

MS/FS

Decision No. 89929 JAN 30 1979**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Golden West Air- )  
 lines for authority to increase )  
 its intrastate passenger fares )  
 or, in the alternative, for an )  
 order dismissing the application.)

Application No. 58572  
 (Filed January 4, 1979)

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. GWA's Application No. 58572 seeks authority to adjust intrastate passenger air fares by varying amounts ranging between -13.61 percent and +17.94 percent for an increase in annual gross revenues from intrastate traffic of \$300,740 computed on the basis of Civil Aeronautics Board's adopted formula for interstate air passenger fares.

GWA's present intrastate fare levels were authorized by Decision No. 89024 dated June 27, 1978.

In support of its application, GWA alleges that its operating expenses are continually rising. Previous intrastate fare increases have not been timely enough or adequate enough to allow applicant to show a fair rate of return. In addition, applicant's proposed increases are in conformity with the Public Utilities Commission's actions in granting fare flexibility to other carriers engaged in intrastate operations.

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

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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 GWA 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 GWA subject to the same conditions established for PSA and other air carriers. We are going to authorize GWA 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. GWA 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 GWA deems appropriate, provided that GWA 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.

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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 GWA 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 its intrastate passenger air fares.
2. GWA's present intrastate passenger fares were authorized by Decision No. 89024, dated June 27, 1978.
3. The application shows that the proposed fare adjustments would produce an additional annual gross revenue of approximately \$300,740 or 2.6 percent of the airline's annual gross operating revenue.
4. Increases in applicant's passenger air fares are justified.
5. Notice of the filing of the application appeared on the Commission's Daily Calendar.
6. 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

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exceed 35 percent by way of discount under present fares, on not less than ten days' notice to the Commission and to the public.

7. In order to give GWA the opportunity to be competitive as soon as possible, the order should be made effective on the date hereof.

C O N C L U S I O N

We conclude that the applicant should be granted relief similar to that granted to PSA and other air carriers, respectively.

O R D E R

IT IS ORDERED that:

1. Golden West Airlines 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.

2. 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 30 day of JANUARY, 1979.

Richard P. Gault  
President  
Richard L. Davidson  
Walter S. DeLoach

Commissioner John E. Bryson

Present but not participating.

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Commissioners

Commissioner Leonard M. Grimes, Jr.

Present but not participating.