

ORIGINAL

Decision No. 45027

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN PACIFIC )	
COMPANY to establish a special )	
service charge for passengers )	Application No. 32100
occupying reserved coach seats, )	
and requesting that application )	
be granted Ex Parte. )	

Appearances

E. J. Foulds and R. S. Myers, for applicant.

O P I N I O N

Southern Pacific Company is a common carrier of passengers by railroad. Between San Francisco and Los Angeles, between Sacramento and Los Angeles and between San Francisco and Portland, it provides a reserved seat coach-class service on streamlined trains.<sup>1</sup> This service is in addition to regular coach-class service. By this application applicant seeks authority under Section 63 of the Public Utilities Act to establish, in connection with travel on its streamlined trains operating between the points referred to above, a special service charge for passengers occupying reserved coach seats.<sup>2</sup> Under this proposal all passengers traveling on these trains would be required to have reserved seats. No change is proposed in the charges applicable for transportation

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<sup>1</sup> The trains herein involved are the morning Daylight, the Starlight, the San Joaquin-Sacramento Daylight, the Shasta Daylight and the Cascade. On the San Francisco-Portland operations, intrastate service is performed between San Francisco and Dunsmuir and certain intermediate points.

<sup>2</sup> For service between terminal cities, the proposed charge is \$1.00; for service between intermediate points, the charges range from 25 to 75 cents. The charges and governing rules and regulations are set forth in detail in the application. They would apply in addition to the present passenger fares.

in coach-class service on other trains.

Public hearings were held in San Francisco and Los Angeles before Examiner Lake.

An assistant to applicant's vice president testified that the equipment assigned to this service is of modern, lightweight and streamline design; that services are performed at extraordinarily fast speeds and with a limited number of stops; and that passengers traveling on the streamlined trains are accorded reserved seats without extra charges. The latter arrangement, he stated, assures the passenger of a seat in advance of boarding the train and accords him the exclusive occupancy of the same seat for the entire journey. He described the de luxe service and comfort features provided on the streamlined trains as follows:

- (a) More traveling space per passenger.
- (b) Commodious and well-appointed rest rooms.
- (c) Spacious end-car baggage compartments, in addition to overhead baggage racks.
- (d) Brightly appointed interiors to add to the attractiveness of traveling.
- (e) Fluorescent lighting--individual reading lights.
- (f) Full view windows.
- (g) Custom designed air-conditioning and ventilating system which permits smoking in all cars.
- (h) Added personal service of special train passenger agent.
- (i) Added service of chair car porter.
- (j) Special hand baggage tagging arrangement in same car in which passenger is traveling.
- (k) Use of special purpose cars--lounge, tavern, dining, coffee shop.

- (1) Public address system, serving dual purpose:
  - (1) enabling train passenger agent to make train announcements to passengers of scenic attractions enroute, train stops, and meal hours; and
  - (2) to transmit radio programs for the entertainment of passengers while traveling.

The witness pointed out that the above-described services and features are not accorded passengers traveling in coach-class service on other trains, but that the fares paid by passengers traveling on trains in both classes are the same. He stated that it was originally the intention of the management that service on the streamlined trains with the added travel features, including a reserved seat for each passenger, was to be offered at the same charge as that prevailing on regular coach trains. He testified that costs have risen to the point that passenger traffic is now handled at a substantial deficit and additional revenues are necessary.

He further testified that coach-class fares between the points served by the streamlined trains were maintained, for competitive reasons, on a subnormal basis when compared with the recognized basic one-way coach fares.<sup>3</sup> Consideration, according to the witness, had been given to raising coach-class fares generally but that studies had indicated that to do so would disrupt the competitive balance with other modes of commercial transportation. He believed, therefore, that the establishment of the proposed special service charges would be a more equitable arrangement; that they would not be so high as to be traffic resistant; and that they would permit a

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<sup>3</sup> Between San Francisco and Los Angeles, for example, a distance of 470 miles, the present fare is \$7.50 or 1.6 cents per mile. The normal basic one-way coach fare would be \$11.85 or 2.5 cents per mile. Under applicant's proposal, the aggregate one-way charge would be \$8.50 or 1.81 cents per mile.

greater use factor of the equipment by reducing the number of un-claimed reservations. In addition, the witness stated that the proposed charges would defray the cost of making reservations and would cover in part the expenses incurred in rendering the de luxe service.

A special representative of the passenger reservation department explained in considerable detail the procedure and work required in processing requests for seat reservations. He stated that the cost of performing this service on a system-wide basis could best be calculated by determining the saving that would be accorded were the carrier to withdraw the reserved seat service. This, he estimated, would amount to approximately \$439,430.<sup>4</sup> The average cost for each reservation, according to the witness, is not less than 33 cents per seat.

