

ORIGINALDecision No. 63671

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE ATCHISON, TOPEKA AND
 SANTA FE RAILWAY COMPANY, SANTA FE
 TRANSPORTATION COMPANY, NORTHWESTERN
 PACIFIC RAILROAD COMPANY, SOUTHERN
 PACIFIC COMPANY, UNION PACIFIC RAILROAD
 COMPANY and THE WESTERN PACIFIC RAILROAD
 COMPANY to increase one-way and round-
 trip coach fares.

Application No. 43761

Charles W. Burkett, Jr., for all applicants
 except Santa Fe Transportation Company.
Robert A. Thompson, for The Atchison, Topeka
 and Santa Fe Railway Company and Santa Fe
 Transportation Company; Marshall W. Vorkink,
 for Union Pacific Railroad Company; Walter G.
Treanor, for The Western Pacific Railroad
 Company; applicants.
Albert C. Porter, for the Commission staff.

O P I N I O N

Applicants, with one exception, are common carriers of passengers by railroad. Santa Fe Transportation Company operates as a passenger stage corporation and as a highway common carrier. By this application authority is sought to increase certain of applicants' intrastate passenger fares.

Public hearing of the application was held before Examiner Carter R. Bishop at San Francisco on December 8, 1961.

Applicants propose to increase by five percent their one-way and round-trip coach fares, including bus fares of Santa Fe Transportation Company, subject to certain exceptions and modifications.^{1/} No change is proposed in first-class fares, nor in

^{1/} Santa Fe Transportation Company, The Atchison, Topeka and Santa Fe Railway Company and Northwestern Pacific Railroad Company will be hereinafter referred to as "Transportation", "Santa Fe" and "Northwestern", respectively.

the individual commutation and multiple-ride fares of Southern Pacific applicable between San Francisco, San Jose, Vasona, and stations intermediate thereto. Likewise, no change is proposed in present commutation fares of Santa Fe between Los Angeles, Fullerton, Anaheim, Santa Ana and points intermediate thereto.

Special coach fares of Southern Pacific between San Francisco, Oakland and Sacramento, on the one hand, and Los Angeles, on the other hand, are proposed to be increased from \$10.00 to \$10.50, one way, and from \$18.00 to \$18.90 round trip. Like increases are proposed in the coordinated rail-bus coach fares of Santa Fe and Transportation between San Francisco and Oakland, on the one hand, and Los Angeles, on the other. The coach and parlor car portions of certain "mixed" class fares of Southern Pacific would be increased by five percent.

Evidence in support of the application was introduced through officials of the traffic departments of Santa Fe, Southern Pacific and Union Pacific, of the accounting departments of Santa Fe, Union Pacific and Western Pacific, and of the Bureau of Transportation Research of Southern Pacific. A representative of the Commission's Engineering Economics Branch assisted in the development of the record.

According to the aforementioned passenger traffic officials, the proposed fare increase of five percent is patterned after an increase in passenger fares accorded applicants by the Interstate Commerce Commission on traffic between California and other states. That increase, the record shows, became effective July 1, 1961.^{2/} Generally, the increases sought herein would place

^{2/} Parallel increases on intrastate traffic became effective in Nevada, Oregon, New Mexico, Utah and Arizona on various dates in July and August, 1961.

California intrastate coach fares on the same per-mile level as now prevails on interstate movements. The proposed fares, however, between San Francisco-Sacramento and Los Angeles, as well as fares based thereon, would still fall below the rate per mile of said interstate fares.

The accounting and research witnesses testified concerning studies which they had made purporting to show the financial results of their respective companies in the transportation of intrastate passengers between points in California. The basic period selected for these studies was the calendar year 1960. These operating results are summarized in Table 1, below.

TABLE 1

Revenues, Expenses and Net Operating
Income for California Intrastate
Passenger Traffic - Year 1960.

<u>Applicant</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Southern Pacific	\$13,574,392	\$22,585,521	<u>(\$9,011,129)</u>
Santa Fe	2,864,375	8,451,872	<u>(5,587,497)</u>
Union Pacific	83,712	93,479	<u>(9,767)</u>
Western Pacific	79,918	251,452	<u>(171,534)</u>
Transportation	78,602	115,105	<u>(36,503)</u>
Northwestern	17,736	199,474	<u>(181,738)</u>

 - Indicates loss.

In arriving at the results set forth above the witnesses found it necessary to segregate California intrastate revenues and expenses from those arising from the freight service. In many instances allocations of expenses, and, to a minor extent, of revenues were necessary as between the aforementioned categories of service. The allocations were made on various bases, depending on

the particular circumstances. According to the record, the witnesses, in developing the intrastate passenger operating results, followed the procedures which were employed in the corresponding studies which were made in connection with Application No. 41374, the most recent passenger fare rate increase proceeding prior to the instant application.

