Decision No. 48044

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of The Pullman Company for authority under Sections 15 and 63(a) of the Public Utilities Act, to increase certain rates.) Application No. 32954

Appearances

R. Milton Wingquist, Marvin Handler and Clair W. MacLeod, for applicant.
H. J. McCarthy and T. A. Hopkins, for the Commission's staff.

O P I N I O N

The Pullman Company is a common carrier engaged in the operation of railroad cars containing sleeping and seating accommodations over various railroad lines in California. By this application, it seeks authority to increase certain of its intrastate fares for sleeping accommodations on less than statutory notice.[1]

A public hearing of the application was held at San Francisco on November 20, 1952, before Commissioner Mitchell and Examiner Jacopi. Evidence was introduced by applicant's general passenger agent and by its assistant auditor. Counsel for the Commission's staff assisted in the development of the record through examination of the witnesses.

Applicant's intrastate fares were last adjusted by Decision No. 45956 of July 17, 1951, in Application No. 32410 (unreported), when a 15-percent increase was authorized. The decision showed that even under the fares as so adjusted the intrastate

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[1] The proposed upward adjustment is identical with that already established by applicant on interstate traffic. Authority to make a like adjustment is being sought from or has been granted by other state regulatory bodies throughout the nation.

operations would continue to be conducted at a substantial loss and that the operating ratio would be 127.18 percent. Applicant now seeks authority to make further increases in its fares by establishing minimum fares for all classes of sleeping accommodations. The adjustment would affect the company's fares between virtually all points in California where its service is available. Under the proposal, the present one-way fares for lower berths of $4.05, $4.35 and $4.70, depending upon the distance involved, would be raised to a minimum fare of $5.00. The minimum fare for upper berths would be $3.80 in lieu of the present fares of $3.00, $3.35 and $3.55. For the other classes of sleeping accommodations, the proposed minimum fares would range from $6.55 for a section to $15.05 for a drawing room. Illustrations of the typical effect of the proposed upward adjustments are set forth in the margin.[2] The proposed fares are expected to produce additional intrastate revenue amounting to $118,203 per year.

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[2] The present and proposed one-way fares for single occupancy of the principal sleeping accommodations provided by applicant are as follows:

	(1)	(2)	(3)	(4)
Lower Berth	$4.70	$4.35	$4.05	$5.00
Upper Berth	3.55	3.35	3.00	3.80
Section	6.25	5.90	5.60	6.55
Roomette	6.60	6.10	5.60	7.00
Bedroom	8.95	8.30	7.65	9.50
Compartment	10.65	9.85	9.10	11.30
Drawing Room	14.15	13.10	12.10	15.05

(1) Present one-way fares San Francisco to Los Angeles, Glendale, Ventura and Dorris; also Los Angeles to Tracy, Stockton, Sacramento and San Jose.

(2) Present one-way fares Los Angeles to Modesto, Los Banos, Salinas and Watsonville Jct.

(3) Present one-way fares San Francisco to Fresno, Bakersfield, Santa Barbara, San Luis Obispo and Redding; also Los Angeles to Fresno and Bakersfield.

(4) Proposed one-way minimum fares.

Applicant's general passenger agent testified that because of continued operating losses a business consulting concern was retained to study his company's nation-wide operations and to make recommendations for the improvement of the earning position. According to the witness, the consulting concern's initial studies developed "that disproportionately large losses were being experienced under the present fares for all classes of sleeping accommodations operated in overnight services where the distances traveled are relatively short." The studies made covered the operation of applicant's services over a total of 457 short-haul operations throughout the nation, including those in California, during the period July 1 to October 31, 1951, inclusive. The record shows that the operating ratio for the 457 runs was 154.9 percent as compared with an operating ratio of 109.6 percent for the remainder of applicant's nation-wide services. Based on the studies in question, the consulting concern recommended that applicant establish a nation-wide minimum fare of $5.35 for lower berths and related minimum fares for other classes of accommodations. To avoid an unfavorable relationship between the cost of applicant's services and the average charges for hotel accommodations, however, applicant decided to establish a minimum fare of $5.00 for lower berths and related minimum fares for the other accommodations. The general passenger agent asserted that only a small amount of traffic would be lost by reason of the higher fares proposed.

