

**ORIGINAL**Decision No. 58538

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of THE PULLMAN COMPANY for author- )  
ity, under Sections 454 and 491 of )  
the Public Utilities Code, to in- )  
crease rates. )

Application No. 40913

Clair W. MacLeod and Martin J. Rock,  
for applicant.  
Albert 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 by five per cent its rates for night use of sleeping accommodations for California intrastate trips on and via Southern Pacific Company.<sup>1</sup>

Public hearing of the application was held before Commissioner Theodore H. Jenner and Examiner Carter R. Bishop on April 24, 1959, at San Francisco. Notices of hearing had been sent out in advance to numerous organizations and individuals throughout the State, including public officials, chambers of commerce, the military, and others. At the hearing, evidence was introduced by applicant's general passenger agent and by its general accounting

<sup>1</sup> The proposed upward adjustment is the same as that established by applicant on interstate traffic, effective February 10, 1959 in the territory east of the Mississippi River, and effective April 1, 1959 for interstate trips on and via Southern Pacific Lines (including Texas and New Orleans Railway Company). Intrastate authority from the various states involved has been secured or is being sought.

auditor. An engineer member of the Commission staff assisted in the development of the record through examination of the witnesses.

Applicant's California intrastate fares were last adjusted on April 18, 1958, when increases ranging from 4 to 20 per cent went into effect, pursuant to authorization granted by Decision No. 56491 in Application No. 39723. Those increases, as in the present proposal, were confined to rates for night use of sleeping accommodations for California intrastate trips on and via Southern Pacific Company. Additionally, they related to room accommodations only.

An exhibit introduced by the accounting witness at the hearing in the instant proceeding shows the results of applicant's nationwide operations for the calendar year 1958. The net result for the period in question was a deficit of \$13,450,582, with a corresponding operating ratio of 120 per cent. According to another exhibit, operating expenses for the system have increased by \$2,678,000 since February 1, 1958.<sup>2</sup>

Results of operations of applicant's services in connection with trains operated by Southern Pacific Company within California for the same 12-month period ending December 31, 1958 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

---

<sup>2</sup> The interstate effective date for the 1958 fare increases was February 15, 1958.

the entire period in question. These results are summarized in the following table:

<u>Item</u>	<u>Actual</u>	<u>Estimated</u>	
		<u>Present Fare</u>	<u>Proposed Fare</u>
Operating Revenue	\$ 944,801	\$ 999,271*	\$1,049,198
Operating Expenses	1,050,914	1,088,747*	1,088,747
Net Operating Revenue	(106,113)	(89,476)*	(39,549)
Operating Ratio	111.2%	109.0%	103.8%

(Red Figure)

\* Calculated by the staff.

The revenue estimates for the projected rate year, under both present and proposed fares, were adjusted to give effect, for a full 12-month period, to the aforementioned fare increase which became effective on April 18, 1958.

The operating results set forth above do not include a small amount of revenue received from intrastate Pullman passengers traveling on interstate trains, nor revenue of \$86,000 obtained from intrastate special movements. Expenses for the special movements, the auditor testified, amounted to approximately \$96,000.

In the opinion of the general passenger agent, the proposed fare increases would not result in any appreciable impairment of the present volume of Pullman traffic over the routes affected. The witness supported this opinion by reference to applicant's experience with the 1958 fare advance.<sup>3</sup> He cited figures which showed that, following the inauguration of that increase, the volume of Pullman traffic carried on the Lark (Southern Pacific Trains 73, 74, 75 and 76) did not decline and that the full effect of the increase in question was reflected in applicant's revenues.<sup>4</sup>

<sup>3</sup> The record indicates, however, that there has been, over a period of years, a continuing decline in Pullman traffic.

<sup>4</sup> Exhibits of record reveal that the Lark trains accounted for 75 per cent of applicant's total revenues received in 1958 under the fares involved herein.

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 its costs of operation by at least \$89,000 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 \$40,000, with an operating ratio of 103.8 per cent.

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 10 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.

ORDER

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

IT IS ORDERED that:

1. The Pullman Company be and it is hereby authorized to establish, on not less than ten 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. 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 eighty days after the effective date or dates of the fares.

3. 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 2nd day of June, 1959.

[Signature]  
President  
[Signature]  
[Signature]

Commissioners