

Decision No. 47244

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of Southern Pacific Company for	)	
authority to increase certain	)	
special coach and other fares	)	Application No. 32812
applicable to intrastate passenger	)	
traffic in California.	)	

Appearances

- E. J. Foulds, for applicant.
- Thomas M. Carlson by Frederick Bold, Jr., for City of Richmond, protestant.
- Walter I. Phillips, in propria persona, interested party.
- R. B. Cassidy and H. J. McCarthy of the Commission's staff.

O P I N I O N

Southern Pacific Company is a common carrier of passengers by railroad. By this application, it seeks authority to increase its intrastate passenger fares for coach-class service between San Francisco, Oakland and Sacramento, on the one hand, and Los Angeles and intermediate points, on the other hand, and also between a few other points on its lines.

Public hearing of the application was held at San Francisco on May 1, 1952, before Commissioner Potter and Examiner Jacopi. Evidence was presented by two of applicant's officials and by a transportation engineer of the Commission's staff.

Most of the coach fares which it is proposed to increase apply between San Francisco-Oakland-Sacramento and Los Angeles and intermediate points on the Coast and San Joaquin Valley routes.

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<sup>1</sup>  
The same fares apply for coach-class service on either the streamlined or the regular trains operating via the aforesaid routes. A service charge in addition to the coach fare is made, however, for passengers occupying reserved seats on the streamlined trains. Unless otherwise indicated, the coach fares set forth in this decision are exclusive of the service charge.

The other coach fares that would be advanced apply between San Francisco-Oakland-Berkeley and points in the Monterey and Santa Cruz areas and between San Francisco and Richmond, Hayward and intermediate points. It is proposed to increase the foregoing coach fares to the level of the basic coach rate of 2.5 cents per mile generally observed by applicant, except that lower bases would be used where required by competitive conditions.<sup>2</sup> These exceptions to the basic mileage rate involve coach movements between the terminal points of San Francisco, Oakland and Sacramento and Los Angeles and also from or to most of the intermediate points on the Valley route. The present one-way coach fare between San Francisco-Oakland and Los Angeles is \$7.50, or 1.6 cents per mile. This fare would be raised to \$8.50, which is equal to 1.81 cents per mile.<sup>3</sup> Between Sacramento and Los Angeles, the present fare of \$7.16, or 1.6 cents per mile, would be advanced to the terminal basis of \$8.50, or 1.9 cents per mile.<sup>4</sup> The existing one-way fares from or to the intermediate points on the Valley route ranging from 1.4 cents to 2.22 cents per mile would be advanced to levels ranging from 1.63 cents to 2.5 cents per mile but not more than the sought \$8.50 fare between the terminal points.

Applicant proposes also to make related upward adjustments between various points. Through coach fares that are constructed by

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<sup>2</sup> The present round-trip fares are based 180 percent of the one-way fares. The new round-trip fares would be 180 percent of the increased one-way fares.

<sup>3</sup> The present and proposed fares apply via either the Coast or San Joaquin Valley routes. The rates per mile referred to are calculated via the slightly shorter Coast route, a distance of 470 miles. For passengers riding the streamlined trains, the proposed one-way fare plus the special service charge for reserved seats would amount to \$9.50, or 2.02 cents per mile.

<sup>4</sup> Including the service charge for reserved seats on streamlined trains, the proposed basis would be equal to 2.12 cents per mile.

combinations over the aforesaid terminal points for movements beyond would be increased by the amount of the adjustment in the terminal fares. Fares which include both transportation and occupancy of a parlor car seat between San Francisco and Los Angeles and intermediate points, and transportation and a reserved coach seat between San Francisco and Pacific Grove and intermediate points, would be raised to the extent necessary to maintain the existing relationship to the one-way fares. In addition, it is proposed to reduce the present 15-day limitation on the use of one-way tickets to 5 days and to discontinue certain coach fares.<sup>5</sup> Comparisons of the present and proposed coach fares between representative points involved in applicant's proposals are shown in Appendix "A" hereof.