An exhibit introduced by the assistant auditor showed that applicant's nation-wide operations were conducted in the 12-month period ended May 31, 1951, at a loss of $23,586,556 and that a loss of $16,311,176 was experienced for the 12-month period ended May 31, 1952. The respective operating ratios were 121.4 percent and 113.0 percent. The operating results for the latter period reflect the effect of the 15-percent increase in applicant's interstate and intrastate fares established throughout the nation in the year 1951.[3]

For California operations conducted with intrastate trains, the assistant auditor offered exhibits showing the revenues and operating expenses for the 12-month period ended July 31, 1952, under the present fares and also what the operating results would have been had the proposed fares been in effect during that period. The figures shown below were taken from the exhibits in question.

	Present Fares	Proposed Fares
Revenue	$1,701,265	$1,816,655
Operating Expenses	2,099,664	2,099,664
Net Operating Revenue	($ 398,399)	($ 283,009)
Operating Ratio	123.4%	115.6%

(________) - Indicates Loss

The foregoing operating results do not include revenue amounting to $41,335 derived from intrastate passengers traveling on interstate trains nor the expenses assignable thereto because no accurate apportionment of the latter was available. The record shows that the additional revenue that would be produced on this intrastate traffic by the proposed fares would amount to only $2,813 per year.

Evidence was introduced by the assistant auditor showing that the total value of the property necessary to provide both interstate and intrastate services in California amounted to $5,261,194. This figure included the depreciated value of operating properties, the value of materials and supplies and the amount of cash on deposit in California banks. Separation of the portion devoted to the intrastate operations was made under two different

[3]The 15-percent increase in applicant's California intrastate fares was authorized by Decision No. 45956, supra.

formulae developed by the witness. On a mileage basis, he calculated that the intrastate rate base amounted to 20.183 percent, or $2,839,100, of the aforesaid total investment in California. The exhibits presented by the witness showed that the percentage figure in question represented the relation of the mileage operated within California, including that for the portions of interstate routes within this State, to the total mileage consisting of that operated locally in California and that for the full interstate routes operating from or to California terminals. Based on the average number of Pullman cars operated in California, the assistant auditor calculated also that the intrastate rate base was equal to 23.763 percent of the total investment in California, or $2,947,833. The percentage figure referred to was developed by use of the same formula described above except for the use of the average number of cars operated as the factor instead of the mileage involved. The witness asserted that he had not been able to develop more accurate formulae for the separation of the intrastate rate base.

A number of deficiencies appear in the calculations of the intrastate rate base. Analysis of the assistant auditor's exhibits discloses that only the depreciated value of Pullman cars operated locally within California was included in the investment figures. On the other hand, the two formulae employed for the separation of the intrastate portion give effect to the mileage and to the average number of cars involved in intrastate operations on interstate routes as well as to similar operating data for cars employed in California local services. The lack of conformity between the composition of the investment figures and the elements given effect by the formulae produces inaccurate results. Also, the formulae do not take into account the relative amount of occupancy by interstate and intrastate passengers of sleeping accommodations provided on interstate routes. The need for an allowance for working cash in the rate base was not substantiated. Information sufficient to calculate a proper rate base is not provided by this record.

No one appeared in opposition to the granting of the application.

The record made in this proceeding shows that the revenue derived from applicant's present intrastate fares is insufficient to cover the cost of operation by $398,399 per year. The higher fares sought would provide needed additional revenue but would do no more than to reduce the intrastate operating deficit being experienced to $283,009 per year. In view of the substantial operating loss which applicant will continue to sustain, the relief sought will not be withheld because of the failure to establish a rate base.

Upon consideration of all of the facts and circumstances of record, the Commission is of the opinion and hereby finds that the fare increases sought by applicant in this proceeding are justified. The application will be granted. Applicant requested that it be permitted to establish the proposed fares on less than statutory notice and to depart from the terms of the Commission's Tariff Circular No. 2 to the extent necessary to publish the fares in master-table supplements to its tariffs. These requests appear to be reasonable and will be granted. However, applicant will be required to make specific publication of the authorized increased fares in its tariffs not later than 180 days after the effectiveness of the fares under the master-table supplements.

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 The Pullman Company be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, the increased fares for sleeping accommodations as proposed in the application filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that The Pullman Company be and it is hereby authorized to publish the increased fares authorized herein in master-table supplements to its tariffs. To the extent that departure from the terms and rules of Tariff Circular No. 2 of this Commission is required to accomplish such publication, authority for such departure be and it is hereby granted. Applicant thereafter shall publish in its tariffs the specific increased fares authorized herein not later than one hundred and eighty (180) days after the effectiveness of the fares.

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 Los Angeles, California, this 16th day of December, 1952.

R. E. [illegible]
President

Justus F. Craemer
Harold P. Huls
Kenneth Potter
Peter E. Mitchell
Commissioners