

Decision No. 54920**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)	Application No. 38632
and 491 of the Public Utilities)	
Code, to increase rates.)	

Clair W. MacLeod and Martin J. Rock,
for applicant.
Timothy J. Canty, 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, as amended, it seeks authority to increase by seven per cent all its California intrastate rates, fares and charges.¹

Public hearing of the application was held before Examiner Carter R. Bishop on January 30, 1957, at San Francisco. Notices of the hearing were sent out in advance to more than 100 organizations and individuals throughout the state, including public officials, chambers of commerce, the military, and others. Evidence was introduced by applicant's vice president of traffic and by its assistant auditor of disbursements. An engineer member of the Commission's staff assisted in the development of the record through examination of the witnesses.

¹The proposed upward adjustment is the same as that established by applicant on interstate traffic, effective January 1, 1957. Authority to make like adjustments is being sought from, or has been granted by, other state regulatory bodies throughout the nation.

Applicant's California intrastate fares were last adjusted on July 11, 1956, when an increase of 7½ per cent went into effect, pursuant to authorization granted by Decision No. 53301 in Application No. 37848.² In that proceeding the record indicated that even with the 7½ per cent increase applicant would sustain an estimated loss in its California operations of approximately \$340,000, reflecting an operating ratio of 126.7 per cent.

An exhibit introduced by the accounting witness at the hearing in the instant proceeding shows the results of applicant's nation-wide operations for the ten-month period ending October 31, 1956. The net result for the period in question was a deficit of \$14,690,102, with a corresponding operating ratio of 118.8 per cent. According to another exhibit, operating expenses for the system have increased by more than \$6,000,000 since May 1, 1956, the interstate effective date of the 7½ per cent fare increase.

Results of operations of applicant's services in connection with California intrastate trains, for the same ten-month period ending October 31, 1956, were also included in the record. Actual operating results were compared with those which, according to the carrier's estimate, would have been experienced, under present and proposed fares, respectively, had the above-mentioned increase in operating expenses been in effect during the entire period in question.³ These results are summarized in the following table:

² The increase in question was identical with that authorized on interstate traffic, effective May 1, 1956.

³ According to the record, increases in wages were effective November 1, 1956, unemployment tax rates on January 1, 1957, and materials and supplies at various times since May 1, 1956.

	<u>Actual</u>	<u>Estimated</u>	
		<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$ 926,367	\$ 969,142	\$1,036,982
Operating Expenses	<u>1,130,250</u>	<u>1,198,065</u>	<u>1,198,065</u>
Net Operating Revenue	\$ <u>(203,883)</u>	\$ <u>(228,923)*</u>	\$ <u>(161,083)</u>
Operating Ratio	122.0%	123.6%*	115.5%

() Indicates red figure.
*Calculated by the staff.

The operating results set forth above do not include revenue of approximately \$10,000 received from intrastate Pullman passengers traveling on interstate trains, nor revenue of \$72,350 obtained from intrastate special movements. According to the record, an accurate apportionment of expenses assignable to the former is not available; expenses for the special movements, the auditor testified, amounted to approximately \$86,000.

The foregoing evidence was adduced to show applicant's need for increased revenues in order to offset operating deficits. The fare increases sought herein, the vice president stated, are also requested in order to keep intrastate and interstate fares for comparable distances on a parity. This, he said, has been the company's policy for many years. According to this witness, Pullman services performed and Pullman accommodations available for intrastate traffic parallel the services performed and accommodations available for interstate trips.

It was the opinion of the vice president that the sought increases, if authorized, would not result in any appreciable diversion of traffic.⁴

⁴ According to both of applicant's witnesses, however, the system-wide trend of traffic is generally downward, and the vice president believed that this was also true of California.

No one opposed the granting of the application.

It is apparent from the record that the revenue reasonably to be expected from applicant's California intrastate operations under its present fare structure will fail to cover the costs of operation by at least \$228,923 per year. The effect of the sought fare increases, if granted, would be to reduce the annual operating deficit, under conditions reflected by the record, to approximately \$161,000, with an operating ratio of 115.5 per cent.

No evidence was offered by applicant relative to the establishment of a rate base.⁵ However, since it is clear that the carrier's California intrastate operations will continue to result in substantial losses, the failure to produce such evidence will not prevent the granting of the relief herein sought.

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, as amended, will be granted. Applicant has 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

⁵ In two prior fare increase proceedings, Applications Nos. 32410 and 32594, 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.

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, as amended, 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 Los Angeles, California, this 30th day of APRIL, 1957.

J. E. Mitchell
President
Carl L. Entersheim
Walter H. ...
R. Hardy
C. L. ...
Commissioners