

Decision No. 40723**ORIGINAL**

BEFORE THE PUBLIC UTILITIES 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) Application No. 28700
 Public Utilities Act, to increase)
 rates.)

Appearance

C. W. MacLeod, for applicant.

OPINION

Applicant is a common carrier providing sleeping and parlor car accommodations for passengers transported by railroads. It seeks authority to increase certain of its intrastate rates on less than statutory notice. In general, the sought adjustments are as follows:


1. Berth and room accommodations in short-haul overnight service:
 - (a) Establish minimum charge of \$3.50 for standard lower berths in lieu of existing rates of \$2.35, \$2.65 and \$2.95. Resulting increases range from 18.5 to 48.9 per cent.
 - (b) On standard upper berths and all types of room accommodations, increase of 18.5 per cent in rates therefor which are based on the \$2.95 lower berth rate, and increase to that level of the rates based on the \$2.35 and \$2.65 lower berth rates. Increases in this group range from 18.5 to 52 per cent.
2. Standard lower berth rates greater than \$2.95, i.e., \$3.20 to \$17.35, inclusive, to be increased by a gradually reducing scale of percentages ranging from 18 per cent on the low rate to 1 per cent on the high rate. Rates for standard upper berths, all types of standard room accommodations, and exclusive use of standard cars for one-way trips, to be increased by same percentages applied to lower berth rates on which they are based.

1

No increase is sought (1) in seat charges in either sleeping or parlor cars, (2) in charges for berths and all types of room accommodations in standard cars, and exclusive use of standard sleeping cars, between points where the lower berth rate is \$17.70 or more, (3) in tourist berth rates between points where the upper berth rate is \$9.00 and lower berth rate is \$11.00, or more, and (4) in berth rates in three-tier tourist sleeping cars between points where the lower, middle or upper berth rate is \$6.95 or more.

3. Tourist berth rates to be increased in the same proportion to the increase in standard berth rates.

Adjustments are also sought in charter car per diem charges in standard and tourist sleeping cars, and in charges for private car operation.

The proposed rates are identical with those authorized on interstate traffic by the Interstate Commerce Commission by Special Permission No. 34634 of September 4, 1947, ~~and~~ which applicant is  making effective October 1, 1947. Authority for similar increases is being sought from other western state regulatory bodies.

Public hearing was had at San Francisco on September 15, 1947, before Examiner Jacopi.

The petition and data filed with the Interstate Commerce Commission were introduced as part of the record herein and were supplemented by oral and written evidence pertaining to the California intrastate situation.

The last change in applicant's California intrastate rate structure occurred in April 1942, when the rates here involved were increased 10 per cent. (Decision No. 35184 in Application No. 24802.) A witness for applicant testified that since that time operating expenses have increased substantially. It was pointed out, for example, that wage increases granted in 1943 and 1946 and changes in rules and working conditions have increased the payroll by about 31 per cent over 1942. With few exceptions, the cost of materials and supplies has increased by at least 30 per cent during the period in question. Other substantial increases are said to have occurred in the cost of laundering linen and blankets by commercial laundries, and in the cost of materials used in applicant's own laundries. The record also shows that commencing January 1, 1947, federal payroll taxes increased 2.25 per cent.

A statement was submitted showing revenues and expenses for applicant's California intrastate operations in 1946. It dis-

closes that sleeping car services locally in California showed a substantial deficit as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Deficit</u>
Standard Sleeping Cars	\$1,155,004	\$1,341,989	\$ 186,985
Tourist Sleeping Cars	206,867	256,574	49,707
Totals	\$1,361,871	\$1,598,563	\$ 236,692

In addition to such services, applicant provided intrastate service in sleeping cars primarily serving interstate traffic which, it was estimated, produced a net revenue of about \$1,000. With this credit, the 1946 net deficit shown by applicant for intrastate operations in California amounts to \$235,692.

The statistics considered by the Interstate Commerce Commission contain data bearing upon applicant's system-wide operations. The average number of passengers per car declined steadily from 21.31 in 1944 to 14.65 in the second quarter of 1947. Likewise, gross revenues decreased steadily from a wartime peak of \$158 million to \$127 million in 1946. The decrease is said to have continued during 1947, for which year gross revenue is estimated as \$107 million. It is pointed out that decline in revenue has not been accompanied by proportionate decrease in expenses. Similar trends are said to affect California intrastate traffic.

System-wide revenues and operating expenses since 1942 are also shown in said statistics. The ratio of total operating expenses plus taxes to total revenues was 99.73 per cent for the year 1946, and 99.83 per cent for the six months ended June 30, 1947.

Additional revenue which the proposed rates are expected to produce on a system-wide basis was estimated as \$13 million. The estimate was based upon consideration of applicant's total traffic, both inter and intrastate. It was shown that such additional revenue would offset only in part the increased expenses resulting from higher cost of wages, materials and supplies, laundering, and payroll taxes.

Turning again to the intrastate situation, the witness for applicant pointed out that comparison of 1946 system-wide and California operating results of record indicates that increases in California intrastate rates are necessary in even greater proportion than in interstate rates. It was maintained that operating results for 1947 will be even more unfavorable than were those for 1946 because of continued decline in traffic without proportionate reduction in expenses. He contended that the sought increases are urgently needed to meet the increased costs experienced, and that the increased rates should be established if full measure of relief here and as authorized by the Interstate Commerce Commission is to be realized. It was urged that the increases, if authorized, will not result in excessive intrastate charges nor in undue diversion of traffic.

No one opposed the granting of the application.

The record made here shows that applicant is in need of additional revenue and that the increases sought are necessary. The application should be granted.

Upon careful consideration of all the facts and circumstances of record in this proceeding, the Commission finds as a fact that the increases involved in this application are justified. Applicant will be authorized to increase the rates as proposed concurrently with the changes it is making in interstate rates.

O R D E R

Public hearing having been had in the above-entitled application and based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that The Pullman Company 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 proposed by the application herein.

IT IS HEREBY FURTHER ORDERED that applicant be and it is hereby authorized to publish said increased rates in the form authorized by the Interstate Commerce Commission. To the extent departure from the terms and rules of Tariff Circular No. 2 of this Commission is required to accomplish such publication, authority for such departure be and it is hereby granted.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void unless the rates and charges authorized in this order are published, filed and made effective within sixty (60) days from the date hereof.

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

Dated at San Francisco, California, this 16th day of September, 1947.

Harold P. Kule
Justin F. Calmes
W. H. Powell
R. J. Johnson

Commissioners