

Decision No. 45703

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SANTA FE TRANSPORTATION COMPANY, )  
a corporation, for permanent )  
modification of its certificate of )  
public convenience and necessity. )

Application No. 24777  
(Ninth Supplemental)

Appearances

J. M. Souby, Jr., and William F. Brooks, for  
Santa Fe Transportation Company, applicant,  
and for The Atchison, Topeka and Santa Fe  
Railway Company, interested party.

T A. Hopkins, for the Transportation Engineering  
Staff of the Public Utilities Commission  
of the State of California.

TWELFTH SUPPLEMENTAL ORDER

Applicant is a California corporation owned and controlled by The Atchison, Topeka and Santa Fe Railway Company. It is engaged in the common carriage of passengers and their baggage by motorbus over the public highways between points within California. By its Ninth Supplemental Application in this proceeding it seeks modification of the authority under which it operates.

Public hearing of the matters involved was held before Examiner Abernathy at Fresno on November 9, 1950. In response to applicant's request for opportunity to submit additional evidence, the proceeding was reopened and further hearing was held before Commissioner Potter and Examiner Abernathy at Fresno on April 13, 1951.

Applicant's operative authority stems from Decision No. 30790 dated April 18, 1938 (41 C.R.C. 239). This decision authorizes applicant to perform a common carrier automotive passenger service integrated and coordinated with passenger train service of the railway company. The decision specifies that the fares for the integrated-coordinated service shall be computed at  $1\frac{1}{2}$  cents per mile based upon the short-line mileage, whether by bus or rail or by combination of both; that the bus and rail tickets shall be interchangeable; and that unlimited stopovers shall be permitted.

Service pursuant to the provisions of Decision No. 30790 was inaugurated in 1938. In 1939 applicant and the railway company voluntarily reduced their fares to a basis of 1.25 cents per mile. In February, 1942, the rail lines in California, including The Atchison, Topeka and Santa Fe Railway Company, increased passenger fares by 10 percent.<sup>1</sup> Following representations made shortly thereafter by applicant that it did not wish to establish corresponding increases in its bus fares, the Commission temporarily suspended conditions of Decision No. 30790 which were construed to require parity of fares between applicant and the railway company and to require the interchange of tickets between the two companies.<sup>2</sup> These conditions have been continued under temporary suspension. Applicant and the railway company have been permitted to make independent increases in their respective fares; their increased fares, which the Commission has found justified, exceed  $1\frac{1}{2}$  cents a

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<sup>1</sup> The increase was authorized by the Commission which found that the higher fares were justified by increased operating expenses.

<sup>2</sup> The present order of suspension will expire June 1, 1951.

mile in many instances. Generally speaking, the railway company's fares are at a higher level than those of applicant. Although their fares are different, applicant and the railway company have continued to permit the interchange of tickets, notwithstanding suspension of the mandatory interchange provisions. However, where passengers use a higher or a lower rated service than that for which their tickets provide, applicant and the railway company collect from or refund to the passengers such amounts as necessary to establish the charges collected to the tariff basis for the service provided.

According to its application in the present phase of this proceeding, applicant seeks permanent suspension of the conditions of Decision No. 30790 which require parity of fares and interchange of tickets with the railway company. During the course of the hearings, however, it became evident that applicant primarily seeks modification of its operative authority so as to annul the provisions requiring parity of fares and requirements that fares be computed at  $1\frac{1}{2}$  cents per mile based upon the short-line rail or highway mileage. These modifications would involve no changes in present fares or in present integrated and coordinated services which include<sup>3</sup> interchange of tickets between applicant and the railway company.