The proposed fare adjustments were explained by applicant's assistant to the vice-president (passenger traffic). His testimony shows that the fares which it is proposed to increase have been maintained at subnormal levels for many years. In 1937, the basic mileage rate for the coach fares of applicant and other railroads in California and the western territory generally was 2.0 cents per mile. Applicant established lower special coach fares in 1937 and 1938 between the points here involved on the level of 1.5 cents per mile, assertedly to meet highway competition. These fares were advanced by 10 percent in 1942 pursuant to a general increase authorized in the intrastate passenger fares, including coach fares, maintained by California railroads.<sup>6</sup> In 1948, applicant and the other California railroads were authorized to increase the intrastate

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<sup>5</sup> The fares that would be discontinued involve one-way and round-trip fares between points where passenger train service no longer is operated and round-trip fares between points for which lower fares otherwise are named in applicant's tariffs.

<sup>6</sup> Decision No. 35007 of February 6, 1942 (44 C.R.C. 26).

basic coach rate of 2.2 cents per mile to the level of 2.5 cents per mile, except that applicant sought and was granted authority to advance the special coach fares now involved herein by 13.63 percent.<sup>7</sup> Except for the establishment of charges for reserved coach seats in streamlined trains, no change has been made in applicant's coach fares since 1948.<sup>8</sup> Assertedly, the subnormal special coach fares in question fail to cover the cost of performing the service and the additional revenue from the higher fares sought is needed to help reduce the deficit being experienced on applicant's passenger train operations. The additional revenue that would accrue to applicant under the increased fares would be about \$914,000 per year. Of this amount, approximately \$752,000 would be derived from intrastate traffic.<sup>9</sup>

The manager of applicant's bureau of transportation research introduced and explained exhibits designed to show that substantial losses have been and still are being experienced on applicant's system-wide passenger train operations. One of the exhibits showed the revenues and the full operating expenses for the years 1930 to and including 1950. The figures disclose that operating losses were sustained in all but five years of the 21-year period studied. The losses ranged from slightly in excess of

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<sup>7</sup> Decision No. 41251 of February 24, 1948, in Application No. 28945 (unreported). At that time the special coach fares were on levels lower than 2.2 cents per mile.

<sup>8</sup> The special service charges were authorized by Decision No. 45927 of July 3, 1951, in Application No. 32100. These charges range from 25 cents to \$1.00.

<sup>9</sup> Some of applicant's interstate coach fares are constructed on the special coach fares involved herein plus 2.5 cents per mile for the movements beyond. Increases corresponding with those sought herein, when involved, are to be made in the interstate fares.

4 million dollars in 1931 to more than 35 million dollars in 1950. The figures for the years 1947 through 1950 reflected adjustments to include retroactive payments for the transportation of mail received from the federal government in 1950. Another exhibit showed the estimated revenues and the direct or out-of-pocket expenses anticipated for the system passenger operations in the year 1952 under the present fares.<sup>10</sup> The figures were submitted for the individual passenger trains operated by applicant, except those in certain local service.<sup>11</sup> The revenues for all of the trains as a group would fail to cover the out-of-pocket expenses by \$6,196,223. Of the 35 individual trains listed in the exhibit, only eight would earn revenues amounting to more than the out-of-pocket costs. Only two of these eight trains operate entirely between points in California.

Other evidence dealing with applicant's system operations offered by the witness included graphs showing the rate of change in passenger fares in the period 1930 through 1950 as compared with the substantially greater increases that occurred in the cost of labor, material and fuel; an exhibit showing that the rates of return for applicant's combined passenger and freight system operations for the years 1947 through 1951 ranged from 2.6 percent to

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<sup>10</sup> The direct or out-of-pocket expenses were defined as the costs which vary with the volume of traffic or, stated differently, those that would not be incurred at all if the passenger train service were not provided. Such costs do not include, for example, general or overhead expenses and property taxes nor any return on road or equipment investment.

<sup>11</sup> The exhibits covered 35 regularly scheduled passenger trains operated over applicant's system. In addition to these trains, those used in the local service between San Francisco and San Jose and Los Gatos were considered as a group and the figures submitted accordingly.

