

Decision No. 89024 JUN 27 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GOLDEN WEST)	
AIRLINES for authority to)	Application No. 57987
increase its Intrastate)	(Filed April 10, 1978)
Passenger and Air Freight)	
fares.)	

O P I N I O N

Golden West Airlines (GWA) is a common carrier by air of passengers and property, operating between certain points within California, pursuant to a Certificate of Public Convenience and Necessity issued by the Commission. Applicant is also a commuter air carrier by definition of Part 298 of the Civil Aeronautics Board's (CAB) Rules and Regulations. GWA utilizes a fleet of eleven 18-passenger DHC-6 Twin Otter aircraft and two 30-passenger Shorts SD3-30 aircraft.

Application No. 57987 seeks authority to increase passenger fares and air freight rates as set forth in Exhibit 3 of the application.

The proposed increased fares and rates will produce approximately \$773,000 additional annual revenue, or an increase of about 6.6 percent of the airline's gross annual operating revenues.

In support of its application the carrier alleges as follows:

1. Applicant's last general intrastate fare increase was granted by the Commission in Decision No. 84658, July 8, 1975. On February 10, 1976, and September 28, 1976, by Decisions 85440 and 86452, respectively, applicant was granted a fuel offset increase and a labor offset increase by the Commission due to rapidly increasing costs that could not be overcome by increased efficiencies. The last general air freight increase was granted by Decision No. 86454 on October 5, 1976.

2. Since Decisions 84658, 85440 and 86452, Golden West Airlines has experienced increases in labor costs, fuel costs, vendor costs, terminal rentals, landing fees and other operating costs, incidental to doing business, and it will continue to experience increased costs throughout the test year and thereafter.

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The following table shows the airline's results of operations for the rate year ending December 31, 1978, under both present and proposed passenger fares and air freight rates, as estimated by the Commission staff:

	<u>Year Ending 12-31-1978</u>	
	<u>Present Fares</u>	<u>Proposed Fares</u>
Passengers	626,000	626,000
Flight Hours	27,600	27,600
Total Operating Revenues	\$11,220,000	\$11,993,000
Total Operating Expenses	10,797,000	10,822,000
Operating Income (Loss)	423,000	1,171,000
Operating Ratio before Taxes - Percent	96.2	90.2

The rate year passengers are estimated based on the historical traffic data. The rate year flight hours have been estimated based on the calendar year 1977 flight hours, adjusted to provide for the transportation of the estimated increase in number of passengers in the rate year. The rate year operating expenses are estimated based on the applicant's expenses for the six months ended December 31, 1977, adjusted to reflect known factors which will affect the rate year's operating expenses.

The indicated operating ratio before taxes of 90.2 percent under the proposed increased passenger fares and freight rates is not indicative of excessive earnings for a small commuter airline such as this one. We take notice of the Commission's Decision No. 84658 in Application No. 55426, in which increases in the fares of Golden West Airlines were found to be justified, which provided an operating ratio before income taxes of 87.49 percent.

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 for public hearing has been received.

F I N D I N G S

1. Applicant is a common carrier by air of passengers and property, operating between certain points within California.
2. Applicant seeks authority to increase its intrastate passenger fares and freight rates by varying amounts as set forth in Exhibit 3 of the application.
3. The proposed increases will provide applicant with additional annual revenues in an amount of approximately \$773,000, or 6.6 percent of the gross annual operating revenues.
4. The results of operations for the rate year ending December 31, 1978, under the proposed increases, show an operating ratio of 90.2 percent before income taxes.
5. An operating ratio before taxes of 90.2 percent is not indicative of excessive earnings for this air carrier.
6. The proposed increase in passenger fares and freight rates is justified.
7. 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.

C O N C L U S I O N S

Applicant should be authorized to establish the increased fares and rates as set forth in its Application 57987.

O R D E R

IT IS ORDERED that:

1. Golden West Airlines is authorized to establish the increased passenger fares and freight rates proposed in Application No. 57987.
2. Tariff publications authorized to be made as a result of this order may be made effective on not less than ten days' notice to the Commission and the public.
3. The authority granted herein shall expire unless exercised within ninety days after the effective date of this order.

4. 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 105-Series.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 27th day of JUNE, 1978.

William Sproun, Jr. President
Terrence L. Sturgeon
Robert D. Howell
Clair L. DeBruin Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.