

ORIGINAL

Decision No. 35184

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of THE PULLMAN COMPANY for)
Authority, under Sections 15 and)
63(a) of the Public Utilities Act,)
to increase rates.)

Application No. 24802

BY THE COMMISSION:

O P I N I O N

On January 5, 1942, The Pullman Company made application to the Interstate Commerce Commission for an increase of 10 per cent in all of its sleeping car and parlor car rates, fares and charges. Thereafter, a public hearing was held in Washington, D.C., before that Commission and a Cooperating Committee of State Commissioners, subsequent to which an order was issued granting the increases as requested, Increased Pullman Fares and Charges 1942. Ex Parte 150.

The Commission, in its opinion, summarized the financial results of The Pullman Company's operations, including the rate of return experienced by it for the years 1936 to 1941, inclusive. The returns experienced in these years were given as 2.30% in 1936, 2.91% in 1937, 1.04% in 1938, 1.50% in 1939, 1.56% in 1940 and 1.62% in 1941. With the exception of 1936, the Commission stated that these rates of return were predicated upon the Company's valuation of \$145,000,000, computed under the Commission's method of valuation, and that this valuation was somewhat less than the value submitted in evidence by the Commission's Bureau of Valuation.¹

¹ For 1936, the rate of return was based on a valuation of \$150,000,000.

Based upon this \$145,000,000 valuation, the Commission found that after adjusting the actual expenses and revenues experienced in 1941 to reflect the increased operating expenses and the revenues accruing under the general 10 per cent rate increase proposal, a rate of return of 1.91 per cent in 1941 would result.

More specifically, the Commission found:

"There is no indication that petitioner's common carrier services are not now being operated efficiently and economically. It is important, especially in the present national emergency, that those services be maintained at the maximum of efficiency. Petitioner cannot be expected to continue to pay in expenses and taxes more than 96 cents out of every dollar earned, as it did in the last four years, and in addition bear increased wages and payroll taxes of about \$6,000,000 annually, not to mention increased costs of materials and supplies, without jeopardizing the maximum war effort. Plainly, some increase in revenue is necessary, and the increase sought appears to us to be no greater than is required. As stated, it will probably raise the annual rate of return of petitioner to no more than about 1.91 per cent of value.

* * * * *

"We find that the increase as proposed, adding sufficient where necessary to make the rate, fare, or charge end in a multiple of 5 cents, will result in a rate adjustment for petitioner's services which is just and reasonable, without prejudice to an increase in the so-called subnormal rates, where practicable, to the normal level, subject to protest and suspension."

No evidence was offered in opposition to applicant's request for an increase of 10 per cent in its interstate rates, fares and charges.

An application similar to the one filed with the Interstate Commerce Commission was also filed with this Commission. Shortly after the submission of the Interstate Commerce Commission case the record made before the Interstate Commerce Commission was made a part of the application before the Commission.

In support of the proposed increases in California intrastate rates, applicant offers the same reasons as were urged before

the Interstate Commerce Commission. It alleges that they apply with the same force in intrastate traffic as in interstate traffic. These reasons are increased wages to employees, increased payroll taxes, and increased costs of materials and supplies.

In view of the fact that The Pullman Company's operations with respect to intrastate traffic are apparently no different from those encountered in connection with its interstate operations; of the findings of the Interstate Commerce Commission; and of the conclusions reached by that Commission, this appears to be a matter in which a public hearing is not necessary. The application will be granted.

It should be emphasized, however, that this is a revenue proceeding; that we are not here called upon to pass upon the reasonableness of any particular rate, fare or charge; and that any person or group of persons may properly challenge the reasonableness or lawfulness of any individual rate, fare or charge herein authorized.

Before accepting the benefits of this order and before filing the rates, fares and charges authorized herein, applicant will be required to agree that it will never urge before this Commission in any reparation proceeding under Section 71 of the Public Utilities Act, or in any other proceeding, that the opinion and order herein has found that any individual rate, fare or charge authorized is reasonable.

Therefore, good cause appearing,

IT IS HEREBY ORDERED that applicant be and it is hereby authorized to establish on not less than one (1) day's notice to the Commission and to the public the increased rates, fares and charges proposed by the application herein by ten (10) per cent, adding sufficient where necessary to make the rate, fare or charge

end in a multiple of 5 cents.

IT IS HEREBY FURTHER ORDERED that the rates, fares and charges as authorized herein may be published without regard to the terms of Tariff Circular No. 2, to the extent necessary to carry out the effect of the order herein.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the express condition that applicant in this proceeding will never urge before this Commission in any proceeding under Section 71 of the Public Utilities Act, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate, fare or charge, and that the filing of rates, fares or charges pursuant to the authority herein granted will be construed as consent to this condition.

The authority herein granted shall be void unless the rates, fares and charges authorized in this order are published, filed and made effective not less than sixty (60) days from the date hereof.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 24th day of March, 1942.

Justus J. Coleman
Ray A. Riley
M. J. [Signature]
[Signature]
Commissioners