3.6 percent, or an average of 3.2 percent; and graphs comparing applicant's revenue per passenger mile in relation to operating ratio with similar figures for other railroads, which graphs were designed to demonstrate that past increases in fares had resulted in some reduction of the losses on rail passenger services.

Studies dealing with the results of passenger train operations in the particular territories where it is proposed herein to increase the intrastate coach fares were presented by the manager of applicant's bureau of research and by a transportation engineer of the Commission's staff. The studies show that the annual revenues under the present fares for the group of passenger trains operating in the territories in question fail to cover the out-of-pocket costs of performing the services by a substantial amount and that a material out-of-pocket loss would be experienced even under the proposed fares.<sup>12</sup> In these calculations, each train was considered in its entirety. The revenues earned by the trains in the year 1951 from the various classes of services performed were given effect in the revenue figures. These earnings included the revenues from interstate and intrastate passengers in coach, parlor and Pullman equipment and from dining cars and the head-end services.<sup>13</sup>

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<sup>12</sup> The trains serving the territories in question are the San Joaquin Daylight, Sacramento Daylight, Owl, West Coast and trains Nos. 55-56 operating via the San Joaquin Valley route. Those operating via the Coast route are the Morning Daylight including its Oakland connection, Starlight, Lark, Oakland Lark, Del Monte and trains Nos. 71-72. The Peninsula local service and the trains operating between Oakland Pier and Sacramento were not included in the calculations. The coach fares in those areas already are on the basic level of 2.5 cents per mile.

<sup>13</sup> The charges for sleeping accommodations (but not the fares for transportation) operated on three of the trains by The Pullman Company and the expenses involved are taken into Pullman's accounts in accordance with a service contract approved by the Interstate Commerce Commission on August 22, 1949, re Proposed Pooling of Earnings and Service Operation of The Pullman Company under Railroad Ownership (270 I.C.C. 5). Settlement with the railroads is made under a contract formula. The record shows, however, that the Pullman service is being operated at a loss and that applicant has received no payments in recent years. These losses are not reflected in the figures submitted by the witnesses.

Upward adjustments were made in the 1951 revenue figures to include retroactive mail payments received from the federal government, special service charges for reserved seats on streamlined trains and the cash value of free transportation accorded under the provisions of the Public Utilities Code.

The operating expenses for the passenger trains in question as developed by the witnesses generally were based upon applicant's 1950 system passenger expenses as adjusted to current levels.<sup>14</sup> The cost of wages for the engine crews and trainmen and the amount of fuel consumed by the trains were readily determinable from applicant's records and were used in the calculations. For determining most of the other out-of-pocket expenses, unit costs were developed from the system expenses and applied to actual service units involved in the operations in question, such as gross ton-miles, locomotive-miles, car-miles and train-miles, as shown by special studies. In connection with these determinations, the 1950 costs were adjusted to July, 1951 levels with some further adjustments for upward and downward changes that occurred thereafter. The annual revenues and the out-of-pocket expenses so calculated for the group of passenger trains serving the territories involved in the proposed coach-fare increase are summarized in the tabulation that follows. Similar figures for the individual trains comprising the group as submitted by applicant are shown in Appendix "B" hereof.

Annual Revenues and Direct or Out-of-Pocket Expenses  
Under Present and Proposed Fares for the Group of  
Passenger Trains Operating in the Territories Where  
Applicant Seeks to Increase its Intrastate Coach Fares.

	Present Fares		Proposed Fares	
	Applicant	Staff Engineer	Applicant	Staff Engineer
Revenues	\$17,014,491	\$17,014,491	\$17,928,666	\$17,928,666
Direct or Out-of-Pocket Expenses	<u>18,901,666</u>	<u>18,854,776</u>	<u>18,901,666</u>	<u>18,854,776</u>
Out-of-Pocket Loss	\$ 1,887,175	\$ 1,840,285	\$ 973,000	\$ 926,110

<sup>14</sup> The 1951 system passenger expenses were not available when the studies were prepared.

