

Decision No. 89536 OCT 17 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CONTINENTAL AIR LINES,)
 INC. for authority to increase intra-)
 state passenger fares. }

Application No. 58063
 (Filed May 10, 1978)

INTERIM OPINION

Continental Air Lines, Inc. (Continental) 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 U. S. Trust Territory of the Pacific Islands and Japan. In the State of California, Continental operates in intrastate as well as interstate commerce providing local service between San Jose on the one hand, and Hollywood/Burbank and Ontario, on the other hand, as well as service between these and other California cities and points in other states.

By this application, Continental seeks authority to increase its intrastate passenger fares in five steps from 8.5 percent to 22 percent at the fifth step as set forth in Exhibit I of the application to offset increases in operating costs.

Continental's present fares were authorized by Decision No. 88901, dated May 31, 1978. This decision authorized Continental to increase its fares in the Hollywood/Burbank-San Jose market to match increases already granted to Pacific Southwest Airlines (PSA) by Decision No. 88180, dated November 29, 1977.

By Applications Nos. 57912 and 58001, PSA has proposed further increases in its Hollywood/Burbank-San Jose fares to be phased in over a one-year period. By this application Continental requests the permission of the Commission to increase its fares in the Hollywood/Burbank-San Jose market by the same amount as proposed by PSA or, alternately, by whatever amount the Commission deems reasonable for PSA. Continental notes that in a number of its decisions (most recently Decision No. 88180, dated November 29, 1977) the Commission has held that PSA is the fare-setting carrier in the intra-California markets it serves. Continental's proposed fare increase is estimated to produce

a revenue of \$56,970 in addition to the \$40,195 requested in Application No. 58026 as shown in Exhibit III attached to this application. Decision No. 88901, dated May 31, 1978, granted Continental the fare increases sought in its aforementioned Application No. 58026.

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 limit 15 percent above present fares and as its lower limits 35 percent below present fares. The order stated that the authority granted to PSA includes the right to alter or modify its fare on ten 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 Continental 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 Continental subject to the same conditions established by 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.

Findings

1. Continental seeks authority by this application to increase its intrastate fares by a range of 8.5 percent to 22 percent in five steps to offset increased operating costs and to match PSA's revenue increase authorized by the Commission.

2. Decisions Nos. 89149 and 89161 authorized PSA and Air California 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 ten days' notice to the Commission and to the public.

3. 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.

4. As shown on Exhibit III attached to the application, Continental's proposed fare increase is estimated to produce an additional annual revenue of approximately \$56,970.

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

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

7. In order to give Continental 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.

INTERIM ORDER

IT IS ORDERED that Continental 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.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 17th day of OCTOBER, 1978.

William S. Groun President
Joseph L. Sturgeon
Robert D. Groun
Clair T. Smith Commissioners

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