The manager of the Bureau of Research and the assistant to the vice-president introduced and explained exhibits showing revenues and expenses for passenger services performed by applicant from 1937 to and including 1950, and graphs showing for a like period the rate of change in passenger fares contrasted with the rate of change in the cost of labor, materials and fuel. Applicant has experienced, during the 15-year period studied, losses in all but four years.<sup>5</sup> The losses range from slightly in excess of 7 million dollars in 1941 to more than 35 million dollars in 1950. The figures submitted were,

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<sup>4</sup> The figure submitted included only direct costs. It does not include provision for overhead or other allocated costs which may be chargeable to this service. In addition to processing seat reservations, he stated that his department processes pullman reservations and renders information and travel service to the public by telephone. The total cost of these agencies on the Pacific System, he estimated, would be approximately 1 million dollars.

<sup>5</sup> During 1942 through 1945, passenger operations, according to the exhibit, were conducted at a profit. Since that time the losses have increased each successive year.

according to the witnesses, for the operation of the passenger service over all of the Southern Pacific Company's lines. The estimated deficit from passenger service and operations within California for the year 1950 was stated to be approximately 12½ million dollars.<sup>6</sup> The operating ratio is 136.03. The additional revenue which would accrue to the carrier as a result of the proposed charges would be, according to the witnesses, approximately \$880,000 annually. Of this amount, approximately \$545,600 would be derived from California intrastate traffic.<sup>7</sup>

Additional evidence was offered by the assistant to the vice president relating to the convenience to passengers and the carrier of the reserved seat arrangement; to the difficulties with which the carrier is confronted when passengers fail to cancel their reservations in time for space reassignment to other parties or in time to permit elimination of excess equipment;<sup>8</sup> to the present fares for transportation between the points involved in this proceeding as compared with fares applicable between other points in the western territory; and to the cost per train-mile experienced by California passenger trains. He also introduced evidence showing that other carriers operating similar trains elsewhere in the United States make similar reserved seat charges.

Two witnesses testified in their own behalf that the establishment of the proposed charges would create additional costs in their travel. They stated that certain railroads operating in the

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<sup>6</sup> The deficit was developed by contrasting passenger revenues with full costs and adjusting the results thereof by eliminating back mail pay applicable to service rendered during prior years but included in the 1950 revenues.

<sup>7</sup> According to the testimony of the witness, 62 percent of the traffic is California intrastate.

<sup>8</sup> Unless cancellations are received sufficiently in advance of train departure the carrier is compelled to carry empty equipment and personnel to service such equipment.

Pacific Northwest did not require additional charges for reserved seats. They did not, however, establish that the services accorded or the fares charged on these trains were comparable to those offered by applicant on the trains here in question.

Applicant's passenger revenues are insufficient to return the cost of operation. Clearly, additional revenues are necessary. Applicant's showing of savings in respect to providing reserved seats demonstrates that the additional cost of arranging seat reservations is not less than 33 cents per seat. While the proposed reservation charges are higher than the indicated cost it is to be noted that superior equipment is assigned to the trains involved and that additional services are provided by these trains.

The record shows further that, notwithstanding the superior equipment and the de luxe service, the fares charged are on a sub-normal level having been depressed to meet the competition of other modes of transportation. Even with the additional special service charges, the aggregate fare collected from each passenger would be below the basic normal fare authorized for coach-class travel by this Commission in Decision No. 41216 of February 24, 1948, in Application No. 38945 (unreported). Under applicant's proposal its streamline de luxe one-way service will be rendered at a cost of 1.81 cents per mile, while the regular established basic one-way coach fare is 2.5 cents per mile.

In the circumstances the proposed charges are justified. The revenues which would be derived therefrom would do no more than assist in reducing the annual deficit experienced in applicant's passenger operations. The application will be granted.

Applicant points out that charges of the same volume and effect are applicable on interstate traffic and under the present

arrangement, "the situation at the moment is somewhat chaotic in that we are required to collect the special service charges on our trains involved from each passenger who presents an interstate ticket, whereas on the same trains, perhaps in the adjacent seat, the intrastate passenger is receiving the added service free."<sup>9</sup> In view of the evident need for increased passenger revenue and in light of the conditions pointed out by applicant, authority will be granted to establish the charges herein authorized on less than statutory notice.

O R D E R

Public hearing having been held in the above-entitled application, full consideration of the matters and things involved having been had and based upon the conclusions and findings in the preceding opinion,

IT IS HEREBY ORDERED that Southern Pacific Company be and it is hereby authorized to establish on not less than five (5) days' notice to the Commission and the public, special service charges for passengers occupying reserved coach seats as specifically set forth in the application filed in this proceeding.

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<sup>9</sup> The charges applicable on interstate traffic were filed with the Interstate Commerce Commission to become effective May 1, 1951. The Commission in "Investigation and Suspension Docket 5920" suspended the effective date of those charges. By order of the Interstate Commerce Commission dated May 18, the suspension was set aside. The interstate charges became effective on May 23, 1951.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

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

Dated at San Francisco, California, this 32 day of July, 1951.

*A. J. [Signature]*  
*Justin F. [Signature]*  
*Harold F. [Signature]*  
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Commissioners