

ORIGINAL

Decision No. 56491

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. 39723

Clair W. MacLeod and Martin J. Rock,
 for applicant.
A. C. Porter, for the Commission 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 its California intrastate rates for room accommodations locally on and via the Southern Pacific Company.^{1/}

Public hearing of the application was held before Examiner William E. Turpen on March 3, 1958, at San Francisco. Notices of the hearing were sent out in advance to more than 80 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. A staff member of the Commission's Transportation Division assisted in the development of the record.

^{1/} The proposed upward adjustment is the same as that established by applicant on interstate traffic, effective February 15, 1958.

Applicant's California intrastate fares were last adjusted effective May 15, 1957 when they were increased seven percent pursuant to authority granted by Decision No. 54920 in Application No. 38632. In the instant application, the proposed increases will apply to rates for room accommodations only and only where the accommodations are for night use on trips of relatively short distances over the lines of Southern Pacific Company. The proposed increases range from 20 percent on room accommodations based on lower berth rates to and including \$6.70, to 4 percent where based on a lower berth rate of \$8.30.^{2/}

An exhibit introduced by applicant's assistant auditor of disbursements shows that during 1957, in its nationwide operations, applicant incurred a deficit for the year of \$23,582,320, with a corresponding operating ratio of 128.4 percent. According to another exhibit, operating expenses for the system have increased by more than \$5,000,000 since January 1, 1957.

Results of operations of applicant's services in connection with trains operated within California by Southern Pacific for 1957 were also included in the record. Operating results for California, with system average expenses, 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

^{2/} In effect about the only California intrastate traffic involved will be that between San Francisco, Oakland and Sacramento, on the one hand, and Los Angeles, on the other hand. The proposed increase on that traffic will amount to 20 percent.

increase in operating expenses been in effect during the entire period in question. These results are summarized in the following table:

	<u>1957</u>	<u>Estimated</u>	
		<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$ 971,278	\$ 999,578	\$1,180,578
Operating Expenses	<u>1,283,559</u>	<u>1,347,559</u>	<u>1,347,559</u>
Net Operating Revenue	\$ <u>(312,281)</u>	\$ <u>(347,981)*</u>	\$ <u>(166,981)</u>
Operating Ratio	132.2%	134.8% *	114.1%

 Indicates red figure

*Calculated by the staff.

The operating results set forth above do not include revenue of approximately \$77,875 obtained from intrastate special movements via the Southern Pacific Company. The auditor testified that expenses for the special movements amounted to approximately \$104,275.

Cross-examination of applicant's witness revealed that there is a uniform service contract between The Pullman Company and various railroads on which applicant provides service. This contract provides that applicant shall be reimbursed for the amount of any deficit which it incurs in its operations plus a 3% return on the depreciated investment in revenue cars. This is accomplished through annual settlements with the various railroads. As a result the Income Statements of applicant consistently show an operating profit rather than the results indicated above, and, therefore, any deficit from the operations of The Pullman Company is reflected in the operating statements of the participating railroads.

The application shows that the short haul traffic, for which the increases are sought herein, produces more than its share of the company's deficit, and the present sought increase is an attempt to reduce the deficit on this traffic. Applicant's vice president stated that it was his opinion that the sought increases, if granted, would not result in any appreciable diminution of traffic.

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 \$347,981 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 \$167,000, with an operating ratio of 114.1 percent.

No evidence was offered by applicant relative to the establishment of a rate base. 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 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 ten 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 findings and conclusions set forth in the preceding opinion,

IT IS HEREBY ORDERED:

(1) 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.

(2) 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.

(3) That the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 8th day of April, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners