

Decision No. 41216**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of )  
THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, )  
NORTHWESTERN PACIFIC RAILROAD COMPANY, )  
PACIFIC ELECTRIC RAILWAY COMPANY, )  
SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY, ) Application No.  
SOUTHERN PACIFIC COMPANY, ) 28985  
UNION PACIFIC RAILROAD COMPANY, and )  
WESTERN PACIFIC RAILROAD COMPANY )  
for authority to increase certain local, inter- )  
division and joint passenger fares. )

Appearances

J. E. Hennessy, J. E. Lyons, R. L. Pierce,  
E. C. Renwick and J. M. Souby, Jr.,  
for applicants.

O P I N I O N

Applicants are common carriers of passengers by railroad. They seek authority under Section 63 of the Public Utilities Act to increase their local and joint fares and excess baggage rates.<sup>1</sup> They request the earliest practicable authority to increase their intrastate one-way and round-trip first class and intermediate class fares and excess baggage rates to bases comparable with those recently authorized by the Interstate Commerce Commission for interstate traffic. The remaining increases are sought if and when corresponding adjustments are authorized for interstate traffic. The complete proposal is set forth in Appendix "A" hereto.

A public hearing was had at San Francisco on January 16, 1948, before Examiner Freas.

Applicants contend that the results of passenger operations are such that immediate rate relief is imperative. In support thereof, they have depicted the over-all situation respecting their operations and the results of passenger operations specifically.

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Commutation fares are not involved. The Pacific Electric Railway Company joined in the application only with respect to adjustments in its joint passenger fares and joint excess baggage rates.

According to the record, the rates of return computed upon the property investment, less recorded depreciation and amortization, and the operating ratios of the five major passenger carrying railroads serving California are as follows:

	<u>1929</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
Rate of Return	5.10	2.01	2.38	3.67	6.97	5.34	4.40	3.44	3.19
Operating Ratio	68.07	74.63	73.77	70.78	58.82	60.41	63.06	76.49	81.98

The estimated rate of return for 1947 for these same carriers is 3.78. Their operating ratio for the first eleven months of 1947 is shown as 75.10.

It will be noted that applicants' earning position was much more favorable during certain of the war years than in prior years or those of the immediate past. Using 1929 as a base, operating revenues rose to 210.98 in 1944. Net operating income reached a high point of 139.03 in 1942. In 1946, operating revenues stood at 159.93. At the same time, however, the index for operating expenses was 192.62 and net railway operating income in 1946 was but 61.68 of that of 1929. Due to freight rate and passenger fare increases made effective in the first six months of 1947, the monthly net operating income for August through November, 1947, has exceeded that of the corresponding months in 1946. The trend, however, has been downward to an extent where for the month of November, the last month of record, it is approximately the same as for the corresponding month of the previous year.

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They are the Santa Fe, Southern Pacific, Union Pacific, Western Pacific and Northwestern Pacific.

A study of passenger operations shows that on this traffic the same carriers sustained deficits during the years 1937 through 1941, made profits during the next four years, and again incurred a deficit in 1946. In the aggregate, the deficits during this period exceeded the profits by almost \$50,000,000. The 1946 deficit was \$17,705,568.

The compelling reasons advanced for the filing of this application are the increases in the cost of labor, materials and supplies and the contemporaneous decline in passenger travel.

A 15½ cent per hour wage increase was granted nonoperating employees effective September 1, 1947, and conductors and trainmen effective November 1, 1947. Wages of engineers, firemen and switchmen have been under negotiations which have recently been broken off and a strike vote taken. Applicants, however, have offered the 15½-cent increase to this group. In California, the 15½ cents per hour amounts to \$26,954,700 per annum in wages which in turn would be subject to an additional \$1,750,700 payroll taxes. The 1947 wage adjustments account for \$25,774,700 of this \$28,705,400.

The index for materials and supplies in June, 1947, stood at 223.1 if May 1933 is used as a base and at 174.8 if computed on a December, 1939 to June, 1940 base. It was estimated that materials and supplies purchased during 1946 would have cost an additional \$80,514,239 had they been purchased at prices prevailing during June, 1947. Prices for passenger equipment were said to be from 31½ to 90½ per cent higher than prewar prices. Further increase in these prices are anticipated.