The staff engineer calculated also the full costs of the passenger train operations in question. On this basis, his studies show that the annual loss would amount to \$8,525,923 under the present fares and \$7,611,748 under the proposed fares.

Although different methods were employed in a number of instances, the final calculations of the total out-of-pocket loss incurred in rendering the passenger train services in question showed only a relatively small difference. This is accounted for largely in the calculations of maintenance costs on the cars used in the trains involved herein. The witness for applicant developed unit costs for each of the various types of cars used in the services whereas the staff engineer based his unit costs on the system average for all such cars.<sup>15</sup> Other small variations in the figures resulted from the use of different methods for the assignment of a number of system expenses.

The assistant to applicant's vice-president asserted that the proposed fares would not cause a material loss of traffic. He agreed that competing rail and bus lines would have lower fares between the terminal points and also between some of the intermediate points. The witness stated, however, that relatively small fare increases were being sought and that the proposed fares between the principal points, if authorized, still would be on bases lower than applicant's basic rate of 2.5 cents per mile for coach fares. He maintained that his company's past experience under similar circumstances showed that moderate fare increases had not caused any noticeable loss of traffic. The witness pointed out that an upward trend of traffic had been experienced since the middle of 1950 and

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<sup>15</sup> The maintenance costs for Pullman cars were not included in the calculations of the witnesses. As stated in footnote 13 hereof, these expenses are taken into the accounts of The Pullman Company.



that applicant's streamlined coach trains were handling capacity loads.

In support of the proposed change in the period of time within which one-way tickets are honored for transportation, the witness stated that most of the tickets were used for continuous trips for which a period of 5 days would be ample and that the uniformity that would be achieved with the limitation on the use of interstate coach tickets was desirable.

Notices of the public hearing in this proceeding were posted in applicant's depots and were published in newspapers of general circulation in the areas involved. In addition, the Commission's Secretary sent notices of the hearing to persons and organizations believed to be interested. The sought fare increases were opposed by the City of Richmond but its representative introduced no direct evidence. No one else specifically opposed the granting of the application. An interested party and members of the Commission's staff participated in examination of the witnesses.

The evidence of record shows that the present annual revenues from applicant's passenger train operations in the territories involved herein fail to cover the out-of-pocket or bare cost of performing the services by more than \$1,800,000. Clearly, additional revenues are necessary. The evidence shows further that the present coach fares that would be adjusted were depressed to meet the competition of other modes of transportation and are on bases substantially lower than the basic rate of 2.5 cents per mile observed for coach-class service on applicant's lines elsewhere in California and in western territory generally. The proposed coach fares between a substantial number of the points involved also are on levels lower than the basic mileage rate because of competitive

conditions. Even with the additional revenue from the proposed fares, the earnings of the passenger trains in question still would fail to cover the out-of-pocket costs by more than \$900,000 per year. The foregoing losses would be greater if the results of operation for the "Lark" were eliminated from the calculations. The record shows that the annual revenues for the "Lark" exceed the out-of-pocket costs by about \$222,000. This train does not provide coach class service. The first-class fares applicable on the train, which are not involved herein, are on the level of 3.5 cents per mile as compared with the basic coach rate of 2.5 cents per mile.

In the circumstances, the evidence is convincing that the present coach fares between points in the territories in question are inadequate as alleged and that the sought fares are justified. The additional revenue that would be derived from the proposed fare adjustments would do no more than assist in reducing the deficit being experienced on the passenger train operations. The proposed change in the limitation on the use of one-way tickets appears to be reasonable and will be authorized.

Upon careful consideration of all of the facts and circumstances of record, we are of the opinion and hereby find that the increases in applicant's intrastate coach fares and related adjustments and the changes in tariff rules proposed in this proceeding are justified. The application will be granted.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Southern Pacific Company be and it is hereby authorized to establish the increased passenger fares and changes in tariff rules as proposed in the application filed in

APPENDIX "A"

Comparison of Present and Proposed One-Way and Round-Trip Coach Fares of Southern Pacific Company Between Representative Points.  
(Special service charges for reserved seats on streamlined trains are in addition to the coach fares shown below.)

