

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of UNITED AIR LINES, Inc.)
 for authority to increase intrastate)
 passenger fares.)

Application No. 58279
 (Filed August 4, 1978)

O P I N I O N

United Air Lines, Inc. (United) operates as an air common carrier of passengers and property between points located in various states of the United States, including the State of California, and the provinces of British Columbia and Ontario in Canada. In the State of California, United operates in intrastate as well as interstate commerce providing local service between various California cities and service between these cities and points in other states.

By this application, United seeks authority to increase its intrastate passenger fares by 7.4 percent as set forth in Exhibit A of the application, to offset increases in operating costs.

In support of its application the airline alleges as follows:

1. United's present California intrastate fares were authorized by Decision No. 88181, dated November 27, 1977, which became effective January 1, 1978.

2. United's operating loss in California as of the year ended December 31, 1977 was \$17,900,000. United estimates that during the 12 months ended December 31, 1977, it carried 1.5 million intrastate passengers between the points and in the classes of service which would be subject to the proposed fares. Applying the proposed fares to this volume of traffic would produce estimated additional annual revenue of approximately \$2.4 million dollars. The additional revenue will only recover additional costs and will not significantly reduce United's historic loss from operations in California.

3. In many of its intrastate markets, United's fares have been approved by the Commission on the basis of Pacific Southwest Airline's (PSA) operations, considering PSA to be the "rate making carrier" within California.

4. United's fare increase of 7.4% matches the revenue increase granted PSA and Air California which the Commission found to be justified and reasonable in Decision No. 89149 and No. 89161.

5. United's proposed fares will result in a revenue increase comparable to PSA in competitive markets and will extend the increase to the balance of the markets United serves in California.

In Decision No. 89149, dated July 25, 1978, in Applications Nos. 58001 and 57912, the Commission granted authority to PSA to raise or lower its fares within a zone of reasonableness having as its upper limits 15 percent above present fares and as its lower limits 35 percent below current fares. The order stated that the authority granted to PSA includes the right to alter or modify its fares on 10 days notice to the Commission. PSA has full latitude to experiment in different markets, at different times of the day, different days of the week, or different seasons of the year. Also, PSA may inaugurate whatever capacity, reservations, or ticketing controls it deems appropriate. Similar authority was granted to Air California in Decision No. 89161, dated July 25, 1978, in Application No. 58126.

The Commission has historically found PSA and Air California to be the low-cost ratemaking carriers in California and has authorized interstate air carriers to raise their intrastate air fares to the same levels authorized for PSA and Air California. We believe that United should have the same opportunity as PSA and Air California to establish experimental air fares within the zone of reasonableness described above. We will grant such authority to United subject to the same conditions established for PSA in Decision No. 89149 and for Air California in Decision No. 89161.

The authorization contained herein will terminate one year after the effective date of this decision or upon further order of the Commission.

F I N D I N G S

1. United seeks authority by this application to increase its intrastate fares by 7.4 percent to offset increased operating costs, and to match PSA's revenue increase authorized by the Commission in Decision No. 89149.

DMY
Order Interstate Air Carriers
Re: N.Y. Order Interstate Air Carriers
To File For Similar Authorization. UN

2. Decision No. 89149 authorized PSA on an interim basis to establish increased air fares and discount fare programs not to exceed 15 percent by way of increase over present fares and not to exceed 35 percent by way of discount under present fares, on not less than 10 days notice to the Commission and to the public.

3. PSA's tariff filed in response to Decision No. 89149, will result in an estimated net passenger revenue increase of 7.4 percent.

4. The Commission historically has found PSA and Air California to be the low-cost ratemaking carriers in California and has authorized interstate air carriers to raise their intrastate air fares to the levels authorized for PSA and Air California.

5. As shown on Exhibit B, attached to the application, United's proposed fare increase is estimated to produce an additional annual revenue of approximately 2.4 million dollars or an increase of about 7.4 percent of the annual intrastate gross passenger revenue.

6. Notice of the filing of the application appeared on the Commission's Daily Calendar.

7. No protest has been filed with the Commission regarding this application.

8. In order to give United the opportunity to be competitive with PSA and Air California as soon as possible, the order should be made effective on the date hereof.

We conclude that the applicant should be granted relief similar to that granted to PSA and Air California in Decisions Nos. 89149 and 89161, respectively. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

United Air Lines, Inc., is authorized to establish increased air fares and discount air fare programs not to exceed 15 percent by way of increase over present fares and not to exceed 35 percent by way of discount under present fares, on not less than ten days' notice to the Commission and to the public and for a period of one year from the date of this order or until further order of the Commission.

