not offset TWA's losses in its California markets.

^{2/} See Decision No. 85552 (TWA), Decision No. 81921 (Western Air Lines, Inc.), Decision No. 81922 (United Air Lines, Inc.), and Decision No. 83814 wherein the Commission notes that PSA is the ratemaking carrier in the California corridor.

^{3/} Decision No. 78206 in Application No. 52361 (Western Air Lines, Inc.); Decision No. 75889 in Application No. 50847 (PSA).

^{4/} The Commission also noted that it has historically authorized carriers proportionate increases in fares for classes of service not provided by PSA.

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TWA believes that the public interest would be served by maintaining uniformity of fares among air carriers offering similar services in the affected markets. Such uniformity of fares would maintain historical fare relationships among the major carriers providing intrastate service within California.

TWA requests that this application be acted upon without hearing in view of the operating losses now being incurred by it from its California intrastate first class and jet commuter/coach operations over the routes involved and because of the asserted desirability of maintaining a parity of first class and jet commuter fares published by TWA, PSA, United, and Western. The application shows it was served in accordance with the Commission's procedural rules and notice of the filing of the application appeared on the Commission's Daily Calendar. There are no protests.

In the circumstances, the Commission finds that the proposed increased fares are justified. A public hearing is not necessary. The application will be granted.

O R D E R

IT IS ORDERED that:

1. Trans World Airlines, Inc. is authorized to establish the proposed increased air fares set forth in Appendix A attached hereto.
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 January 1, 1978 on not less than ten 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 29th day of December, 1977.

Robert Batimand

President

William Symons, Jr.

Samuel S. Sturgeon

Clare T. Hedrick

Commissioners

I concur - see attached

Robert Batimand

I abstain:

Richard D. Shavell

APPENDIX A

TWA'S PRESENT AND PROPOSED FARES

FIRST CLASS

Between	And	Present Fare*			Proposed Fare		
		Fare	Tax	Total	Fare	Tax	Total
Los Angeles	-Oakland -San Francisco -San Jose	32.22	2.58	34.80	34.72	2.78	37.50
Oakland	-San Francisco	13.15	1.05	14.20	14.17	1.13	15.30

COACH/JET COMMUTER

		Present Fare			Proposed Fare		
		Fare	Tax	Total	Fare	Tax	Total
Los Angeles	-Oakland -San Francisco -San Jose	23.61	1.89	25.50	25.46	2.04	27.50
Oakland	-San Francisco	11.34 ^{1/2} 9.31 ^{2/}	0.91 0.74	12.25 10.05	12.22 10.09	0.98 0.81	13.20 10.90

MILITARY STANDEY

		Present Fare			Proposed Fare		
		Fare	Tax	Total	Fare	Tax	Total
Los Angeles	-Oakland -San Francisco -San Jose	18.19	1.46	19.65	19.63	1.57	21.20
Oakland	-San Francisco	10.56	0.84	11.40	11.39	0.91	12.30

EXPERIMENTAL FARE

		Present Fare			Proposed Fare		
		Fare	Tax	Total	Fare	Tax	Total
Los Angeles	-Oakland -San Francisco -San Jose	15.74	1.26	17.00	15.74	1.26	17.00 ^{3/}

^{1/} Coach^{2/} Jet Commuter^{3/} Note that the experimental fare has not been raised beyond its present \$17 level.

* "Present Fares" do not reflect the increase granted by the P.U.C. for a fuel offset adjustment in Application No. 57147 dated March 14, 1977 in Decision No. 87209. These increases were approximately 1.7%.


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ROBERT BATINOVICH, Commissioner, Concurring:

It has recently come to my attention that Shell Oil Company may be the only major supplier of jet fuel on the West Coast. If one of TWA's major cost items comes from a single supplier, then the Commission's attempt to give rhyme and reason to TWA's rates is surely akin to playing poker with a stacked deck.

While the oil companies have gone to great lengths to convince people that there is true competition within the oil industry, the existence of a sole jet fuel supplier for the West Coast would not lend credence to such argument.

I hope that TWA's next application will show evidence of alternate suppliers as a showing of the company's desire to cooperate with the Commission's efforts to make rates which are fair to both TWA and the ratepayers.



ROBERT BATINOVICH, President

San Francisco, California
November 29, 1977