

Decision No. 89691 NOV 28 1978**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Amendment to the Application of
 W. L. & H. C. Murphy, dba YOSEMITE
 AIRLINES to increase its INTRASTATE
 PASSENGER FARES

Application No. 58357
 (Filed November 1, 1978)

O P I N I O N

W. L. & H. C. Murphy, d.b.a. Yosemite Airlines (Yosemite) seek authority to increase intrastate passenger air fares and also their intrastate minimum cargo rates. Yosemite operates intrastate passenger service between Columbia, Yosemite/Pine Mountain Lake and Oakland and San Francisco.

Yosemite seeks to increase its intrastate passenger fares by 15% above the existing fares authorized in Decision 88241 dated December 13, 1977 and increase its minimum cargo rate from the existing \$7.50 (30-pound base) to \$8.50 (34-pound base) minimum rate with the rate per pound remaining at the existing level of \$0.25 per pound.

In support of its application the carrier states as follows:

1. Since the date of the last fare increase application (September 1977) the Port Authority of Oakland has increased landing fees from \$4.75 to \$5.50, an increase of 16%.
2. Fuel costs have risen from \$.891 to \$.961 per gallon for an approximate increase of 8%.
3. Tiedowns have risen from \$7.50 to \$10.00 per month, a 33½% increase. Hangars have increased from \$40.00 to \$45.00 per month or 13%, and from \$50.00 to \$55.00 per month or 10%. Office rental has gone from \$25.00 to \$40.00 per month or 60%. Oil has increased \$.25 per gallon for a 12% increase.
4. Ground transfer supplied by Butler Aviation at San Francisco International Airport was initially complimentary. It instituted a

\$100.00 per month fee last fall, raised it to \$150.00 in August 1978 and is discussing further increases to approximately \$300.00 per month or discontinuance of the service. This would double the cost of transfer to and from the main terminal.

The airline estimates that the requested rate increases will result in an additional annual revenue of approximately \$20,000.

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 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 and to other air carriers.

We believe that Yosemite and any other air carrier should have the same opportunity as PSA, Air California and the other air carriers to establish experimental air fares within the zone of reasonableness described above. We will grant such authority to Yosemite subject to the same conditions established for PSA and other air carriers. We are going to authorize Yosemite to raise its rates between any pair of points within a zone of reasonableness--up to 15 percent above present fare levels and down 35 percent below the fares currently in effect. This authority will include the right to alter or modify any possible off-peak fare program. Yosemite will have full latitude to experiment in different markets, at different times of the day, different days of the week, or different seasons of the year, with whatever capacity, reservations, or ticketing controls Yosemite deems appropriate, provided that Yosemite files tariffs

reflecting any changes no later than ten days in advance of the change.

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

These decisions demonstrate our willingness to continually re-examine and re-evaluate our policies and programs. The Commission recognizes that in those industries which are not natural monopolies, in the classic economic sense, there can be a wide latitude in the degree of regulation required so that industries' practices are in conformance with the public interest.

We believe that whenever free market forces can govern an industry in the public interest, they should be allowed to do so with as little government intrusion as necessary. We feel that regulation should encourage innovation and, therefore, an industry should be given as much flexibility and latitude to respond to changing conditions as is reasonable.

At the same time, we recognize our statutory and constitutional duty to protect the public. We will not abdicate this duty. We realize that market theory does not always conform to reality, and we will regulate so-called competitive industries to prevent objectionable results that can arise whenever any of the underlying assumptions of a perfectly competitive model are missing. Historically, unreasonable rates, discrimination, destructive competition, and inefficient excess capacity are examples of problems that call for regulatory attention. We recognize that in an imperfect environment regulated competition, rather than free market forces, can often reduce the total cost to society of providing a service by encouraging a more efficient use of an industry's resources.

This decision, whereby we allow Yosemite to adjust its rates, within certain stated limits, to reach a reasonable operating ratio without the burden of lengthy regulatory delays is consistent with our views above.

F I N D I N G S

1. Applicant seeks to increase the intrastate passenger fares and minimum cargo rates to offset the increased operating costs.

2. Yosemite's passenger fares have not been increased since December of 1977.

3. The application shows that the proposed increases will produce an additional annual gross revenue of approximately \$20,000.

4. The increases in the passenger fares and cargo minimum rates proposed herein are justified.

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. 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 ten days' notice to the Commission and to the public.

8. Yosemite should be permitted to increase its minimum charge for cargo to \$8.50 (or 34-pound base) from the existing \$7.50 (30-pound base), with no increase in the per pound rate.

9. In order to give Yosemite the opportunity to be competitive 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 other air carriers, respectively. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. W. L. & H. C. Murphy, d.b.a. Yosemite Airlines, are 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.

2. W. L. & H. C. Murphy, d.b.a. Yosemite Airlines, are authorized to increase the minimum charge for cargo to \$8.50.

3. 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 28th day of NOVEMBER, 1978.

Robert Bateman

President

William Lyons, Jr.

Richard D. Howell

Clair T. Deibel
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.