<u>Between</u>	<u>And</u>	<u>ONE-WAY FARES</u>		<u>ROUND-TRIP FARES</u>	
		<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
San Francisco	Los Angeles	\$7.50	\$8.50	\$13.50	\$15.30
	Bakersfield	5.40	5.65	9.75	10.20
	Tulare	4.24	4.66	7.65	8.40
	Fresno	3.49	3.84	6.30	6.95
	Merced	2.44	2.68	4.40	4.85
	Modesto	1.73	1.90	3.15	3.45
	Stockton	1.58	1.90	2.85	3.45
	Santa Barbara	7.50	8.50	13.50	15.30
	San Luis Obispo	5.62	6.22	10.15	11.20
	Paso Robles	4.72	5.34	8.50	9.65
	Salinas	2.25	2.87	4.05	5.20
	Gilroy	1.50	1.97	2.70	3.55
	Los Angeles	Bakersfield	\$2.10	\$2.85	\$3.80
Fresno		4.01	4.66	7.25	8.40
Merced		5.07	5.91	9.15	10.65
Stockton		6.28	7.28	11.35	13.15
Salinas		7.50	8.50	13.50	15.30
Gilroy		7.50	8.50	13.50	15.30
Sacramento	Los Angeles	\$7.16	\$8.50	\$12.90	\$15.30
	Bakersfield	5.10	5.65	9.20	10.20
	Fresno	3.18	3.84	5.75	6.95
	Merced	2.14	2.60	3.90	4.70
	Modesto	1.50	1.92	2.70	3.50
Bakersfield	Delano	\$ .60	\$ .66	\$1.10	\$1.20
	Tulare	1.16	1.28	2.10	2.35
	Kingsburg	1.61	1.77	2.90	3.20
	Fresno	1.91	2.10	3.45	3.80
	Madera	2.33	2.36	4.20	4.25
	Stockton	4.19	4.43	7.55	8.00
Fresno	Madera	\$ .41	\$ .55	\$ .75	\$1.00
	Merced	1.05	1.25	1.90	2.25
	Turlock	1.52	1.75	2.75	3.15
	Modesto	1.76	2.05	3.20	3.70
	Stockton	2.27	2.62	4.10	4.75
San Jose	Salinas	\$1.31	\$1.72	\$2.40	\$3.10
	King City	2.48	2.84	4.50	5.15
	Paso Robles	3.77	4.17	6.80	7.55
	San Luis Obispo	4.68	5.05	8.45	9.10
	Santa Barbara	7.50	8.05	13.50	14.50
	Los Angeles	7.50	8.50	13.50	15.30
San Francisco	Castroville	\$2.05	\$2.69	\$3.70	\$4.85
	Ord	2.30	2.92	4.15	5.30
	Del Monte	2.35	3.07	4.25	5.55
	Monteroy	2.35	3.09	4.25	5.60
	Pacific Grove	2.40	3.12	4.35	5.65
	Aptos (1)	1.65	2.17	3.00	3.95
	Capitola (1)	1.60	2.09	2.90	3.80
	Seabright (1)	1.60	2.05	2.90	3.70
	Santa Cruz(1)	1.50	1.97	2.70	3.55
	Oakland-16th Street	.26	.26	.36	.50
	Richmond	.42	.42	.57	.75

(1) Fares apply via rail to Los Gatos, thence Peerless Stages.