It is not deemed necessary to describe herein the aforementioned procedures by which applicant's witnesses arrived at the figures set forth in Table 1. Since, however, the same procedures were employed in these studies as in those introduced at the hearings in Application No. 41374, the same weaknesses are manifest in the current presentation as in the earlier one. For example, revenues and expenses relating to the San Francisco peninsula commute service of Southern Pacific were included in the figures in Table 1. It appears, from questioning by the staff representative, that if the peninsula revenues and expenses had been excluded the loss figure of approximately \$9,000,000 for Southern Pacific shown in Table 1 would have been reduced by some \$4,000,000.^{3/}

The above-mentioned accounting and research witnesses also introduced exhibits purporting to show the results of operation (as set forth in Table 1, above) adjusted to reflect passenger train revenue and expense levels as of June 30, 1961,^{4/} and further adjusted to include the estimated additional revenue under the fare

^{3/} It has been the practice of Southern Pacific for many years to seek fare adjustments for the peninsula service in proceedings apart from those in which statewide adjustments are sought. The most recent adjustment in peninsula fares was effected pursuant to Decision No. 61268, dated December 28, 1960, in Application No. 42427.

^{4/} The date utilized by Santa Fe and Transportation was July 1, 1961.

increases herein sought. These estimated operating results are summarized in Table 2, below:

TABLE 2

Estimated California Intrastate Passenger
Operating Results for Year 1960 (Adjusted)

<u>Applicant</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Southern Pacific	\$14,126,958	\$23,039,490	<u>(\$8,912,532)</u>
Santa Fe	3,002,569	8,620,064	<u>5,617,495</u>
Union Pacific	88,398	94,666	<u>6,268</u>
Western Pacific	83,571	257,778	<u>174,207</u>
Transportation	82,102	117,396	<u>35,294</u>
Northwestern	18,011	203,483	<u>185,472</u>

 - Indicates loss.

The estimated increased revenues reflected by Table 2 include, in addition to those anticipated under the proposals herein, revenues resulting from express rate increases and advances in railway mail pay which took effect subsequent to January 1, 1960. The adjustments in operating expenses give effect to increased operating costs, including the items of wages, payroll expense, fuel and materials.

Passenger traffic officials of applicants testified^{5/} that they did not anticipate any appreciable loss in traffic in the event that the sought fare increases were approved. This judgment, they said, was predicated on the modest amount of the increases in question and their past experience with previous comparable fare increases. The record discloses the following carrier estimates of additional revenues, per annum, under the proposed fares:

^{5/} The testimony to which reference is here made was given on behalf of Western Pacific by its accounting witness.

Southern Pacific	\$104,000
Santa Fe	86,500
Transportation	3,500
Western Pacific	3,000
Union Pacific	900
Northwestern	275

Notices of the hearing in this proceeding were posted in applicants' stations and in the passenger trains serving the points involved. Additionally, the Commission's secretary sent notices of hearing to persons and organizations believed to be interested. No one appeared in opposition to the granting of the application.

Conclusions

As hereinbefore stated, the procedures followed by applicants in developing their estimates of fully distributed costs of California intrastate passenger operations were the same as those utilized in the 1959-60 fare increase proceeding. We have above pointed out that there were some infirmities in the procedures thus employed. However, here, as in the earlier proceeding, the allocated expenses exceed revenue by such magnitude, that even with such reductions in expenses as may be required, it does not appear that the end results would be changed to an earning position.

According to the results summarized in Table 1, the 1960 California intrastate passenger operations of all applicants reflected deficits, those of Southern Pacific and Santa Fe being particularly large. Even if the application herein were to be granted in full, the additional revenues to be derived from the increased fares would not, according to the estimates of the carrier witnesses, be sufficient to place the intrastate passenger service "in the black". The estimated deficits, as summarized in Table 2,

would be even greater for Santa Fe, Western Pacific and Northwestern, and only slightly less for Southern Pacific, Union Pacific and Transportation, than those experienced in 1960.

Upon careful consideration of all the facts and circumstances of record, we find as follows:

1. Applicants have experienced increases in the cost of operating their California intrastate passenger services since the fares relating thereto were last adjusted.

2. Said intrastate passenger operations reflected losses, for the year 1960, for all applicants.

3. Additional revenues are required if applicants are to maintain the integrity of said passenger services.

4. The prospective additional revenues under the proposed fares will be insufficient to return the costs to any of the applicants of rendering said services. ✓

In the light of the findings hereinbefore set forth we find and conclude that the proposed fares have been justified. ✓

Applicants request that tariff supplements to contain the sought increased rates be exempted from the requirements of the Commission's Tariff Circular No. 2. No justification was advanced in support of this request. It will be denied.

In view of the urgent need for additional revenues applicants will be permitted to establish the increased fares, herein authorized, on less than statutory notice. ✓

C P D E R

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

IT IS ORDERED that:

1. Applicants are hereby authorized to establish the increased passenger fares proposed in the application filed in this proceeding. The tariff publications authorized to be made may be filed not earlier than the effective date hereof, to become effective on not less than ten days' notice to the Commission and to the public.
2. The authority herein granted shall expire unless exercised within one hundred twenty days after the effective date of this order.
3. In all other respects Application No. 43761 is hereby denied.

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

Dated at San Francisco, California, this 8th day of May, 1962.

Everett C. Page
President
W. D. Mitchell
S. J. Fox
George J. Hoover
Fredrick W. Hallock
Commissioners