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ORIGINAL

Decision No. 88183 NOV 29 1977

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. 57081
(Filed February 15, 1977)

FINAL OPINION AND ORDER

Western Air Lines, Inc. (Western) is an air common carrier of passengers and property between points in the United States, including California, and Canada and Mexico. Within California, Western provides service between San Francisco, Oakland, San Jose, Sacramento, Los Angeles, Ontario (San Bernardino), Palm Springs, and San Diego.

In this application, Western seeks authority to increase its intra-California passenger air fares to the levels authorized by the Commission in Applications Nos. 56907 and 56973 filed by Pacific Southwest Airlines (PSA) and in Applications Nos. 56790 and 56961 filed by Air California.

In justification of the sought increases, Western's application alleges as follows:

In recognition of the Commission's prior findings that PSA and Air California are the ratemaking carriers in principal California intrastate markets, Western's proposed commuter fares match the commuter fare increases sought by PSA and Air California between points where Western competes with PSA and Air California. In the case of non-commuter fares and in markets where Western does not compete with either PSA or Air California, the proposed increases by Western are constructed on the same uniform basis with Western's increases matching PSA's fares on the premise that increases found lawful for

competitive fares and on competitive routes should be authorized for noncompetitive fares and on noncompetitive routes for similar trip lengths and, therefore, with comparable costs.

The application further alleges that the fare increases proposed by Western would produce added revenues of \$1,274,371, assuming no loss of traffic. However, these proposed increases in intra-California passenger fares will not meaningfully reduce Western's losses within California. If the passenger fares proposed herein by Western had been in effect during the twelve months ended September 30, 1976, Western's pre-tax loss on its intra-California operations for this period would have been \$9,190,000. Western's balance sheet at September 30, 1976 and its income statement for the period ended September 30, 1976 are attached to the application. Western asserts that it is reasonably justified in requesting a fare increase to match the increases sought by PSA and Air California in their pending applications.

Western requests that the Commission issue an ex parte order finding that fares proposed by it are reasonable. Western further requests authority to place the increased fares in effect on five days' notice. Copies of the application were served in accordance with Commission rules and notice of the filing of the application appeared on the Commission's Daily Calendar. There are no protests or requests for public hearing.

In Decision No. 87938 dated October 4, 1977 in Applications Nos. 56790 and 56961, Air California was authorized a general increase in its intra-California air fares. In line with Western's request herein, we authorized Western by Decision No. 87984 dated October 12, 1977 to increase its commuter air fares which are directly competitive with fares maintained by Air California to the levels authorized to Air California in Decision No. 87938. The balance of the relief sought by Western was withheld awaiting the issuance of an order in PSA's general fare increase proceeding.

By Decision No. _____ issued today in Application No. 56973, PSA was authorized a general fare increase.

Findings

1. Western seeks authority in Application No. 57081 to increase its coach and commuter air fares which are directly competitive with commuter air fares of Air California to the levels authorized to Air California in Application No. 56790, and to increase the balance of commuter and coach fares and its first class and deluxe night coach fares to generally in the same amounts as originally proposed by PSA in Application No. 56973.
2. Air California was granted a general increase in its air fares by Decision No. 87938 issued October 4, 1977 in Application No. 56790 and corresponding increases in competitive commuter fares were authorized by Decision No. 87974 dated October 12, 1977 herein.
3. PSA was granted a general increase in fares by Decision No. _____ issued today in Application No. 56973.
4. The financial data submitted with Application No. 57081 shows that Western's intra-California operations were conducted at a substantial loss in the twelve-month period ended September 30, 1976, and if the proposed increase in fares was authorized, that loss would be reduced, but not eliminated.
5. The Commission historically has considered PSA and Air California to be the low-cost (ratemaking) carriers 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 and/or Air California between competitive points, and also has authorized proportionate increases in fares for other classes of service.
6. The increased fares sought by Western in Application No. 57081 (to the extent not heretofore authorized) are justified. Authorization of such increase is consistent with past decisions by the Commission involving Western's first-class, coach, and commuter fares.
7. A public hearing is not necessary.

Conclusion

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

IT IS ORDERED that:

1. Western Air Lines, Inc. is authorized to establish the increased passenger air fares set forth in Appendix A attached hereto and made a part hereof.

2. 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.

3. 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 NOVEMBER, 1977.

I concur - see attached
Robert Bateman

I abstain:
Richard D. Howell

Robert Bateman

President
William Symons, Jr.

Simon L. Strayer

Clare J. Dahl

Commissioners

APPENDIX A
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WESTERN AIRLINES, INC.

Present and Adopted Commuter/Coach/Night Coach
Fares between Points within California

<u>Between/and</u>	<u>Present Western Fare</u>	<u>Adopted Fares</u>		<u>Fare Proposed by Western</u>	<u>PUC Adopted Fare Via Western</u>
		<u>Via PSA</u>	<u>Via Air Cal</u>		
Los Angeles-Oakland	\$23.61	\$26.02	\$ -	\$25.46	\$25.46
" " -Ontario(1)	16.62	-	-	20.37	18.01(4)
" " -Palm Springs	22.22	-	-	24.07	24.07
" " -Sacramento	24.54	27.41	-	26.85	26.85
" " -San Diego	11.34(2)	12.32	-	12.04	12.04
" " -San Francisco	23.61	26.02	-	25.46	25.46
" " -San Jose	23.61	26.02	-	25.46	25.46
Ontario(1) -San Francisco	24.54	27.41	-	26.85	26.85
San Diego -San Francisco	29.40(3)	32.41	-	31.72	31.72
" " -San Jose	29.17(3)	32.41	29.91	31.72	29.91

(1) Or San Bernardino.

(2) Coach fare.

(3) This fare also applies for the portion of transportation between Los Angeles and San Diego on flights operated with jet aircraft or in the coach compartment of combination compartment jet aircraft on flights designated as first class and coach flights.

(4) 8.37 percent increase.

WESTERN AIRLINES, INC.

Present and Adopted First-Class/Deluxe Night Coach
Fares between Points within California

<u>Between/and</u>	<u>Present Western Fare</u>	<u>Proposed Western Fare</u>	<u>P.U.C. Adopted Fare (1)</u>
Los Angeles-Oakland	\$32.13	\$36.11	\$34.82
" " Palm Springs	32.64	34.26	34.26
" " Sacramento	44.95	39.81	39.81
" " San Diego	20.83	17.59	17.59
" " San Francisco	32.13	36.11	34.82
" " San Jose	32.13	36.11	34.82
Oakland-Ontario	45.56	38.89	37.96
" Palm Springs	47.59	50.00	50.00
" San Diego	51.15	46.30	46.30
" San Jose	22.04	24.07	23.88
Ontario-San Francisco	45.56	37.96	37.96
Palm Springs-San Francisco	47.59	50.00	50.00
Sacramento-San Diego	53.75	48.15	48.15
San Diego-San Francisco	51.16	46.30	46.30
San Francisco-San Jose	22.04	24.07	23.88

(1) Present fare increased by 8.37 percent except where the proposed fare is lower. The Oakland-Ontario fare is kept at the same level as the San Francisco-Ontario fare to avoid possible violation of the long-haul/short-haul provision as stated in Rule 9, Section 3 of General Order 105-A.

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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 Western's major cost items comes from a single supplier, then the Commission's attempt to give rhyme and reason to Western 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 Western'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 Western and the ratepayers.


ROBERT BATINOVICH, President

San Francisco, California
November 29, 1977