The number of passengers carried has declined sharply since the cessation of hostilities. More than 40,000,000 passengers were carried in 1944. In 1946 this number was approximately 27,500,000, while in the first ten months of 1947 it was only slightly more than 17,500,000.

Evidence was submitted by representatives of the major lines showing the present and proposed fares and comparing representative fares with those for transportation for similar distances in other states. The fares here sought have, by order of the Interstate Commerce Commission, been made effective throughout the entire western territory on interstate traffic. They have also been made effective on intrastate traffic in nine western states by reason of outstanding orders of that Commission under Section 13 of the Interstate Commerce Act, and in all but four of the remaining western states by action of state authority. Fares in eastern territory shown in the comparisons are on bases higher than those here proposed to be established. It was estimated that the proposed fares and excess baggage rates sought now and following the further action of the Interstate Commerce Commission would result in additional annual revenue of approximately \$1,650,000 from California intrastate traffic.<sup>3</sup>

No one opposed the granting of the application.

The record fully discloses the need for the additional revenue which applicants seek at this time. We are of the opinion and hereby find that these increases in passenger fares and excess baggage rates have been justified.

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<sup>3</sup> The amounts expected to accrue to the individual lines are as follows: Santa Fe \$334,698, Northwestern Pacific \$9,976, San Diego & Arizona Eastern \$165, Southern Pacific \$1,295,267, Union Pacific \$3,066, and Western Pacific \$5,600.

INTERIM ORDER

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

IT IS HEREBY ORDERED that applicants herein, other than the Pacific Electric Railway Company in so far as its local fares and excess baggage rates are concerned, be and they are, and each of them is, hereby authorized to establish within sixty (60) days from the effective date hereof on not less than five (5) days'

notice to the Commission and to the public the increased one-way and round-trip first class and intermediate class fares and excess baggage rates proposed by the application herein; provided, that where the increased one-way fares end in fractions of a cent, fractions of less than one half cent shall be dropped and fractions of one half cent or greater may be increased to the next whole cent and that where the increased round-trip fares end in other than "0" or "5" sufficient may be added to make the resulting fare end in "0" or "5".

IT IS HEREBY FURTHER ORDERED that applicants herein, other than the Pacific Electric Railway Company in so far as its local fares and excess baggage rates are concerned, be and they are, and each of them is, hereby authorized to depart from the provisions of Section 24(a) of the Public Utilities Act to the extent necessary to effect the increases herein authorized.

IT IS HEREBY FURTHER ORDERED that fares 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 Commission shall and it does hereby retain jurisdiction of this proceeding for the entry upon applicants' further request of such further order or orders as the facts and circumstances may require.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 10<sup>th</sup> day of February, 1948.

*R. E. Dunning*  
*Justice J. Calver*  
*Robert K. Wallace*  
*Harold P. Kels*  
*Samuel P. Patton*  
Commissioners

APPENDIX "A" TO DECISION NO.  
IN APPLICATION NO. 28985

The following tabulation sets forth adjustments sought in California intrastate passenger fares and excess baggage rates.

(a) Increases sought at this time

<u>Class</u>	<u>Present</u>	<u>Proposed</u>
One-way first	3.3 cents per mile	3.5 cents per mile
Round-trip first	166-2/3% of 3.3 cents per mile	166-2/3% of 3.5 cents per mile
One-way intermediate	2.75 cents per mile	3 cents per mile
Round-trip intermediate	180% of 2.75 cents per mile	180% of 3 cents per mile

Excess baggage rates per 100 pounds from 20.833 per cent of present one-way first class to 20.833 per cent of proposed one-way first class fares.

(b) Other proposed increases

One-way coach	2.2 cents per mile	2.5 cents per mile
Round-trip coach	180% of 2.2 cents per mile	180% of 2.5 cents per mile
Minimum one-way	10 cents	15 cents

Special parlor car and reserved seat one-way and round-trip - increase by 16.90 per cent.

Special one-way coach fares - increase by 13.63 per cent.

Special round-trip coach fares from 180 per cent of present special one-way coach fares to 180 per cent of proposed special one-way coach fares.

Short limited (21-day limit) round-trip intermediate class fares from 150 per cent of present to 150 per cent of proposed one-way intermediate fares.

Short limited (21-day limit) round-trip coach fares from 150 per cent of present to 150 per cent of proposed one-way coach fares.

Mixed class fares from one-half of present to one-half of proposed round-trip fares of like class in each direction.