

Decision No. 53301

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 454)
and 491 of the Public Utilities Code,)
to increase rates.)

Application No. 37848

Herbert S. Anderson, Clair W. MacLeod and
Martin J. Rock, for applicant.
John L. Pearson, for the Commission's staff.

O P I N I O N

The Pullman Company is a common carrier engaged in the operation of sleeping cars over various railroad lines in California. By this application it seeks authority to increase by 7½ per cent all of its California intrastate rates, fares and charges.¹

A public hearing of the application was held at San Francisco on May 14, 1956, before Commissioner Ray E. Untereiner and Examiner Carter R. Bishop. Notices of the hearing were sent out in advance to over 100 organizations and individuals throughout the State, including public officials, the military, chambers of commerce and others. Evidence was introduced by applicant's vice president of traffic, its general counsel and its assistant auditor of disbursements. A supervising engineer of the Commission's staff assisted in the development of the record through examination of the witnesses.

¹

The proposed upward adjustment is identical with that established by applicant on interstate traffic, effective May 1, 1956. Authority to make like adjustments is being sought from, or has been granted by, other State regulatory bodies throughout the nation.

The last extensive adjustment of applicant's California intrastate fares was made pursuant to Decision No. 45956 of July 17, 1951, in Application No. 32410 (unreported), when a 15 per cent increase was authorized. By Decision No. 48044 of December 16, 1952, in Application No. 32954 (52 C.P.U.C. 311) applicant was permitted to establish minimum fares for all classes of sleeping accommodations. Early in 1956 applicant established, on a temporary basis, reduced fares for certain types of accommodations between selected points in various parts of the nation. California intrastate movements were involved in that adjustment only to a minor degree. According to applicant's vice president, the results of the experimental reduced fares were not satisfactory and the fares were allowed to expire with April 30, 1956. The increases involved herein are intended to apply to the regular, not the experimental, fares.

Decision No. 48044, supra, showed that even with the 15 per cent increase authorized in 1951 the carrier's intrastate operations continued to be conducted at a substantial loss, reflecting for the 12-month period ending May 31, 1952, an operating ratio of 113.0 per cent, and that under the increased minimum fares involved in the aforesaid decision the operating ratio in connection with California intrastate trains would be 115.6 per cent.

At the hearing in the instant proceeding an exhibit introduced by the assistant auditor showed that applicant's nationwide operations were conducted in the 12-month period ending December 31, 1955, at a loss of \$17,334,066, with a corresponding operating ratio of 119.0.² Since August 1, 1952, the witness testified, applicant's

² In arriving at the deficit figure the witness had excluded yard electrical maintenance expense amounting to \$13,262,824. In a recent rate case the Interstate Commerce Commission, he said, had objected to the inclusion of that expense item in determining an operating ratio.

system-wide labor costs have steadily increased until they now amount to \$12,440,000 per year more than they did on that date.

The results of operations conducted with California intra-state trains, for the same 12-month period ending December 31, 1955, were set forth in another exhibit. It reflected the situation under present fares and, additionally, showed what the operating results would have been had the proposed fares, and a wage increase which was granted applicant's employees in 1956, been in effect during the period in question.³ The exhibit may be summarized as follows:

	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$1,186,385	\$1,275,901
Operating Expenses	1,527,759	1,616,269
Net Operating Revenue	(\$ 340,874)	(\$ 340,468)
Operating Ratio	128.7%	126.7%

() - Indicates Loss

The above operating results do not include revenue amounting to \$15,082 received from intrastate passengers travelling on interstate trains, nor revenue of \$115,816 derived from intrastate special movements. No accurate apportionment of expenses assignable to the former was available; expense incurred in connection with the special movements, the assistant auditor stated, amounted approximately to \$136,000.⁴

Applicant's vice president stated that it has been the company's policy to maintain a parity of fares as between interstate and intrastate movements of comparable distances. He asserted that

³ According to the record the wage increase, which amounts to \$83,610 on an annual basis, became effective March 1, 1956.

⁴ The record discloses that the revenues and expenses shown in the foregoing table also include those relating to the transportation of interstate passengers on intrastate trains.

the accommodations available and the services performed by applicant with respect to intrastate traffic are substantially the same as those for interstate traffic. It was his opinion that the increases sought herein, if granted, would not result in any appreciable diminution of traffic.

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

The record discloses that the revenue obtained from applicant's present California intrastate fares is insufficient to cover the costs of operation by \$429,484 per year.⁵ The sought increases in fares would be of some assistance, but would merely reduce the annual operating deficit under present conditions to \$340,468. Applicant presented no evidence relative to the establishment of a rate base.⁶ Since it is clear that applicant's California intrastate operations will continue to reflect substantial losses, the failure to produce such evidence will not bar the granting of the sought relief.

Upon consideration of all 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

⁵ The above deficit figure reflects the operating loss of \$340,874 incurred in 1955, plus an amount equal to the annual labor expense increase of \$88,610 resulting from the wage adjustment of March 1, 1956.

⁶ In the proceedings involving Applications Nos. 32410 and 32954, supra, applicant attempted to develop intrastate rate bases on various theories. However, analysis disclosed a number of deficiencies in their calculation and the Commission found that the records in those applications did not contain information sufficient to determine a proper rate base.

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. Also, in view of applicant's urgent need for additional revenues, the order which follows will be made effective five days after the date hereof. Applicant will be required to make specific publication of the authorized increased fares in its tariffs not later than 180 days after the effective date or dates 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 days' notice to the Commission and to the public, the increased fares for sleeping car 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 is hereby granted. Applicant thereafter shall publish in its tariffs the specific increased fares authorized herein not later than one hundred and eighty days after the effective date or dates of the fares.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

This order shall become effective five days after the date hereof.

Dated at San Francisco, California, this 26th day of June, 1956.

John E. Mitchell
President
Justin J. Calmes
Ronald J. Starnes
Monte D. ...

Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.