

Decision No. 42495

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SANTA FE TRANSPORTATION COMPANY, a)
California corporation, for authority)
to reduce passenger stage service and)
to eliminate certain passenger stage)
operating schedules between points in)
the State of California.)

Application No. 30579

J. M. Souby, Jr., for applicant.
F. G. Pellett, for Brotherhood of Railroad Trainmen,
interested party.
Thomas B. Larkin, Jr., for the Western Transportation
League and Salida Commuters Group, protestants.
H. B. Pier, for Madera City Chamber of Commerce and
Madera County Chamber of Commerce, protestants.
Carl J. Thornton, City Manager, for City of Bakersfield,
interested party.
Neville R. Lewis, City Attorney, for the City of San
Fernando, protestant.

O P I N I O N

(1)
On August 22, 1949, Santa Fe Transportation Company filed
with this Commission revised time tables pursuant to General Order
No. 93-A, under which it proposed to eliminate certain passenger
stage schedules between San Francisco and Los Angeles, between Los
Angeles and San Diego and between Stockton and Manteca. Upon

(1) Applicant is a wholly owned subsidiary of The Atchison, Topeka
& Santa Fe Railway Company.

Pursuant to an agreement dated March 1, 1948, applicant and
Transcontinental Bus System, Inc., an interstate carrier, are
conducting their automotive bus operations within the State of
California as a joint operation. This agreement was approved
by the Commission in Decision No. 41629, on Application No.
29280. The agreement provides that all revenues from inter-
state transportation shall accrue to Transcontinental Bus
System, Inc., and all revenues from intrastate transportation
shall accrue to applicant. Expenses of operation are to be
paid or borne by the two companies in the proportion that their
respective revenues bear to the total revenues derived from
their California operations.

receipt of protests to applicant's proposal, those time tables were rejected and applicant thereupon filed the above entitled application requesting authority to establish the proposed reductions in service. A public hearing thereon was had before Examiner Paul at San Francisco, Fresno and Los Angeles on September 13, 14 and 19, 1949, respectively, and the matter was submitted subject to the filing of concurrent briefs which have been received.

Under applicant's proposal, as amended at the hearing, service would be reduced as follows. Of ten through passenger stage schedules operating from San Francisco to Los Angeles and twelve in the reverse direction, applicant proposes to eliminate four southbound and five northbound schedules. Of eight round trip schedules between Stockton and Manteca applicant proposes to eliminate two. Of one schedule operating from San Francisco to Los Angeles applicant plans to discontinue that part from San Francisco to Bakersfield. Of 17 round trip schedules operating between Los Angeles and San Diego nine would be eliminated under applicant's
(2)
proposal.

An officer of applicant testified that an out-of-pocket operating loss of \$823,367 resulted from its intrastate passenger stage operations during the calendar years of 1947, 1948, and the first seven months of 1949. By years, the loss was as follows: 1947, \$359,022; 1948, \$268,604; first seven months of 1949, \$195,741. However, income tax credits in the amounts of \$220,732 and \$63,585, respectively, were allowed for the years 1947 and 1948. These credits reduced the operating loss for the total period from

(2) During the hearing the application was amended to retain one round trip between San Francisco and Los Angeles and one round trip between Los Angeles and San Diego which applicant originally planned to discontinue.

\$823,367 to \$539,050.

The witness also testified that as a result of the continued loss from operations, applicant, during July, 1949, was compelled to borrow \$250,000 from The Atchison, Topeka & Santa Fe Railway Company in order to pay delinquent expense obligations and to meet current items of expense which are in excess of its revenues from the operation. The sum borrowed had been reduced to approximately \$220,000 as of September 9, 1949, with outstanding unpaid accounts payable of about \$160,000. For the twelve month period ending July 1, 1949, the net carrier operating loss amounted to \$289,756. Exhibit No. 14 produced by applicant indicates a general decline in passenger traffic between the comparative periods of August, 1947, through July, 1948, and August, 1948, through July, 1949. There was a 13.9 per cent drop in passengers transported during July, 1949, compared with July, 1948. Similarly, August, 1949, indicates a 22 per cent drop in passenger traffic as compared with August, 1948. According to the witness applicant transported 13.6 per cent fewer passengers during the first eight months of 1949 than during the comparable period of 1948 (Exhibit No. 18). Likewise, according to the same witness, revenues from passenger service for the first eight months of 1949 amounted to approximately \$872,000 compared to approximately \$867,000 for a similar period during 1948, but that sales during the 1949 period reflected an average fare increase of 8.26 per cent for the period February 1 to July 18 and an increase of 11.4 per cent for the period July 18 to August 31. It was stated that had the increase been in effect in 1948, the total sales for the 1948 period would have approximated \$937,000, thus indicating a decline in sales during the 1949 period of approximately 7 per cent (Exhibit No. 17).