APPENDIX "B"

Summary of Annual Revenues and Direct or Out-Of-Pocket Operating Expenses Under Present and Proposed Fares  
As Submitted By Southern Pacific Company for its Passenger Trains Operating Between San Francisco-  
Oakland-Sacramento and Los Angeles and Intermediate Points and Between Other Points as Shown Below

<u>Name or Number of Train</u>	<u>Operating Between</u>	<u>Present Fares</u>		<u>Proposed Fares</u>	
		<u>Revenues</u>	<u>Direct or Out-Of-Pocket Expenses</u>	<u>Revenues</u>	<u>Direct or Out-Of-Pocket Expenses</u>
<u>San Joaquin Valley Route</u>					
San Joaquin Daylight	Oakland Pier-Los Angeles	\$ 1,984,357	\$ 2,695,750	\$ 2,174,362	\$ 2,695,750
Sacramento Daylight	Sacramento-Tracy	192,911	296,812	203,666	296,812
Trains Nos. 55-56	Oakland Pier-Los Angeles	1,136,786	1,751,713	1,141,566	1,751,713
Owl	Oakland Pier-Los Angeles	2,595,492	2,590,857	2,665,997	2,590,857
West Coast	Sacramento-Los Angeles	1,368,775	1,815,824	1,405,820	1,815,824
<u>Coast Route</u>					
Trains Nos. 71-72	San Francisco-Los Angeles	1,324,696	1,783,108	1,330,671	1,783,108
Del Monte	San Francisco-Pacific Grove	200,138	413,769	219,258	413,769
Starlight	San Francisco-Los Angeles	2,717,517	2,349,066	2,911,107	2,349,066
Morning Daylight	San Francisco-Los Angeles	3,052,040	2,870,702	3,429,660	2,870,702
Trains Nos. 250-255	Oakland Pier-San Jose	61,230	175,925	66,010	175,925
Oakland Lark	Oakland Pier-San Jose	60,326	180,697	60,326	180,697
Lark #	San Francisco-Los Angeles	2,320,223	1,977,443	2,320,223	1,977,443
Totals		\$17,014,491	\$18,901,666	\$17,928,666	\$18,901,666
Annual Out-Of-Pocket Operating Losses			\$1,287,175		\$973,000

NOTE:--Revenues are based upon those earned by the trains in the year 1951 adjusted to include retroactive mail payments received, revenue from special service charges for reserved coach seats on streamlined trains and cash value of free transportation accorded under the provisions of the Public Utilities Code.

Out-Of-Pocket costs are based upon 1950 system passenger expenses adjusted to current levels. Wages of train crews and cost of fuel consumed were directly assigned. Other costs were developed on the basis of service units such as gross ton-miles, locomotive miles actually involved in the train operations and on the basis of special studies.

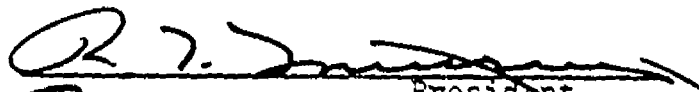
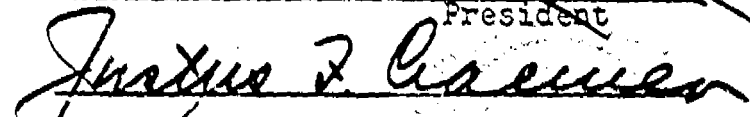
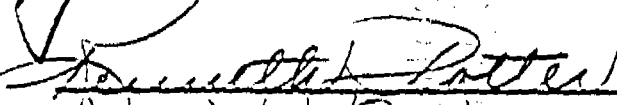
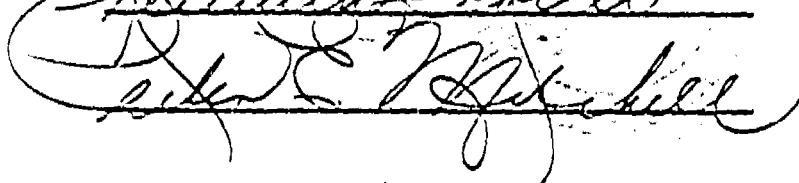
# Coach-class service is not provided by the Lark operating between San Francisco and Los Angeles and intermediate points. The basic rate for first class fares applicable on the Lark is 3.5 cents per mile as compared with the basic level of 2.5 cents per mile for coach fares and with rates ranging from 1.63 cents to 2.5 cents per mile for the increased coach fares sought herein.

this proceeding.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) 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 9th day of June, 1952.

  
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President  
  
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Commissioners