Applicant's witnesses testified to the effect that conditions have altered substantially since the integrated-coordinated service was established in 1938 and that it is no longer feasible to maintain fares on a parity with the railway or to compute fares at  $1\frac{1}{2}$  cents per short-line mile. They declared that because of increases in operating costs since 1938 profitable operations would not be possible if fares of  $1\frac{1}{2}$  cents per mile were assessed. Financial data were submitted to show that the

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<sup>3</sup>The issues involving parity of fares, as set forth in the application, are sufficiently broad to embrace the adjusted proposal.

cost of operation of either company now exceeds  $1\frac{1}{2}$  cents a mile. A statement setting forth revenues and expenses of the streamlined train service in the San Joaquin Valley during alternate months of 1950 reports expenses of 1.52 cents per passenger mile before any allowance for depreciation, overhead, or any expenses other than out-of-pocket expenses. Expenses of the bus company for the year were represented as 2.015 cents per passenger mile as compared with average revenues of 1.545 cents per passenger mile. Applicant reported a loss of \$282,768 during 1950 from its services involved herein.

Witnesses for applicant testified that competitive conditions also have changed materially in that competing bus and rail carriers have increased the quality of their services and have reduced their fares. They named Pacific Greyhound Lines as being applicant's principal competitor and declared that applicant must maintain fares not higher than those of Greyhound; should applicant undertake to raise its fares to place them on a par with the Santa Fe railway company it would price itself out of business. They said that the railway company, on the other hand, could not profitably reduce its fares to correspond to those of the bus lines. Witnesses for the railway company testified that their company's streamlined train service returns only slightly more than out-of-pocket costs. Assertedly, should the rail fares be reduced for parity purposes some additional patronage would be attracted to the rail service, but the patronage increases would not offset the reduction in revenues from the lower fares; moreover, the reduced fares would

tend to attract patrons from applicant's bus service and thereby to aggravate applicant's present losses.<sup>4</sup>

The record is persuasive that the conditions which justified the prescription of a basis of fares as a part of and a condition to applicant's operative authority no longer prevail. It appears that under present conditions the fare provisions are no longer appropriate as qualifications to the authority. The Commission is of the opinion and finds that the operative authority granted to the Santa Fe Transportation Company by Decision No. 30790, supra, should be modified so as to remove therefrom the requirements that fares be computed at a rate of 1½ cents per mile, based upon the short-line mileage, whether stage or rail, or a combination of the two. With this modification applicant will not be required to maintain fares at a parity with the railway company.

Applicant's other proposal involved herein, that it be relieved of the requirements of interchanging tickets with the railway company, will be dismissed inasmuch as the record is clear that applicant does not seek to make any change in its present operating practices which include the interchange of tickets.

The order herein will be made effective ten (10) days after the date hereof so that there may be no lapse in the present temporary suspension provisions relating to parity of fares.

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<sup>4</sup> Even if reductions in the rail fares could be justified from a cost standpoint, the witnesses doubted that the railway company, by reducing its fares, could maintain parity with the bus lines. Assertedly, the management of the Pacific Greyhound Lines is of the opinion that Greyhound must retain its fares below those of the rail lines in order to compete with the rail service.

O R D E R

Public hearings having been hold in the above-entitled proceeding, the matter having been duly submitted, and based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that

1. Decision No. 30790, dated April 18, 1938, in Applications Nos. 20170, 20171, 20172 and 20173 be and it is hereby amended by deleting the following phrase from the second paragraph of the Order of said decision:

"said service in its entirety to be provided to the public at fares computed at a rate of 1½ cents per mile, based upon the short-line mileage, whether stage or rail, or a combination of the two;"

2. In all other respects said Decision No. 30790, insofar as it applies to Santa Fe Transportation Company and to The Atchison, Topeka and Santa Fe Railway Company, shall remain in full force and effect.

3. Appropriate amendments of applicant's tariffs and of The Atchison, Topeka and Santa Fe Railway Company to reflect the provisions of this order may be filed on not less than three (3) days' notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that in all other respects the Ninth Supplemental Application in the above numbered proceeding

be and it is hereby dismissed.

This order shall become effective ten (10) days after the date hereof.

Dated at San Francisco, California, this 15th day of May, 1951.

Ch. J. Munroe  
Justus F. Cravens  
Harold P. Hale  
John L. Whitfield

Commissioners