The witness for applicant estimated that on the basis of the proposed curtailed service applicant's annual operating losses from its passenger stage operations would be reduced to approximately \$11,500 before giving effect to savings which can be made in overhead expenses. Another witness for applicant expressed the opinion that under the proposed curtailed service applicant would be able to retain approximately 5 per cent of the traffic now moving on schedules it desires to withdraw.

By Exhibit No. 16 applicant shows the average load factor of the schedules proposed to be eliminated between Los Angeles and San Francisco to be 48.4 per cent, varying from a low of 32.0 per cent to 53.7 per cent. The average load factor of the schedules proposed to be eliminated between Los Angeles and San Diego was indicated as 41.8 per cent, the lowest being 31.7 per cent and the highest 51.8 per cent. The average load factor of the four schedules proposed to be discontinued between Stockton and Manteca is indicated as 26.7 per cent. The total average load factor of the schedules proposed to be discontinued was shown to be 42.0 per cent. These load factors are based upon both the intrastate and the interstate traffic handled by the schedules involved.

No protestant produced any evidence other than by cross examination of witnesses or by expressing opinions with respect to the probable effect of applicant's proposal except the Western Transportation League and Salida Commuter's Group. The two latter protestants called twenty one witnesses. Four of these witnesses were drivers for applicant, and 17 were patrons of applicant's service between various points. Five of the patrons reside at Salida and three at Modesto. The others reside either at Merced,

Pleasanton, Turlock, Fresno, Ceres, Chowchilla or Laguna Beach. Each of the patron-witnesses objected to the proposed eliminations and described the use made of applicant's service. Some of the witnesses voiced objection to using comparable schedules of other carriers. According to the evidence most of these riders have available other services which can be used. A few of them would suffer some inconvenience. It is noteworthy that only one of these witnesses testified with respect to the proposed reduction in service between Los Angeles and San Diego and she was uncertain as to the effect such proposal would have upon her needs. She stated she could use the service of a parallel carrier.

Several points raised by counsel for these protestants in his brief are relied upon in support of their contentions that applicant failed to make a sufficient showing and may be summarized as follows:

(1) Applicant's failure to include information as to the revenue and cost of its joint operations with Transcontinental Bus System results in a false picture being presented to the Commission.

(2) The average load factors between ultimate points fails to reflect the true operations between intermediate points.

(3) Applicant failed to show that the traffic presently handled by the schedules proposed to be abandoned can be absorbed by other carriers.

In regard to the contention set forth in point (1) raised in brief by protestants, we find that the record convincingly shows an ever increasing out-of-pocket loss on the total California operations of applicant.

Regarding point (2) the record shows that an occasional

high load factor between some of the intermediate points does not justify continuation of schedules which suffer an over-all depressed load factor and a continued substantial operating loss.

In regard to point (3) the record reveals that competing carriers are offering similar service and schedules which protestants say they do not care to use. It further shows that these carriers are likewise experiencing noticeable downward trends in traffic. Furthermore, the evidence of record in our judgment is insufficient to justify the continuation of the schedules applicant proposes to cancel. On the other hand, the evidence as a whole convincingly shows growing operating losses in applicant's passenger stage operations.

The only question remaining is that of public convenience and in that respect the record is clear that only in very few instances would the public suffer any inconvenience. A careful consideration of all the facts of record in this proceeding shows that applicant's remaining schedules together with services provided by other carriers between the points involved herein will be ample to provide an adequate service for the traveling public. It should be noted that applicant pointed out that additional service will be established whenever the public demand is sufficient to justify the schedules.

The record is clear that applicant is experiencing a substantial out-of-pocket loss from its passenger stage operations. The record also shows conclusively that applicant is faced with a situation of declining passenger traffic and increasing costs to such an extent that it is compelled to reduce its operating costs, increase its load factors and effect economies of operations to be

able to continue its passenger stage service. It is our conclusion, and we so find, that applicant's request to reduce service is reasonable and not adverse to the public interest and should be granted.

Applicant also requested that inasmuch as it is suffering a substantial out-of-pocket loss from present operations that the order herein be made effective immediately. On this record we do not believe such request to be in the public interest which will, therefore, not be granted. However, applicant will be authorized to publish and file time tables bearing an effective date coincidental with that of the order herein.

O R D E R

A public hearing having been had in the above entitled matter, the Commission being fully informed therein and having found that the proposal of applicant has been justified and is reasonable,

IT IS ORDERED:

(1) That Santa Fe Transportation Company is hereby authorized to establish the proposed reduction in passenger stage service as set forth in Exhibit No. 3-A of record herein.

(2) That Santa Fe Transportation Company shall file an appropriate time table in triplicate with the Commission, which may be made effective coincidentally with the effective date of this order, provided that not less than 5 days' notice to the Commission and the public be given, said time table to be identical in substance and effect as that found in said Exhibit No. 3-A.

The effective date of this order shall be 20 days after the date hereof.

Dated at San Francisco, California, this 1st day of November, 1949.

D. Z. Driscoll
Justus F. Gacner
Deputy
Commissioner
Herbert (Potter)
COMMISSIONERS